

INTEGRATED REPORT 2017

Epson Group



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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.



We at Epson seek to create customer value as guided by our Management Philosophy with the aims of winning and maintaining the trust of our stakeholders and of contributing in an ongoing way to the development of society. We will fulfill our corporate social responsibility through actions designed to achieve our Management Philosophy.

In April 2017, Epson revised its Management Philosophy, which guides everything we do, to expressly state our goal of making Epson an indispensable company. In conjunction with these changes, we also revised "Principles of Corporate Behavior," Epson's corporate code of conduct. This code of conduct, which is shared throughout the Epson Group, articulates cautionary measures and standards of conduct that employees are expected to follow when dealing with customers, shareholders, investors, and other stakeholders.

Principles of Corporate Behavior	
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.
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.
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.
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.
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.
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.
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.
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.
9 Initiating honest dialogue with our stakeholders	We maintain open lines of communication with our stakeholders, thoughtfully considering their views and suggestions.

(Excerpt)

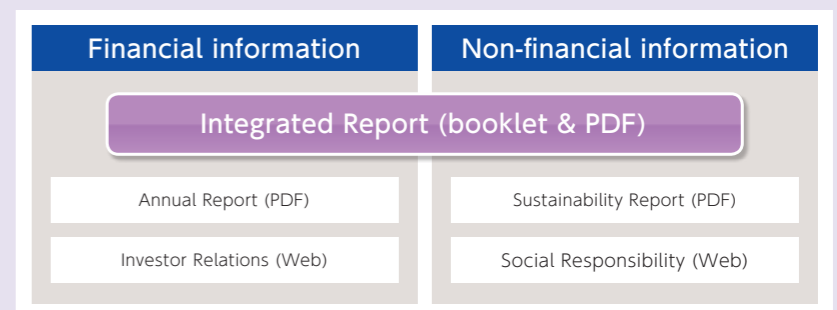
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Information Disclosure

In autumn 2017, Epson issued the Epson Integrated Report as an important communications tool for shareholders, investors, and other stakeholders. This report carries information about Epson's business strategies, financial performance, and ESG activities. The information presented reflects Epson's sustainability and growth potential. Epson has also been working to improve communication with stakeholders by publishing a Sustainability Report and providing information on its websites and in other media.

Note: Epson products and services vary by region. Most of the products featured in this Report are models for the Japanese market. Please refer to your local Epson sales company for details of products and services available in your region. Please do not use images and other content in this report without permission.



Reference websites

[Investor Relations](http://global.epson.com/IR/)
<http://global.epson.com/IR/>

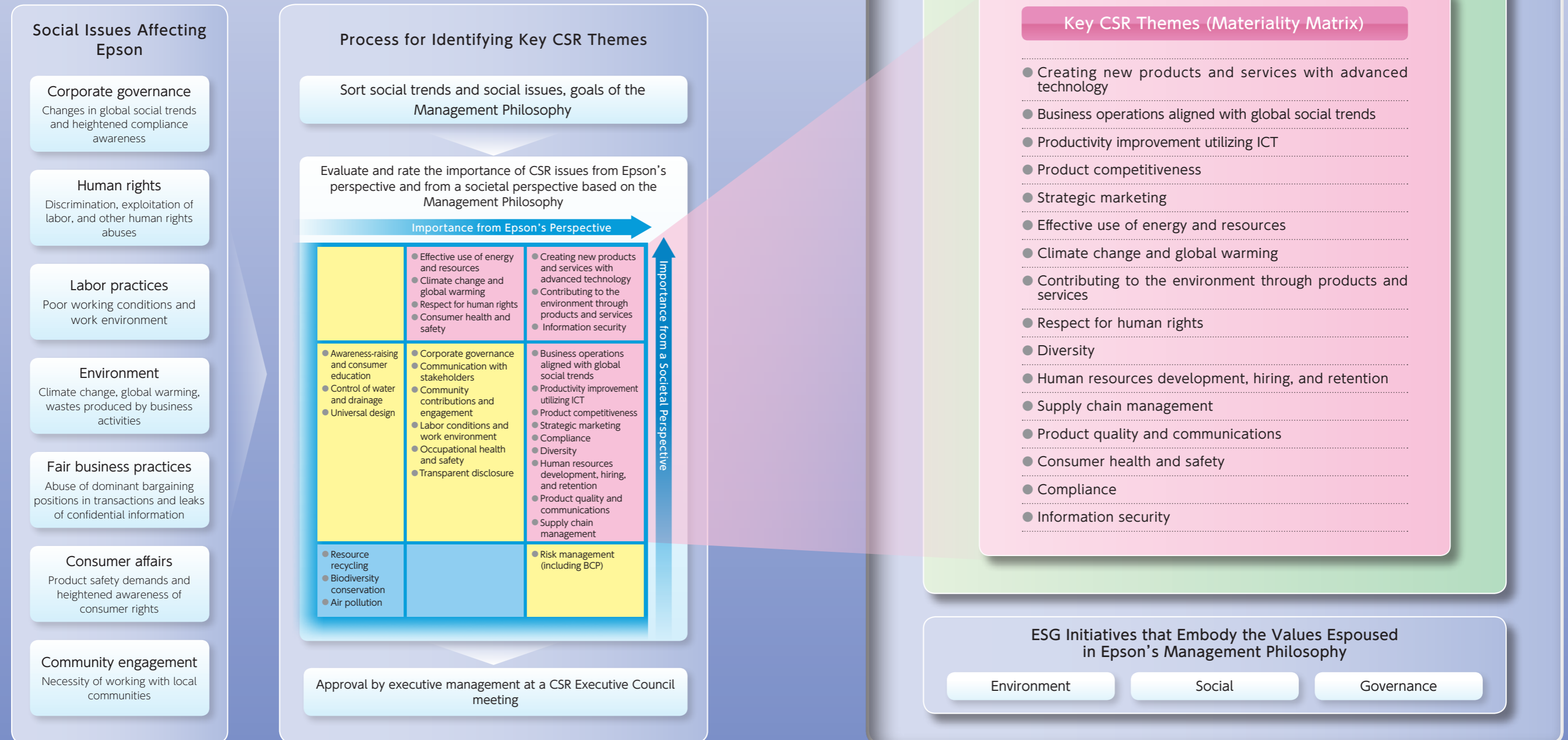
[Social Responsibility](http://global.epson.com/SR/)
<http://global.epson.com/SR/>

Disclaimer

This report includes forward-looking statements, estimates, and plans. Projections herein are based on the best information available at the time of publication. Actual results may vary from those discussed. Note that product availability and names vary by region. Please contact your local Epson sales company for information about products available in your region.

Materiality Matrix for Prioritizing Social Issues

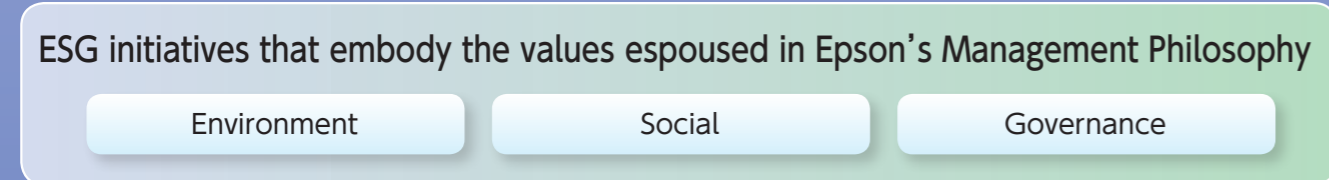
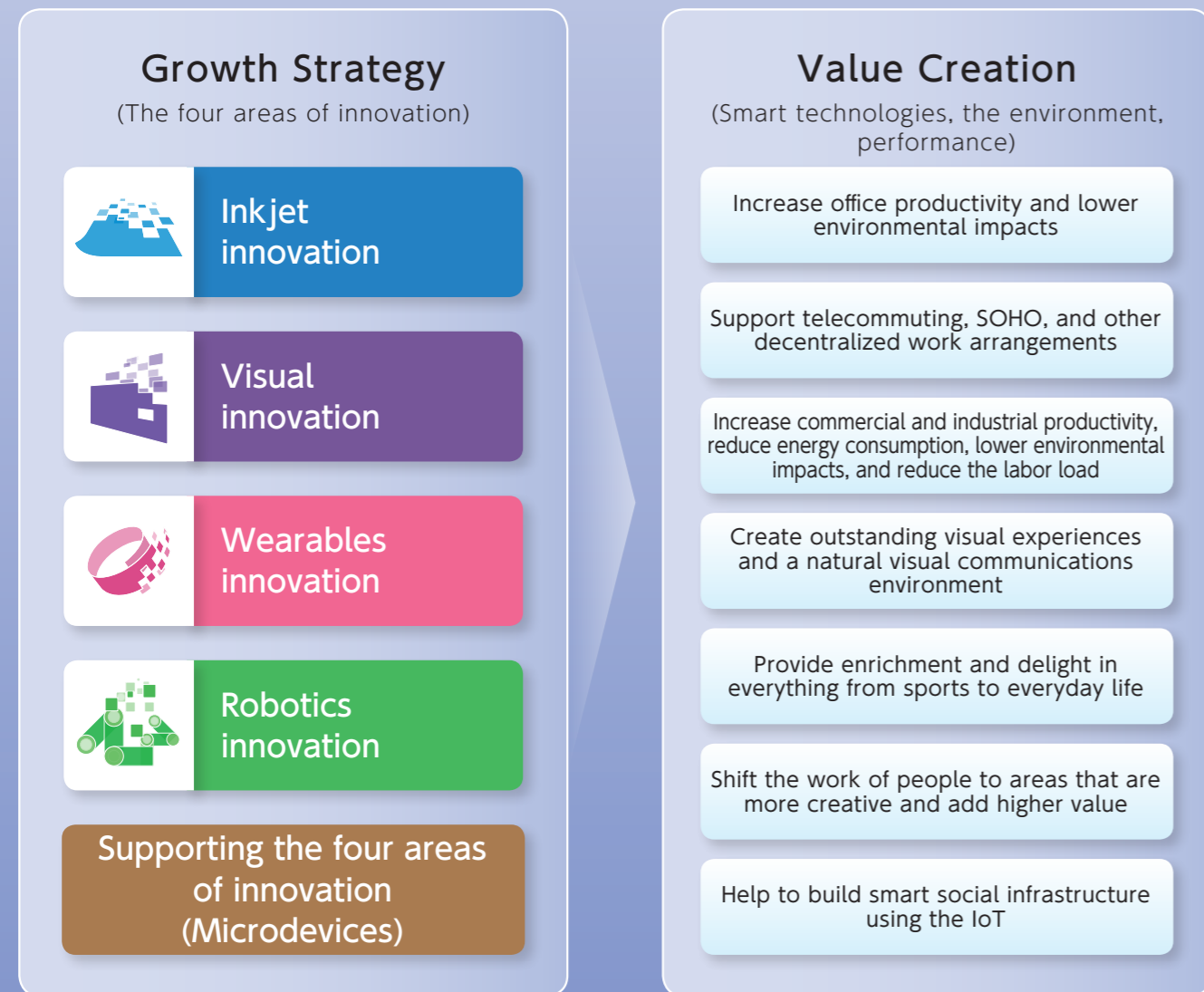
To reach the goals stated in our Management Philosophy and to become an indispensable company, we believe it is important to identify issues that should be addressed and to solve them through our business activities. Using ISO 26000 and other sources for guidance on social issues, we identified all of the CSR issues affecting our operations. We evaluated the issues in terms of their impact on Epson and on society, and we assigned priorities for addressing them in a key CSR theme matrix.



Epson 25 Corporate Vision

Creating Value through Innovation and Driving Growth

Steady business growth is essential if we are to achieve the goals set forth in the Management Philosophy. Epson is seeking to achieve future growth by addressing social issues while leveraging its strengths to drive inkjet, visual communications, wearables, and robotics innovations that create value in the areas of smart technology, the environment, and performance. Growth will also come from further expansion in the office, commercial, and industrial sectors in addition to consumer markets.



Epson's Growth

Expansion of the office market

- Inkjet printers
- Office papermaking systems
- Projectors
- Scanners

Expansion of the commercial and industrial markets

- Commercial and industrial printers
- High-brightness projectors
- Robots

Reinforcement of the consumer market

- Wearable products
- Smart eyewear
- Inkjet printers

FY2025 financial objectives

Revenue	ROS ²
¥1,700 billion	12%
Business profit ¹	ROE ³
¥200 billion	15%

* Assumed exchange rates: JPY115/ USD & JPY125/ 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

Achieving the Goals of the Management Philosophy





Epson will contribute to society as an indispensable company by maintaining high aspirations and creating customer value.

Minoru Usui

President
Seiko Epson Corporation

Aims of Management Philosophy Amendments

Creating new customer value as an indispensable company

In April 2017, Epson partially amended its Management Philosophy and added the phrase “Epson aspires to be an indispensable company.” This is a declaration of our commitment to use our technology to provide new customer value in order to play a central role in realizing a better world.

Epson’s reason for being is to enrich lives and make society happier. As a company, we have to make a profit, but that profit has to be the result of earning the trust and appreciation of our customers. We revised the Management Philosophy to articulate our goal of sustaining growth and being indispensable to our customers, business partners, employees, and to society by generating profit, a sign that we have earned trust.

A company does not make itself indispensable by becoming absorbed in what its competitors are doing or in market competition. Just because a company has defeated a rival does not mean that it has created new value. What it should always emphasize is the importance of tackling the needs of customers and society head-on, and of exceeding their expectations. At Epson, we foster creativity by encouraging our employees to draw on their strengths and take the initiative to identify products and services that would increase customer convenience and delight, and to identify what is needed to enrich lives and increase happiness.

The technology shift we are bringing about in the office printer market is an example of a need we have identified and are addressing. While laser printing systems have long dominated the office landscape, we are driving advances in inkjet technology originally developed for consumer printers to better meet the needs of business users. I am convinced that we can help to make the world a better place by disregarding conventional market wisdom and, instead, refining and applying our strong technologies to create new value.

We have reorganized in line with our history and our strengths, and we are already seeing promising developments that will make Epson an indispensable company. We are aligning our people toward this big-picture goal by articulating in the Management Philosophy the ideas behind the actions we have been taking.

In conjunction with amendments to the Management Philosophy, we also revised Principles of Corporate Behavior, our corporate code of conduct. We will use this as an opportunity to build greater recognition of the Management Philosophy and to foster the trust of our stakeholders.

Strategies for Achieving the Management Philosophy

The Epson 25 Corporate Vision, creating the value from our efficient, compact, and precision technologies

The Epson 25 Corporate Vision serves as a guide for achieving the Management Philosophy by mapping out Epson’s path from the 2016 to the 2025 fiscal year. The vision statement reads: “Creating a new connected age of people, things and information with efficient, compact and precision technologies.”

Efficient, compact, and precision technologies are in our DNA and are the source of Epson’s technological strength. We have a history of improving product energy efficiency, reducing the size of parts and products without sacrificing performance, and achieving ever greater precision.

Among the key phrases characterizing megatrends for the next decade are “environmental impact mitigation” and “smart technologies,” both of which will be supported by advances in information and communications technology (ICT). Epson’s efficient, compact, and precision technologies can provide value in smart technologies, the environment, and performance—three areas that tie directly to these megatrends. We will use this technology to provide value in the form of convenience, peace of mind, enhanced productivity and creativity.

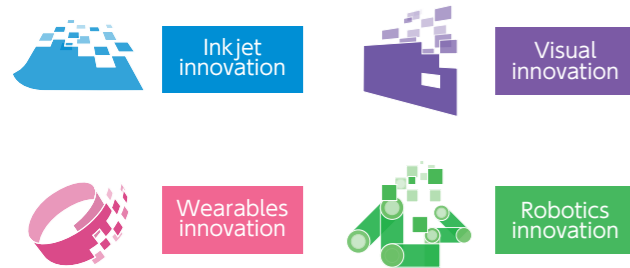
Recent advances in ICT will lead to data of all kinds being available on the Internet, fueling the expansion of cyberspace. As a result, people in the real world will become directly involved with the cyber world, and products at the junction of these two worlds will become increasingly important for customers.

As the ultimate real world manufacturer Epson will provide products and services whose value has been maximized using the ultimate in efficient, compact, and precision technologies. We will also collaborate with the IT companies that underpin cyberspace to connect people, things, and information, and thereby create even greater value.

As declared in Epson 25, we seek to drive inkjet innovation, visual innovation, wearables innovation, and robotics innovation. Microdevices, primarily crystal devices and semiconductors, will support innovation in these four areas.

We selected these four areas because only Epson is positioned to drive innovation in them because only Epson can fully tap into all the technologies and resources needed. These innovations are at the core of new value creation and our growth strategy. Epson, with a culture that values teamwork and continuous improvement in manufacturing, will make sure that the entire Group shares the same objectives and moves forward as one.

See pages 19-32 for more in-depth commentary by the chief operating officers about Epson's growth strategies in the four areas of innovation.



Competitive Advantages Offered by Vertical Integration

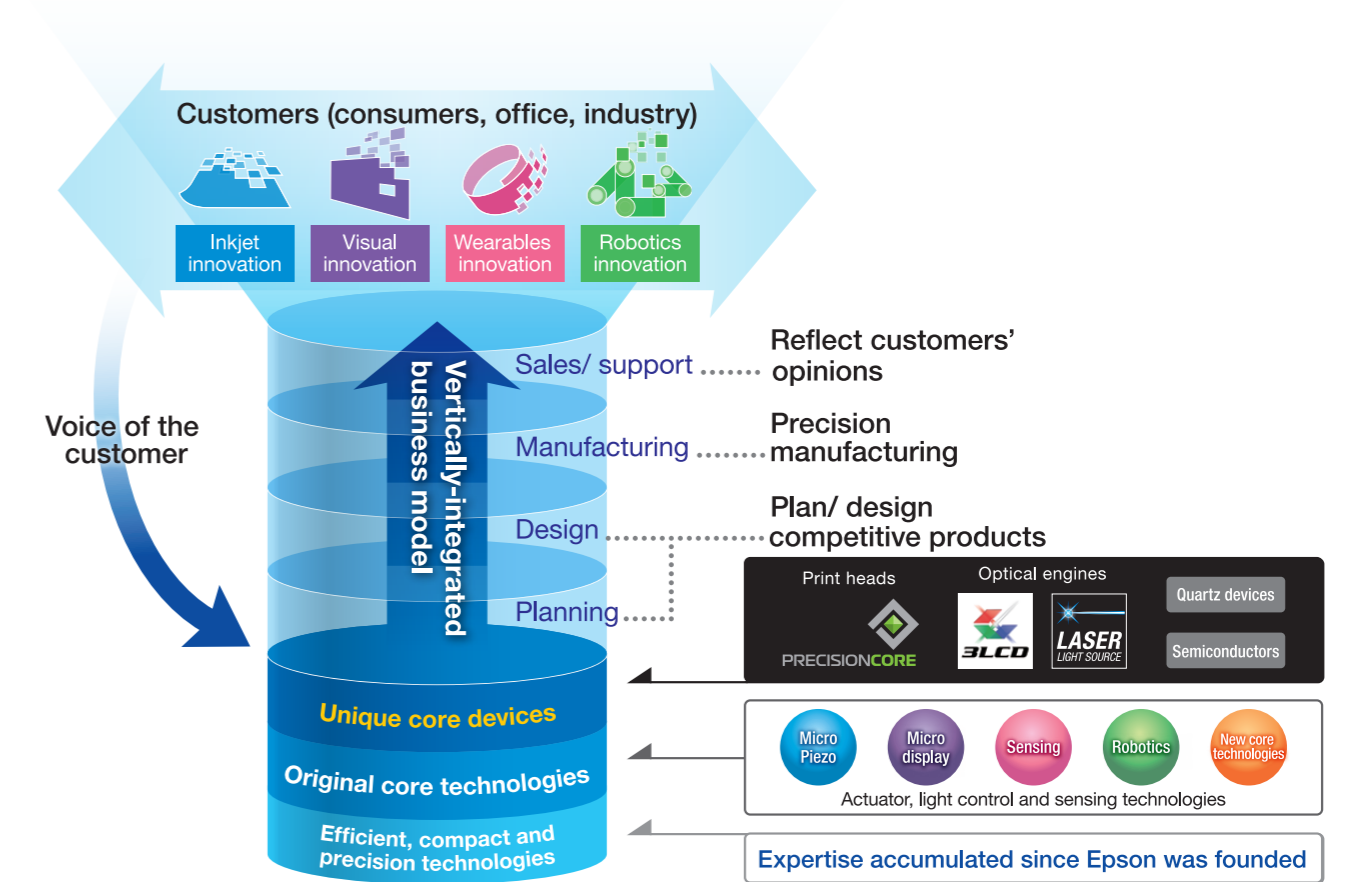
Perfecting core technologies and core devices to maximize customer value

Our vertically integrated business model is symbolic of Epson's creativity in product development and manufacturing. Core devices, which we develop by drawing on the ideas and skills of our people, determine the functions of our finished products.

Some finished product manufacturers buy their core devices from outside suppliers, presumably to capitalize on manufacturing efficiencies offered by horizontal specialization. Epson, however, owns all of its core devices and technology, because we believe this allows us to take full advantage of our strengths. Printheads are the core devices for printers. For projectors, it is microdisplays. For watches, it is precision processing technology. For robotics, it is sensors. All of these devices and technologies have been developed and refined over time by dedicated Epson engineers.

As a finished product manufacturer, we understand better than anyone what type of value customers need. This is what enables us to develop products and technologies that specifically address these needs and to drive advances in the core devices that buttress the performance of our finished products.

Epson's Vertically-Integrated Business Model



We have been able to expand the applications for inkjet printers, for example, by improving the core technology. Inkjet systems use comparatively little electricity and thus help users reduce their energy consumption. We have broadly expanded the potential applications of inkjet systems by advancing our proprietary Micro Piezo inkjet technology, achieving high durability, wide ink compatibility, and blazing print speeds. We now have inkjet printers not only for consumer use but for office, commercial and industrial applications. We were able to accomplish this only because of our vertically integrated business model, which allows us to efficiently leverage our technology resources.

However, vertical integration is not necessarily the most effective approach in every field. We are using this model only in the four areas where our finished products benefit from our strengths and where we have no equal. These are areas that we originally discovered when doing

business in both electronic devices and finished products. They are also areas where we can make the most use of the assets we have stockpiled. It is here that we can demonstrate the competitive advantages of our vertically integrated business model.

Signs Pointing to Progress in Achieving Epson 25 Objectives

Making steady progress toward creating a new age with emerging technologies

We were able to make steady progress in 2016, the first year under the Epson 25 Phase 1 Mid-Range Business Plan (FY2016-2018), because the actions we had taken up to 2015 under the previous long-term vision had started to bear fruit.

We released new products such as energy-efficient linehead inkjet multifunction and single-function printers that produce amazingly sharp prints at blazing speeds.

We also released projectors equipped with an extremely bright laser light source that boasts a long service life. Similarly, the PaperLab office papermaking system that we released in Japan in the 2016 fiscal year produces new paper from used paper in the office. The used paper is so completely destroyed in the process that the security of confidential documents is ensured.

On April 1, 2017, Seiko Epson made a major move by absorbing wholly owned subsidiary Orient Watch and merging its operations with those of Epson's watch business to maximize synergies. Specifically, the addition of Orient's sales functions will enable us to more effectively use its sales channels. In wearable products we will use our technology to deliver distinctive products that provide new value.

We have released robotics products such as compact six-axis robots and unique force sensors that have the potential to release people from manual and repetitive tasks to jobs in which they can exercise greater creativity. Now that we are through the first year, I feel that

stakeholders are beginning to understand that the future described in the Epson 25 vision is not just a pipe dream but is something we can actually achieve. We will continue to make developments aimed at creating new value and building a solid foundation for growth in order to meet our 2025 fiscal year targets of ¥1,700 billion in revenue, a 12% ROS, and a 15% ROE.

Challenges to Achieving Growth

New business processes for delivering the value yielded by our technologies

In addition to further refining our core technologies, we will have to carefully watch emerging developments in areas such as artificial intelligence (AI). We will be alert to global trends, improve the quality of our products, and build new operations and business processes. We will also foster a climate in which employees can freely and speedily take on new challenges.

We will position Epson to deliver value. We will expand

our customer contact points from B-to-C to B-to-B and accelerate solutions sales. With numerous early developments in innovative businesses, the challenge will be to find ways to deliver them to customers. We cannot create and expand new sales networks overnight. We have to take the time and effort to build relationships and collaborate with partners.

I firmly believe that the value our technologies provide is aligned with the needs of our global customers and that over time they will embrace our products. I am determined to create an organization dedicated to achieving these goals.

ESG Initiatives

CSR and governance activities

Epson and its products have contributed to solving social issues in the past. Our mission is to help to create a better world, and we consider all of the actions we take to achieve the Management Philosophy to be CSR activities. In addition to ensuring compliance, observing corporate ethics, and fulfilling our responsibilities at a level that exceeds what society requires, we will fully demonstrate Epson's unique creativity in CSR by creating value through the products we manufacture. In 2017, with this commitment in mind, we established "Key CSR Themes," a materiality matrix that broadly covers social challenges in areas such as the environment, professional development, and governance.

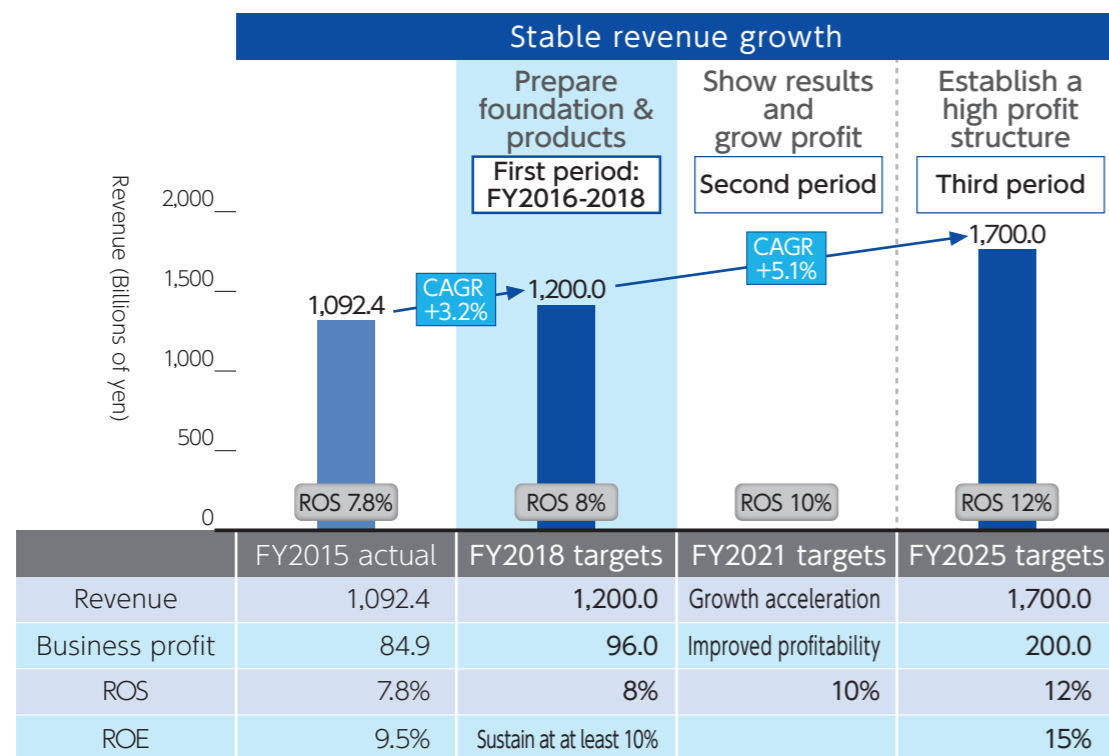
We also created a CSR Management Office, an organization that is dedicated to systematically and effectively meeting the needs of society. This has fostered a sense that CSR is a core part of our business, enabling us to more systematically and proactively carry out CSR activities.

Seiko Epson transitioned to a company with an audit and supervisory committee in June 2016 and is strengthening corporate governance to ensure transparent, fair, fast, and decisive decision-making. In June 2017 we increased the ratio of outside directors on Seiko Epson's board of directors (five of the 11 directors are outside directors) to further strengthen supervision over the board.

We will continue to aspire to be an indispensable company that plays a central role in realizing a better world. And we will 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.



Objectives of the Epson 25 Mid-Range Business Plan (FY2016-2018)



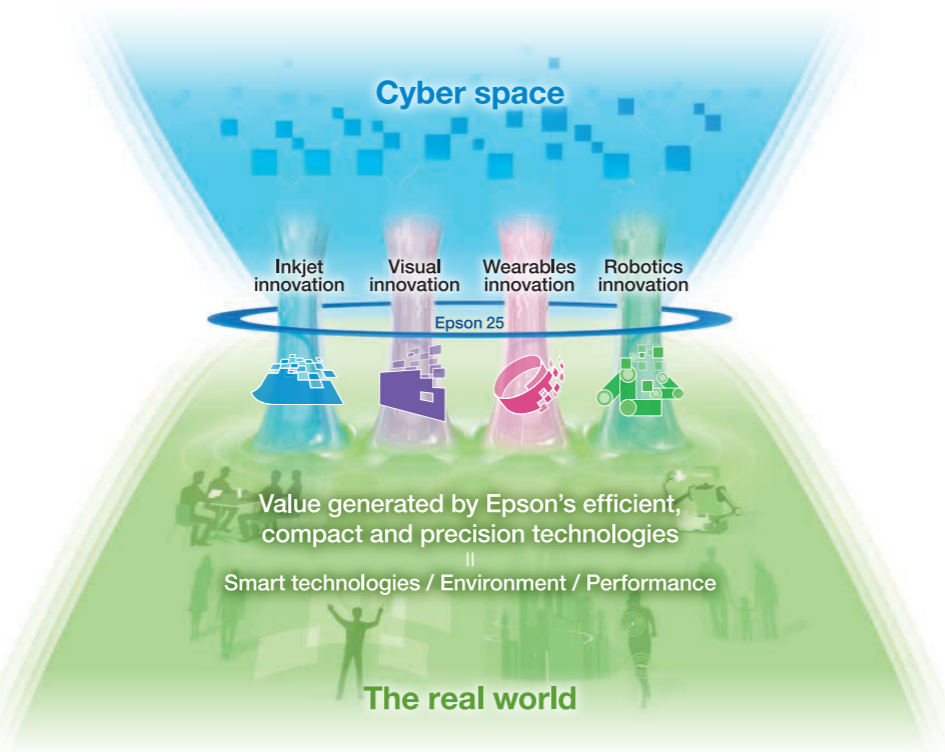
ROS (Business profit) = Business profit / Revenue
 ROE = Profit for the period attributable to owners of the parent company / Beginning and ending balance average equity attributable to owners of the parent company
 Exchange rates: ¥120.14/ USD, ¥132.58/ EUR Assumed rates for targets: ¥115.00/ USD, ¥125.00/ EUR

In March 2016, Epson established its Epson 25 Corporate Vision, which sets the company's path for growth until 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

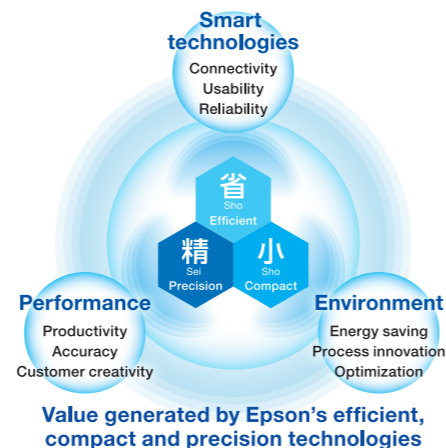
Create convenient and easy-to-use products that can be used anytime and anywhere, and which help customers reduce waste, and save money, effort and time.

Environment

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

Performance

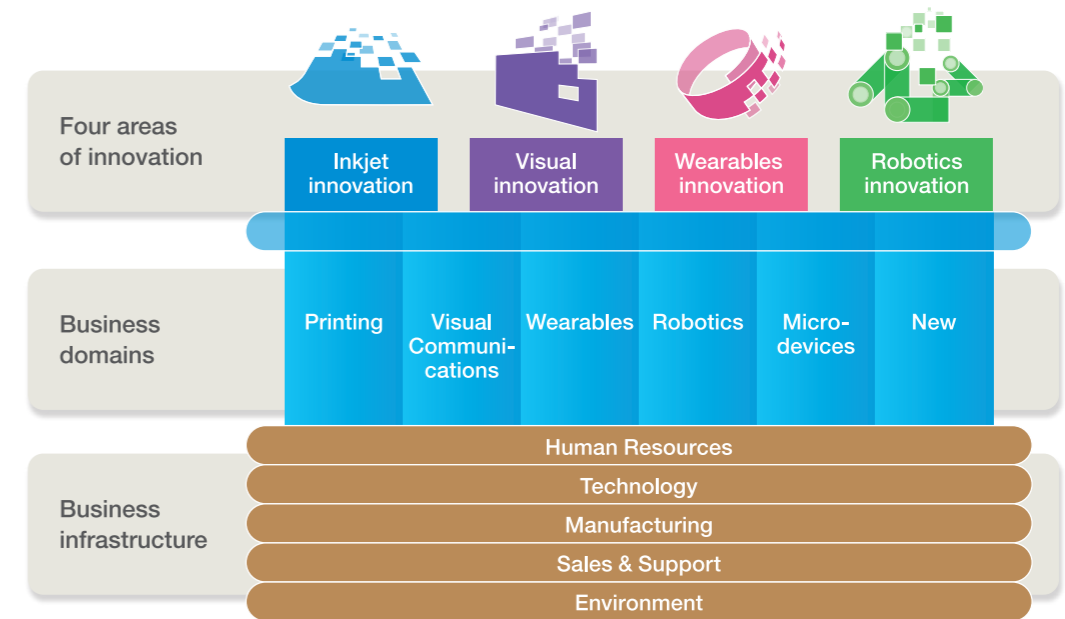
Use outstanding products to contribute to customers' performance through productivity, accuracy and creativity.



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.



Printing Domain

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



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 Domain

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



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.



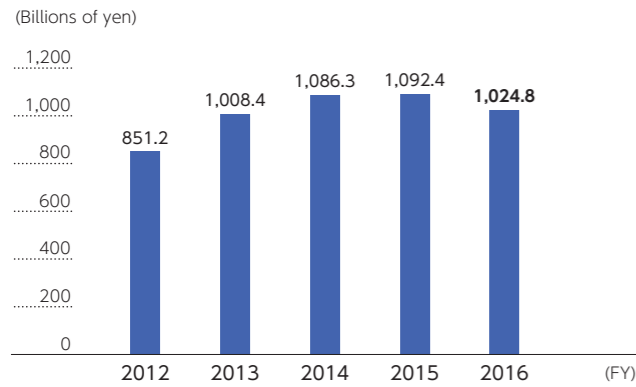
Microdevices Domain: Supporting the Four Innovations

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.

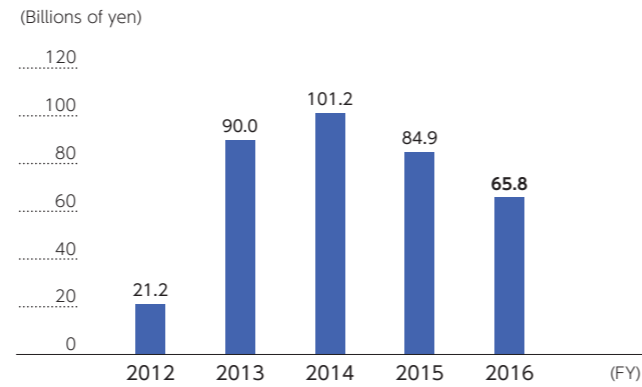
Financial and Non-Financial Highlights

Net Sales & Revenue



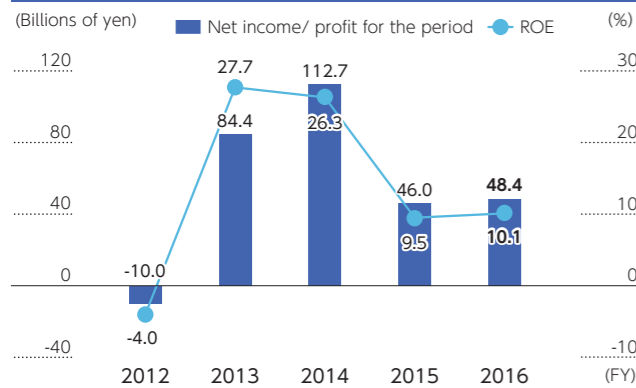
Revenue has steadily grown since FY2013. In addition to benefiting from a weaker yen, revenue increased chiefly due to growth in sales of printers and projectors for business and emerging markets. In FY2016 revenue dipped in response to a climb in the value of the yen, but revenue actually increased year on year, excluding currency effects.

Operating Income & Business Profit



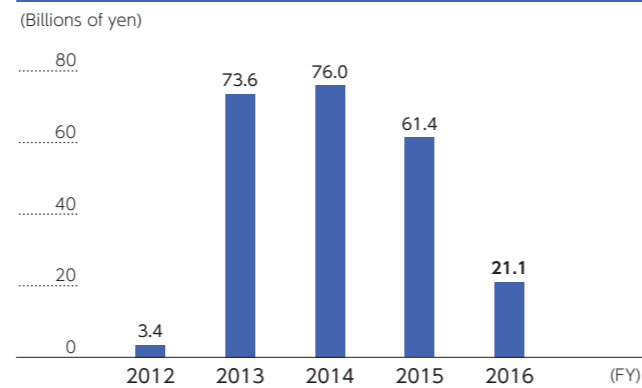
Sales of printers and projectors have been solid since restructuring in FY2013, and profit dramatically improved, in part due to the effects of yen depreciation. In FY2015 and FY2016 profit decreased as the yen rose. Excluding currency effects, however, profit actually increased.

Net Income/ Profit for the Period¹ & ROE



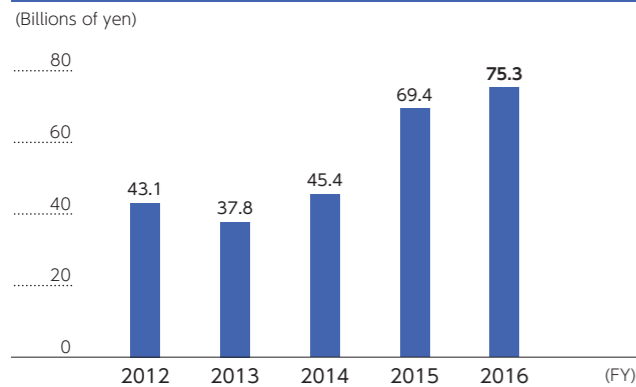
Earnings jumped in FY2013 and FY2014. This was due in part to our growth strategies but mainly to one-time factors, such as the recording of deferred tax assets and profit resulting from a revision to the company's defined-benefit plan. Since FY2015, ROE has hovered around 10% and is steadily moving toward the FY2025 target of 15%.

Free Cash Flows



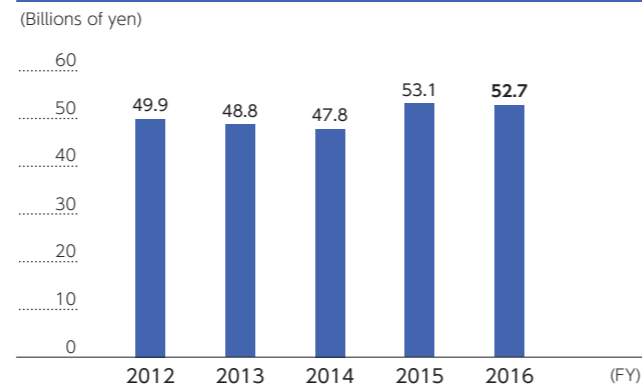
Free cash flows have sharply increased since FY2013, reflecting a steep recovery in cash flows from operating activities and a decrease in net cash used for investing as the company became more selective in its investments. Free cash flows decreased in FY2016, primarily because Epson spent more heavily on strategic investments to lay a stronger foundation for growth.

Capital Expenditures



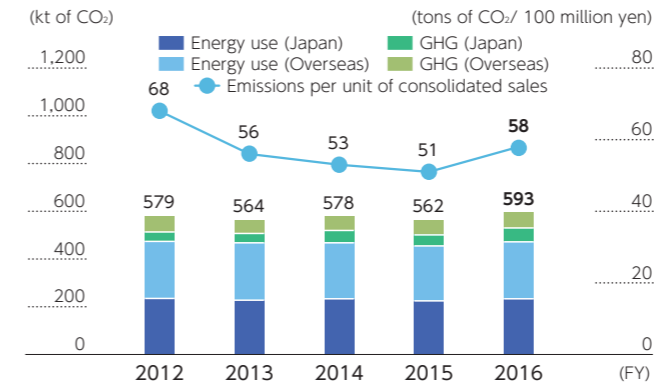
Epson spent aggressively on capital equipment for additional production capacity and for new printer and projector products to reinforce the foundation for long-term growth.

Research and Development Costs



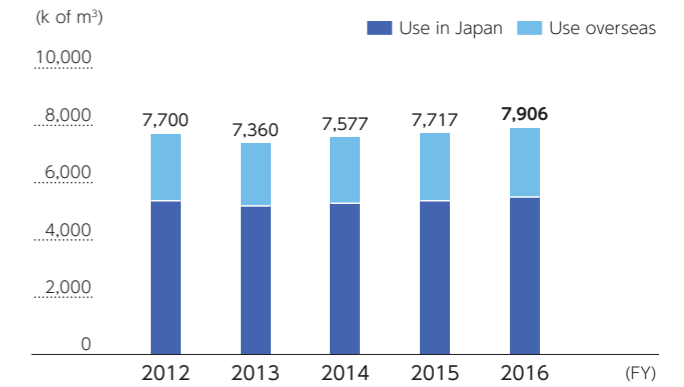
We continue to develop the next-generation products and core devices that will help drive future growth, such as printheads and microdisplays.

Greenhouse Gas (GHG) Emissions²



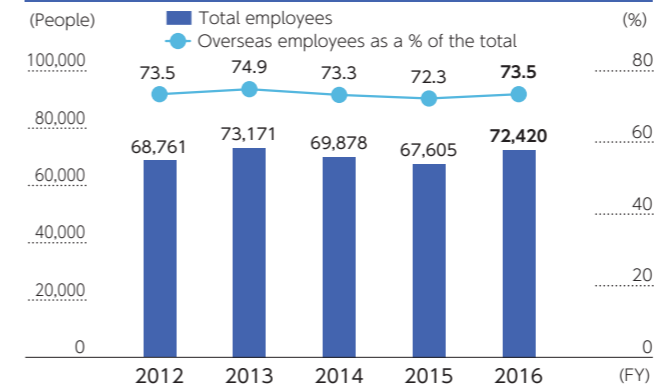
We are working to reduce CO₂ emissions by conserving energy and to reduce emissions of other GHG through other environmental measures. GHG emissions increased in FY2016 mainly due to increased device production.

Water Use



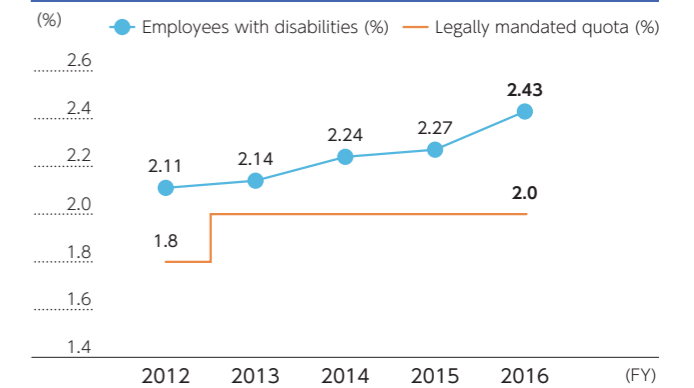
We are using precious water resources efficiently by, for example, installing water-saving equipment and recycling used water. Water use rose slightly in FY2016 due to an increase in device production.

Total Employees & Overseas Employees as a % of the Total



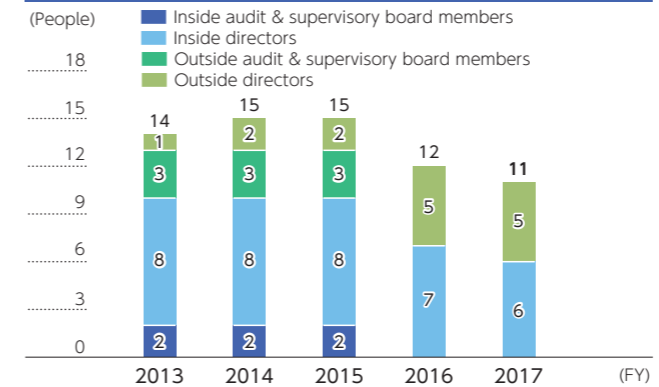
Epson's production, sales, and service sites span the globe. In FY2016, the number of overseas employees increased due to new factory startup.

Employees with Disabilities in the Epson Group in Japan³



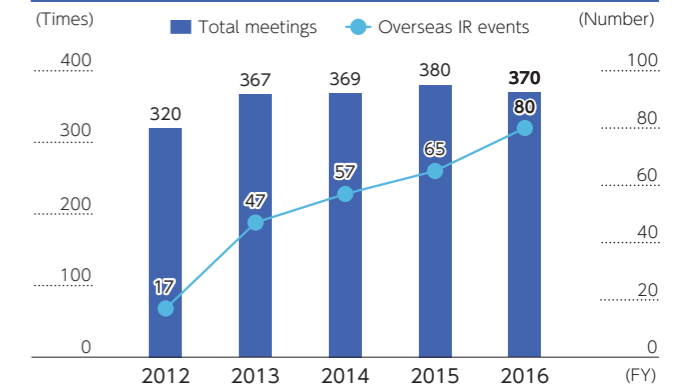
We proactively hire persons with disabilities and try to expand opportunities for them to capitalize on their abilities as part of our diversity policy. Persons with disabilities have thus consistently accounted for a larger percentage of Epson's workforce in Japan than is legally mandated.

Outside Officers as a % of Total Officers⁴



Epson increased the number of outside officers in FY2014. In FY2016 Epson further strengthened its corporate governance, most notably by transitioning to a company with an audit and supervisory committee and by increasing the ratio of outside directors to inside directors on the board.

Analyst and Investor Meetings & Overseas IR Events



Epson's management team and IR team meet and talk with analysts, institutional investors, and individual investors more than 300 times a year to deepen mutual understanding and build long-term relationships. Epson has stepped up its IR activities overseas since FY2013.

¹ Net income: J-GAAP Profit for the period: IFRS

² Combined total Scope 1 (direct emissions from the use of fuels, etc.) and Scope 2 (indirect emissions from purchased energy, etc.) emissions.

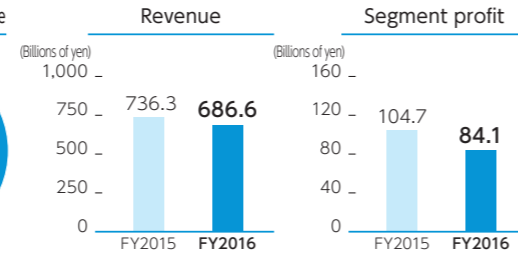
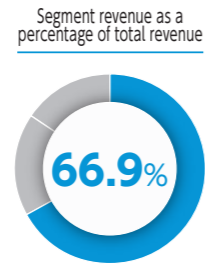
³ The figures for each year are as of June 1 of the year in question.

⁴ The number of officers as of the end of June of each year.

Printing Solutions Segment

Revenue
¥686.6 billion (down **6.8%** year on year)

Segment profit
¥84.1 billion (down **19.7%** year on year)



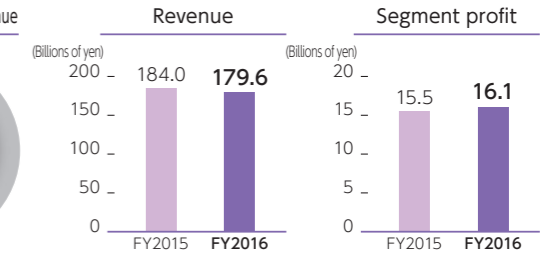
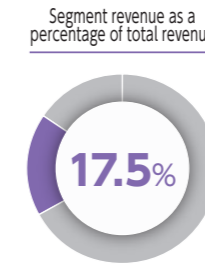
Main Products



Visual Communications Segment

Revenue
¥179.6 billion (down **2.4%** year on year)

Segment profit
¥16.1 billion (up **3.5%** year on year)



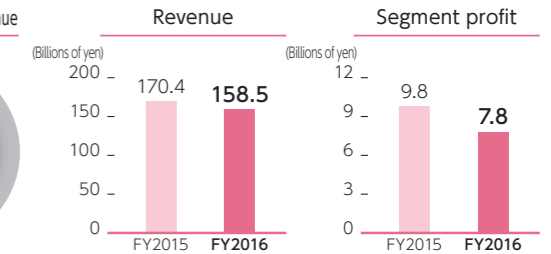
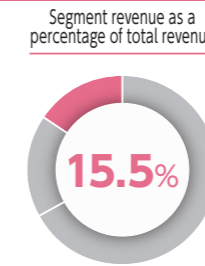
Main Products



Wearable & Industrial Products Segment

Revenue
¥158.5 billion (down **7.0%** year on year)

Segment profit
¥7.8 billion (down **20.4%** year on year)



Main Products





Inkjet Innovation

Vision

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

Value Creation

Smart technologies	Reduce costs, time, and trouble in printing, and create new possibilities for digital printing.
Environment	Mitigate environmental impacts and risks caused by the use of resources, electricity, and chemicals in traditional printing.
Performance	Contribute to higher customer productivity with high-speed, high-quality prints on a range of media of various sizes.



Koichi Kubota

Senior Managing Executive Officer
Chief Operating Officer, Printing Solutions Operations Division

Long-Term Business Environment

Advances in information and communications technology (ICT) may reduce printing demand in the office and consumer markets, but that does not mean that total global print volume is declining. Opportunities to print are actually increasing as the sheer amount of information available to us grows. Paper has enduring, universal value as a simple medium for communication. There really is no technology substitute for paper. Information on paper is easy to read, understand, and remember, and we have yet to see a technology that is as easy and convenient to carry and annotate.

On the other hand, it is a fact that a growing number of people refrain from printing because of cost and environmental considerations. I believe it is our responsibility as a printer manufacturer to develop innovative products that provide the same convenience of printing on paper but at lower cost and with less of an impact on the environment.

In the commercial and industrial sector, meanwhile, we expect print demand in the signage, textile, and label printing markets to grow. That is because demand for things such as printed clothing, packaging, and

advertisements is expected to expand as emerging markets and populations swell and the global economy grows. Moreover, commercial and industrial printing companies will move away from analog systems, which require the production of press plates, to digital systems, which print digital images directly onto media, as they will increasingly need to reduce their environmental impacts, accommodate short-run print jobs, and provide shorter turnaround times.

The spread of digital technology will continue to alter the printing market landscape. Our focus will be on providing new solutions and meeting changing needs rather than competing against others on price or specifications.

Strategic Direction

I believe it will become increasingly important to respond to customers' environmental needs. In the office market we will respond to these needs by enabling customers to shift from laser printers to inkjet printers, which consume less power and use fewer consumables. In the commercial and industrial markets our digital inkjet printers will reduce water use, material use, and industrial waste, increase space usage efficiency, and realize a low negative

impact printing ecosystem. Our strategy is to leverage inkjet technology to expand our business in the office, commercial, and industrial printing segments.

The key to achieving this is the further advancement of our proprietary PrecisionCore technology to achieve even faster print speeds and better image quality. In the office, commercial, and industrial markets it is essential to tailor sales proposals to customer work flows and usage environments. We are therefore hiring and developing people who are knowledgeable about these areas and are building channels to strengthen sales.

Long-term, we will provide new value by building sustainable office printing ecosystems with PaperLab dry-process office papermaking systems, which were released to market in Japan in December 2016.

Strategic Progress

In June 2017 in Japan, we released high-speed linehead inkjet multifunction office printers equipped with our latest PrecisionCore lineheads. We plan to gradually roll out sales worldwide, and are therefore shifting personnel from our consumer printing operations to our office printing

operations, and are hiring people with experience in this market to address any issues and position us to expand sales. The extent of progress in this area differs by region, but we are moving forward rapidly in the U.S., where we are hiring experienced people to build the necessary sales network and are reinforcing the infrastructure needed to expand sales.

Epson's large-format inkjet printers have driven the digitization of the commercial and industrial printing, and Epson enjoys a large share of the photo and graphics markets, where our printers are used for tasks such as color calibration and producing proofs for large photographic works. On the other hand, in the signage, textile, and label markets the rate of digital prints as a percentage of total print area is still low, so there is considerable room for growth. We have been expanding and upgrading our product lineup for these markets. In April 2017 we consolidated all of our printing businesses into a single operations division to increase development efficiency, optimize total business operations, and lay the groundwork for business expansion.

Value Provided to Customers through Inkjet Innovation



Value Creation Strategy

Product Strategies for Achieving Growth

Office Inkjet Printers

The Office Printer Market

Global demand for printers has leveled off, and inkjet printer unit sales are either moving sideways or slightly shrinking. Yet despite these market conditions, sales of Epson's high-capacity ink tank printers steadily expanded in every region. The entry into this segment by competitors appears to have raised the profile of these printers and further spurred sales. Epson has expanded unit sales in this segment every year by strengthening our brand power, enhancing product performance and competitiveness, upgrading the product lineup, and reinforcing our sales channels. We are boosting the lineup to meet the needs of each region, and we expect to expand unit sales at a high rate in both emerging and advanced countries.

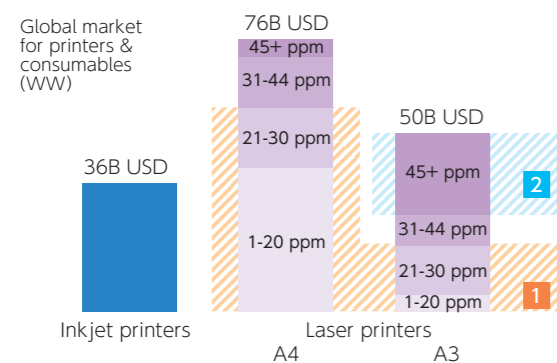


Epson's Market Potential

Printers, including consumables, are a US\$163 billion global market (based on sales revenue). The office market, which is currently dominated by laser printers, accounts for a large part of the total market. Laser printers and consumables occupy about 3.5 times more

of the office market than inkjets. We see this as a huge, largely untapped market for Epson's inkjet printers, whose output easily rivals that of laser printers in terms of quality yet offer unique value in areas such as environmental performance.

Laser Printer Market Size and Epson's Strategy



* Source: Epson research, 2015
* ppm: pages per minute

1 In the 30 ppm or less zone, where inkjet printers have gradually begun to replace laser printers, Epson will further strengthen its lineup of high-capacity ink tank and high-capacity ink pack printers to capture high print volume customers.

2 In the 45 ppm A3 printer zone we will launch high-speed linehead inkjet multifunction printers.

Market Launch of High-Speed Linehead Inkjet Multifunction Printers

In June 2017, Epson released high-speed linehead inkjet multifunction printers to accelerate the development of the office market. The new products are equipped with the latest PrecisionCore lineheads, fast-drying inks, a high-speed paper handling mechanism, and other new core device technologies that enable them to deliver crisp laser-like output at speeds of 100 pages per minute*1. The expansion of these products will fuel business growth, increase office printing efficiency, and reduce costs.

*1 Black and color print speeds are measured in accordance with ISO/IEC 24734. Actual print times will vary based on system configuration, software, and page complexity. For more information, visit www.epson.com/printspeed

PrecisionCore Technology

The Inkjet Advantage

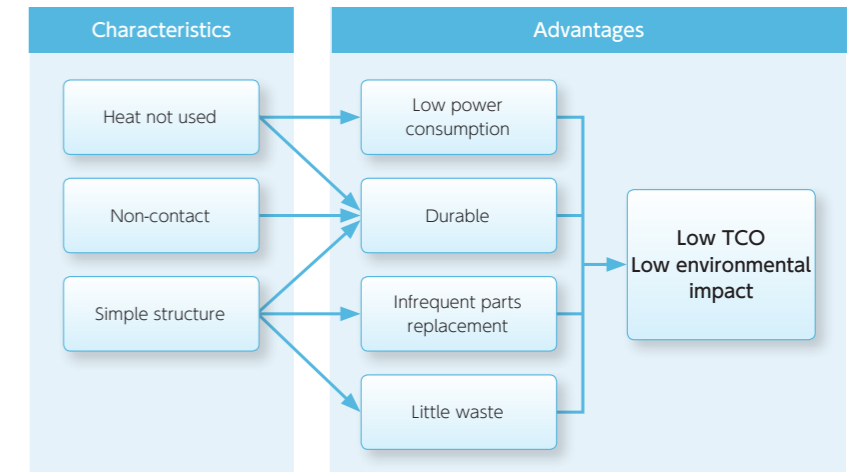
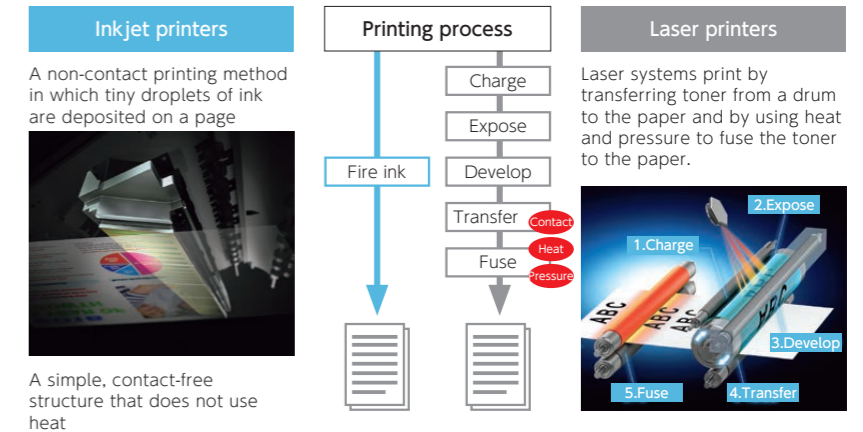
Laser printers use a complicated printing process. The process includes charging, exposure, development, transfer, and fusing. In the transfer and fusing steps, powdered toner is transferred to a sheet of paper through contact and fused with a combination of heat and pressure. In contrast, Epson's inkjet printers are simple, non-contact systems that deposit ink droplets on media without heating the ink, so they are durable, require only infrequent parts replacement, and produce little waste. The fact that they do not use heat also means that they consume little energy. These characteristics translate into a lower environmental impact and a lower total cost of ownership.

The Latest PrecisionCore Lineheads

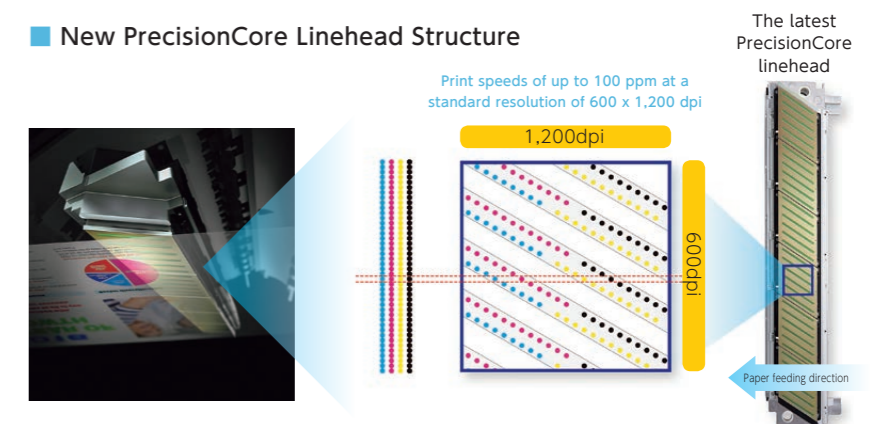
The latest PrecisionCore lineheads, which feature our smallest printheads and highest nozzle densities to date, provide print speeds of up to 100 pages per minute. A print resolution of 600 x 1,200 dpi² (and up to 600 x 2,400 dpi) was achieved by developing new PrecisionCore microTFP print chips that have longer rows of nozzles arranged diagonally and with a tighter pitch.

² dots per inch

Epson Inkjet Printer Advantages Over Laser Printers



New PrecisionCore Linehead Structure



Product Strategies for Achieving Growth

Commercial and Industrial Inkjet Printers

Commercial and Industrial Printing Markets

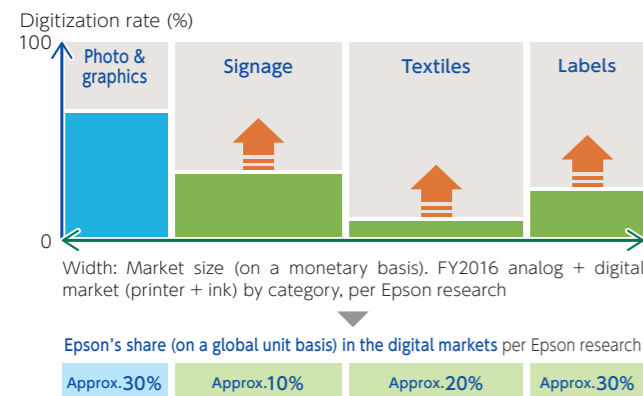
Epson established its commercial inkjet printer business in 1999 and has led the digitization of commercial printing ever since by capitalizing on photo-quality inkjet output for printing large-format photos and proofs for color calibration. We now see signage, textile, and label printing as new areas for growth. Commercial and industrial printing needs are changing significantly. These changes are being driven by broad social trends, including growth in short-run printing, greater design diversity, a quest for uniqueness and differentiation, and heightened environmental and cost consciousness. The underlying market for digital inkjet printing is likely expanding due to its cost competitiveness for short-run print jobs, its ability to

produce complicated designs with high quality, and its waste-free high productivity.

Value of Inkjet Technology

Epson seeks to create the type of value that customers desire by using inkjet technology to enable a simple, low environmental impact production process. Our PrecisionCore printheads boast excellent ink compatibility and durability while delivering exceptional output at blazing speeds. And volume-producing these devices ourselves enables us to ensure stable quality and reduce costs. We are providing our commercial and industrial customers with digital inkjet printing solutions that raise productivity and reduce environmental footprints.

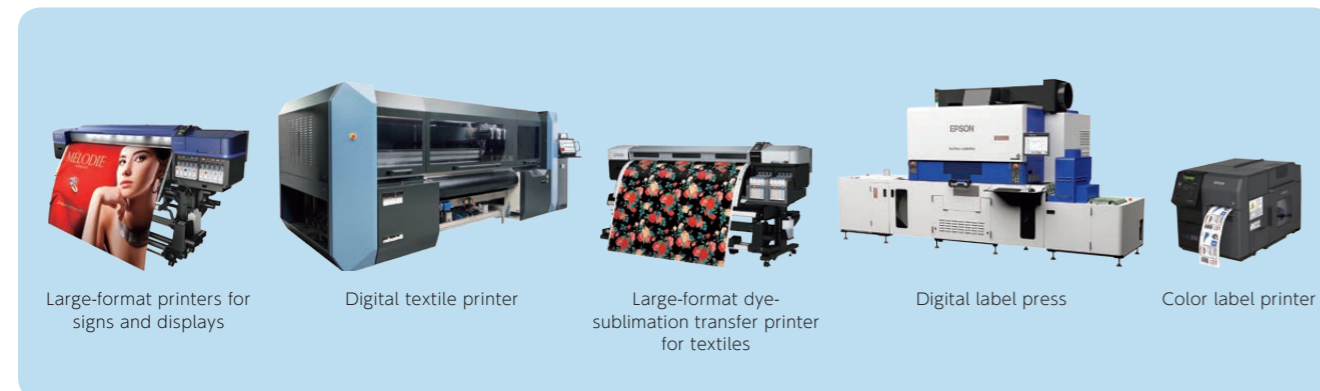
Commercial and Industrial Printing Market Size



Main Value Provided in New Areas

In addition to high image quality, productivity, stable operation, and a low TCO, Epson printers offer the value below.

Signage	Support a variety of media and applications
Textiles	Low environmental impact and printing on a variety of materials
Labels	On-demand printing of a large variety of labels in small quantities



PaperLab, a Dry Process Office Papermaking System

A Sustainable Printing Ecosystem that Offers Enhanced Security and Environmental Performance

The secure disposal of confidential documents is an important issue for both the public and private sectors. Organizations often use a contractor to dispose of and recycle confidential documents and need to take steps to strictly preserve confidentiality during transport as well as processing. There are also environmental issues with traditional paper recycling, as the process uses a vast amount of precious water resources and the transport of documents to a recycling facility generates carbon dioxide emissions.

In December 2016 Epson in Japan began selling PaperLab, the world's first dry process office papermaking system^{*1}. It capitalizes on Epson's dry fiber technology, which consists of defibration, bonding, and forming processes, to securely destroy old paper and produce new paper right in the office, in a short, environmentally considerate cycle. Epson hopes that PaperLab will promote more active resource recycling.

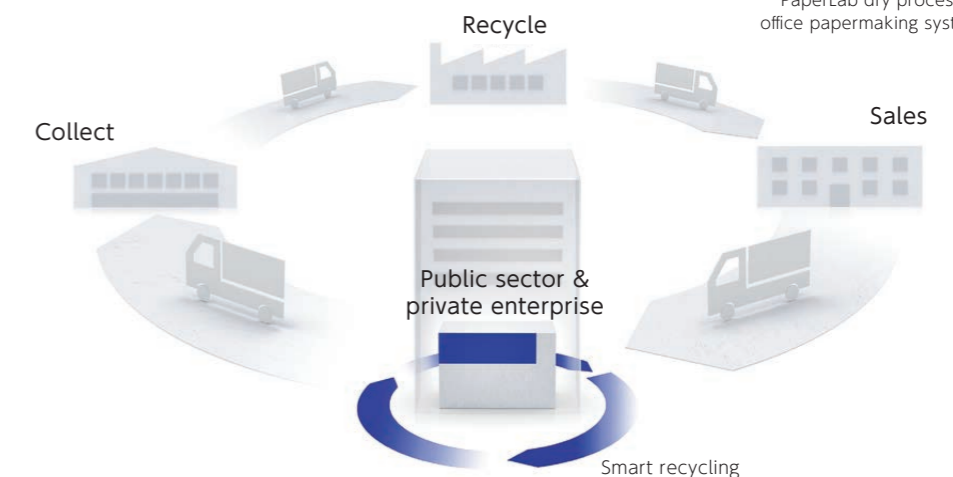
*1 Per Epson research conducted in November 2016.



PaperLab dry process office papermaking system

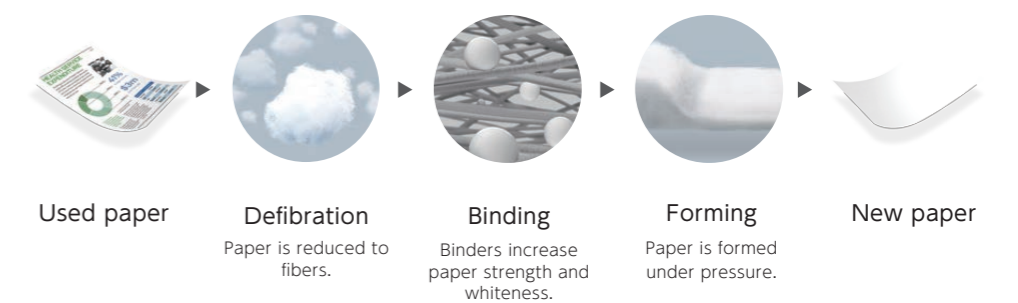
Smart Recycling

Paper recycling is a big process. Epson aims to promote more active resource recycling by shrinking the size of the paper recycling loop, in a process that is conducted entirely on the premises.



Waterless^{*2} Dry Fiber Technology

The key technology behind PaperLab, dry fiber technology, defibrates paper, binds it and forms it to create new paper.



*2 A small amount of water is used to maintain humidity inside the system.



Visual Innovation

Vision

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

Value Creation

Smart technologies	Enrich communication through the ubiquitous rendering of images.
Environment	Use realistic augmented reality (AR) and virtual reality (VR) images to reduce environmental impacts associated with the movement of people and things.
Performance	Use high-quality images to enrich lives and enhance customer productivity.

Yasunori Ogawa

Executive Officer
Chief Operating Officer, Visual Products Operations Division



Long-Term Business Environment

Projector market growth has leveled off and sales are moving sideways, but I think there is immense potential for communications products that can effectively deliver more visual imagery and other information. Globalization, moreover, is creating more opportunities to communicate with people in remote locations just as if they were there in the same room. We will meet these changes in society with our efficient, compact, and precision technologies.

In China sales of small, inexpensive projectors continue to expand due to the emergence of local manufacturers. However, we believe that these users will eventually seek higher quality images and that there will come a day when they accept nothing less than products that use Epson's technologies. We are preparing for this opportunity while driving down costs.

In the smart eyewear market the important thing will be to determine what kind of value to provide. The extent to which we can sell value that is worth the price is both an issue and an opportunity. We are striving to develop technology in part through ideas and innovations captured from users.

Strategic Direction

Epson has held the top share^{*1} in the global projector market for 16 consecutive years. One of the sources of our strength is our technological capability. Another is the value we place on our customers. These two things lie at the heart of our business strategy.

The value we place on our customers is evident in the time and effort we put into creating products that are exactly tailored to their uses, the sincerity with which we listen to their wishes and suggestions, and the speed with which we react to them. There is never any question about whether to put product reliability or profit first. Product reliability wins out every time. I am convinced that our commitment to providing superbly reliable products even if it costs us more in the short term is the reason customers have welcomed Epson's projectors.

We are currently developing projectors that can provide additional new value in the future. Product evolution and the development of technology for projecting bright images in any environment is a never-ending pursuit. Images will be projected not only on still screens but increasingly on three-dimensional and

moving objects. Epson will expand the possibilities for visual communications through the ubiquitous rendering of images of all kinds in all kinds of places and on all kinds of surfaces.

Strategic Progress

In 2016 Epson's share of the global projector market surpassed 35%^{*1}. Extremely bright laser projectors were one of our main new releases during the year. The laser light source is far superior to conventional lamps in terms of brightness, service life, and convenience. Going forward we will expand into more areas while tackling cost issues.

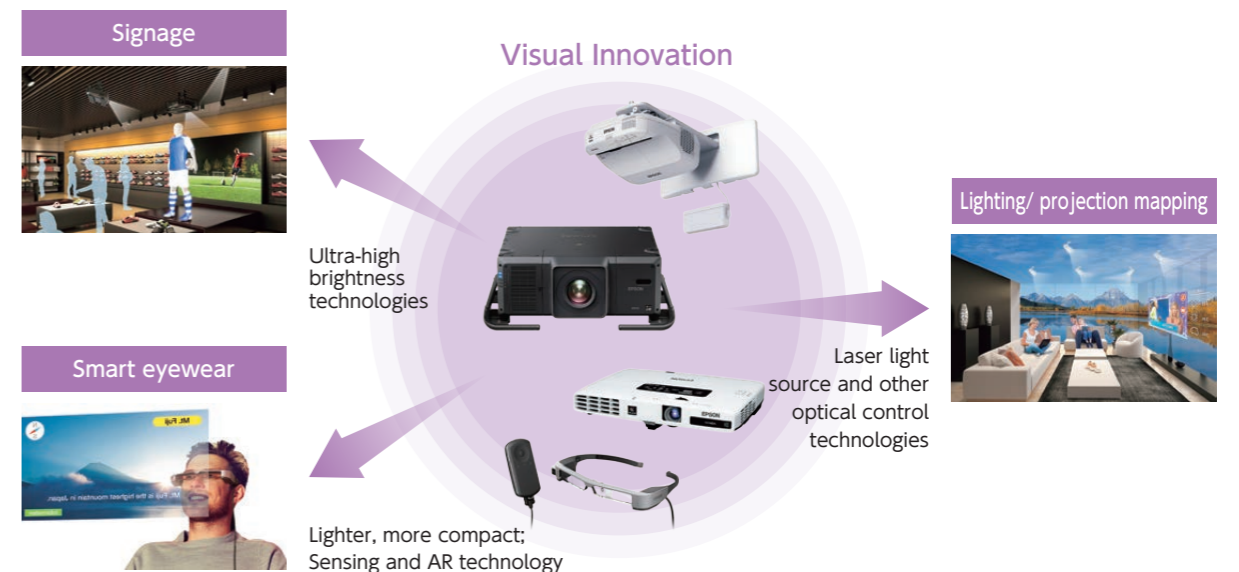
To accommodate this expansion, we plan to increase production of high-temperature polysilicon thin-film transistor liquid crystal display panels, the core devices at the heart of our 3LCD projectors. We will also begin producing laser light source units in the Philippines. Professional knowledge in the use of projectors for staging and events is essential for expanding sales in the high-brightness segment, so we are reinforcing our training programs for dealers so that they can enhance their knowledge and skills. We are also hiring experienced and knowledgeable people for our

marketing staff.

In 2016 we released the latest iteration of our Moverio smart glasses. These smart glasses feature Epson's proprietary silicon-based OLED displays, which are both lighter than our earlier displays and offer an even more realistic AR experience. We are gathering insights and information from places where our smart glasses are being used, such as in manufacturing operations, tourist spots, and museums, to develop concrete proposals for increasing productivity and efficiency.

^{*1} Unit share of projectors delivering 500 lm or more per Futuresource Consulting Limited research conducted from 2001 to 2016

Value Provided to Customers through Visual Innovation



Value Creation Strategy

Product Strategies Supporting Epson's Growth

High-Brightness Projectors

Laser Light Source and Inorganic Materials for Greater Compactness and Longer Service Life

Projectors that are used to project large signs or images in exhibitions and concert halls have to produce bright images yet must be sufficiently compact, lightweight, and robust to withstand frequent setup, removal, and transportation. The global market for such high-brightness projectors is forecast to expand, and we have it squarely targeted.

In 2016, Epson launched global sales of the EB-L25000U business laser projector. This projector, which uses Epson's proprietary 3LCD system to deliver outstanding image quality, is engineered for use in very large venues. It is equipped with a high-output laser light source that produces 25,000 lumens of brightness and boasts sufficient reliability and long service life to remain essentially maintenance-free for 20,000 hours^{*1}. Moreover, the laser light source makes the projector more compact, lighter, and easier to use.

A large number of technological issues had to be solved to achieve this level of performance. For example, the laser generates far higher light intensity and heat than a conventional light source, so we had to engineer new devices, such as a phosphor wheel and liquid crystal



3LCD laser projector

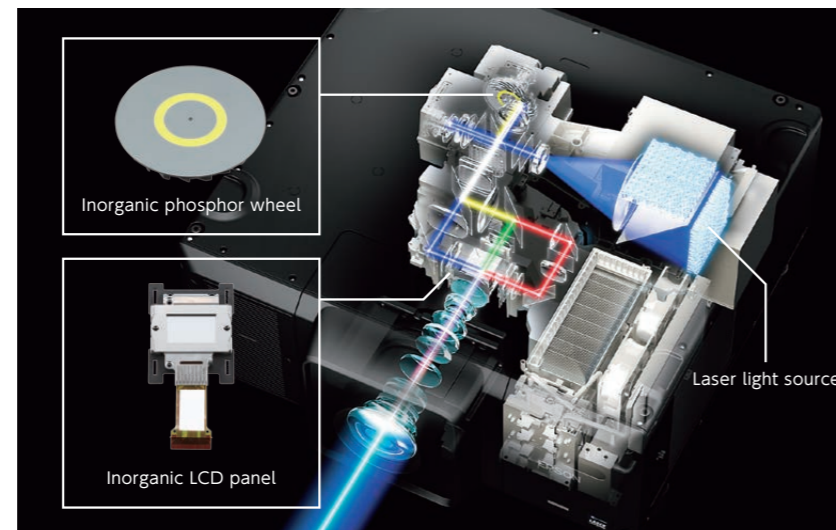
panels, made of inorganic materials. The projector also has a sealed optical unit to cope with dusty and smoky environments such as live concerts and events, a high-efficiency cooling system that allows flexible, 360-degree installation, and low cooling fan noise.

^{*1} The approximate time it takes for brightness to fall by 50% assuming use in an environment where there is 0.04 to 0.20 mg of airborne particles per cubic meter. The time will vary depending on usage conditions and environment.

Conceptual Image of the EB-L25000U in Use



Greater Compactness and Longer Service Life Realized by Using a Laser Light Source and Inorganic Materials



Moverio Smart Glasses

Realizing True AR with Silicon-based OLED Displays

Epson has been selling Moverio smart glasses since 2011 with the aim of creating a new market for visual communication tools. These smart glasses allow you to enjoy see-through images hands-free on a virtual big-screen, anytime and anywhere.

In 2017 we released the Moverio BT-350, smart glasses for the service industry that are based on a third-generation platform. Images and information are seamlessly overlaid in the user's field of view on high-brightness, high-contrast silicon-based OLED (organic light-emitting diode) displays for the most realistic augmented reality (AR) experience yet. They have also been optimized for durability and comfort in multi-user "fleet" environments. The BT-350 has durable, adjustable temples for a secure fit for all head sizes, from children^{*2} to adults. Adjustable nose pads enable the smart glasses to be worn over prescription glasses. The Si-OLED displays are lightweight, and the headset is designed to evenly distribute the weight of the unit around the entire head for many hours of wearing comfort in commercial applications.

The BT-350 runs on the Android™ 5.1 platform. It has

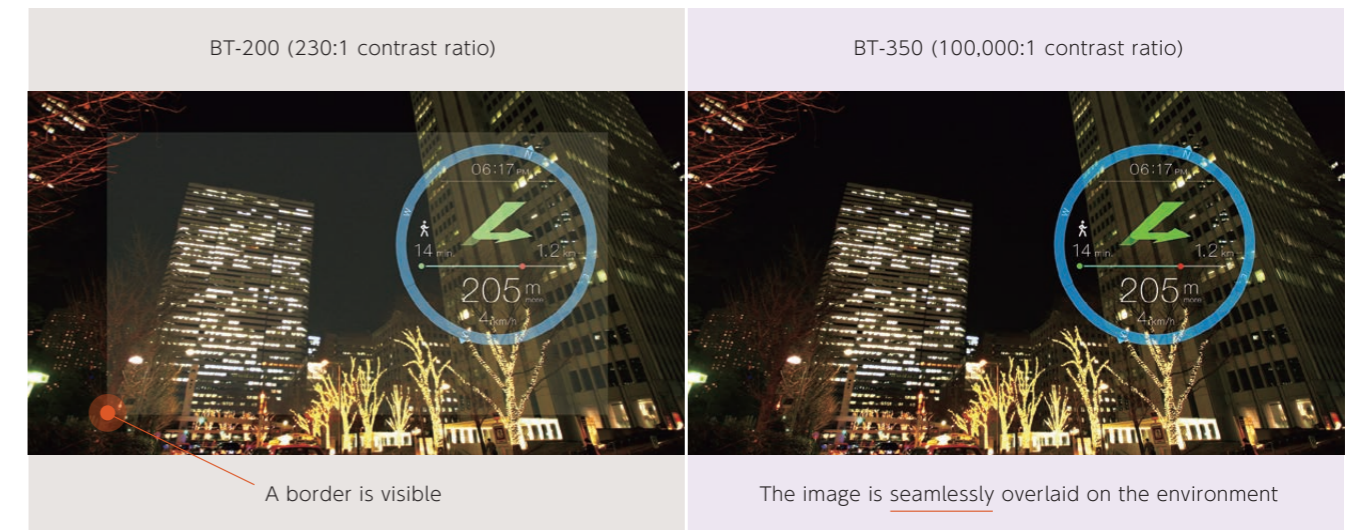
a 5-million pixel camera, dual 9-axis motion sensors, GPS, and wireless LAN and Bluetooth® connectivity. Applications are limited only by your imagination. The BT-350 can, for example, be used to guide tours in museums and heritage sites, to provide information to the hearing impaired at theaters, or to deliver multilingual subtitles at the opera.

^{*2} The product is intended for persons seven years of age and older.



Smart glasses (commercial model)

High Contrast Ratio for Seamless Images (Comparison with Previous Model)



Wearables Innovation

Vision

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

Value Creation

Smart technologies	State-of-the-art sensors and devices provide functionality and convenience.
Environment	Low-power devices and power-generating technology help to conserve energy resources.
Performance	Accuracy, design, craftsmanship, and sensing technologies make products a pleasure to wear.

Shigeki Inoue

Representative Director, Senior Managing Executive Officer
Chief Operating Officer, Wearable Products Operations Division

Long-Term Business Environment

The watch market is expected to continue to steadily grow as the global population increases and as people in emerging nations become more affluent.

At the same time, wearers are all looking for something different in a watch, and that is why the market is crowded with countless watch styles and brands.

Now the market is heading toward a period of transition in which consumers will seek new value such as that provided by smartwatches with computer functions.

We see the watch market growing stably over the longer term because of the diverse needs that exist in the market.

Strategic Direction

Efficient, compact, and precision technologies have been in our DNA from the beginning. And the relentless pursuit of improvements to accuracy, our low-power semiconductor fabrication technology, and our parts micromachining technology have led us to a single conviction: There are watches that hold fresh promise and that only Epson can produce. We will provide

unique products that only Epson can produce by combining the precision processing technology we have developed over the years with our sensing and other core technologies.

We are looking to operate efficiently and grow sales without heavy additional investment by taking advantage of Epson's current technology development, production, and sales capabilities.

Strategic Progress

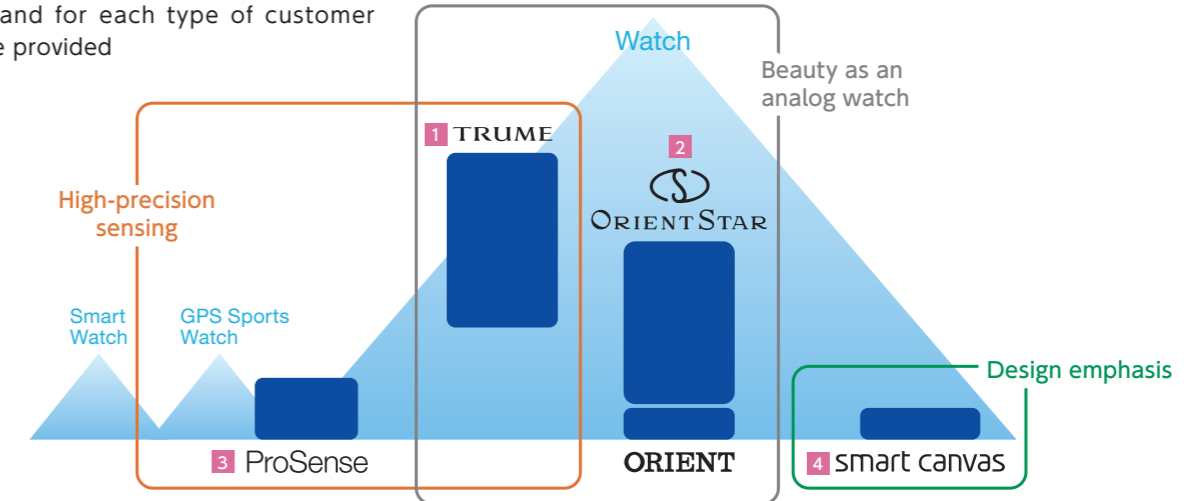
Until recently Epson had three original watch brands: the Orient Star/ Orient brand of fine yet practical mechanical watches, the ProSense brand of running monitors with advanced sensing capabilities, and the Smart Canvas brand of watches that use finely rendered graphics to represent the passage of time.

In 2017 we added a new watch brand, Trume, in Japan. The analog watches in the Trume line feature the ultimate in advanced technology.

We will build an indispensable brand by delivering unique value that only Epson can achieve.

Value Provided to Customers through Wearables Innovation

A brand for each type of customer value provided



* The illustration conceptually indicates the positioning of Epson's brands in the watch market.



1
TRUME

We will maximize the potential of analog watches by wielding a combination of state-of-the-art wearable technology and craftsmanship. In addition to telling time, the first models boast advanced sensing functions for taking measurements of the wearer and the wearer's surroundings. The results of measurements are naturally and beautifully displayed using analog hands.



2
ORIENT STAR
ORIENT

We are combining Orient's tradition and Epson's watch technology to provide even more elegant, accurate, and high-quality mechanical watches. Orient Star Mechanical Moon Phase watches combine a moon phase function and semi-skeleton features for a genuine mechanical watch experience. They are both practical and exquisite, with features such as finely embossed dials, ornaments, and a dual curved sapphire glass.



3
ProSense

GPS sports watches are ideal for activities like running and hiking. In addition to outstanding positioning accuracy and long battery life, Epson's latest models capture a GPS signal in a shorter amount of time. They also have a new Easy View Display for improved visibility and enhanced activity tracking, providing full support every day, including on race day.



4
smart canvas

Watches in the Smart Canvas brand hold a peculiar charm that neither earlier watches nor fashion accessories do. Some models feature popular characters while others have original content and a selection of swappable bands so that you can tailor the watch to your likes.



Robotics Innovation

Vision

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.

Value Creation

- Smart technologies** | By providing solutions with robots that see, sense, think, and work, and by enabling anyone to easily use our robots, we will free people from performing work they don't want to do and work that employers don't want them to do, thus allowing them to shift into higher added value jobs that are more creative.
- Environment** | Mitigate environmental impacts with compact, slim, lightweight robots that are energy-efficient.
- Performance** | Using original robotics and sensing technologies, we will achieve robots that move accurately, at high speed, and with low vibration, thereby providing solutions that exceed customer expectations and increase their productivity.



Yoshifumi Yoshida

Chief Operating Officer, Robotics Solutions Operations Division

Long-Term Business Environment

Robots have long been used in place of people to perform repetitive manufacturing tasks in factories. In the future, however, robots will also be used to perform tasks in the back offices of factories and stores, and even in the home. The need for robots is expected to grow across society as more people, including people in emerging economies, seek to be freed from menial labor and have time to themselves.

To expand their use, robots have to be able to recognize and react to their surroundings so that they do not collide with people or other objects or, if they do, to do so safely. Advances in artificial intelligence (AI) and precision sensing are essential for achieving this. Epson currently provides SCARA (Selective Compliance Assembly Robot Arm) robots, which have an arm that moves horizontally, and versatile six-axis robots, which have an arm structure that resembles and has the freedom of movement of a human arm. Our robots are used by customers in many sectors, from the electronics to the automotive industries. Epson's industrial SCARA robots have maintained the top share of the global market for six consecutive years^{*1}. As

global manufacturing wages rise and as competition for workers intensifies, manufacturers are rapidly turning to robots for relief and the market has entered a growth phase. Epson is striving to provide high added value products to counter the growing risk posed by an influx of new entrants into this expanding market.



SCARA robot T series



The N2 series of compact new six-axis robots with the world's first folding arm^{*2}

^{*1} Epson was No. 1 in terms of both unit shipments and revenue from 2011 to 2016. (Source: Fuji Keizai "2012-2017 Worldwide Robot Market and Future Outlook").

^{*2} First for six-axis robots per Epson research conducted in October 2015.

Strategic Direction

The efficient, compact, and precision technologies that grew out of our watch manufacturing operations are the source of Epson's strength. By complementing these with processing technologies, sensing technologies, and a host of other technologies and devices developed in our other businesses, we are able to provide compact, slim, lightweight robotic solutions that meet customer needs and that other companies cannot rival.

For example, we equipped our six-axis robots with force sensors, which we released in 2016, to enable the robots to detect forces as small as 0.1 Newtons at the end-effector. This level of sensitivity allows our robots to be used to automate tasks that previously relied on a human sense of touch, such as delicate assembly, polishing, and insertion tasks.

Epson, which has been developing, selling, and using its own robots in Epson factories for many years, is accumulating knowledge through real-world testing of automated solutions. Epson will draw on this knowledge to learn the needs on customers' manufacturing lines and the potential for future automation, and to provide solutions that exceed customer expectations. We will also be more aggressive at proposing solutions with a team of automation specialists.

We will also make full use of Epson's global network of sales, service and manufacturing sites to quickly identify

customer needs and respond quickly even to the most detailed requirements.

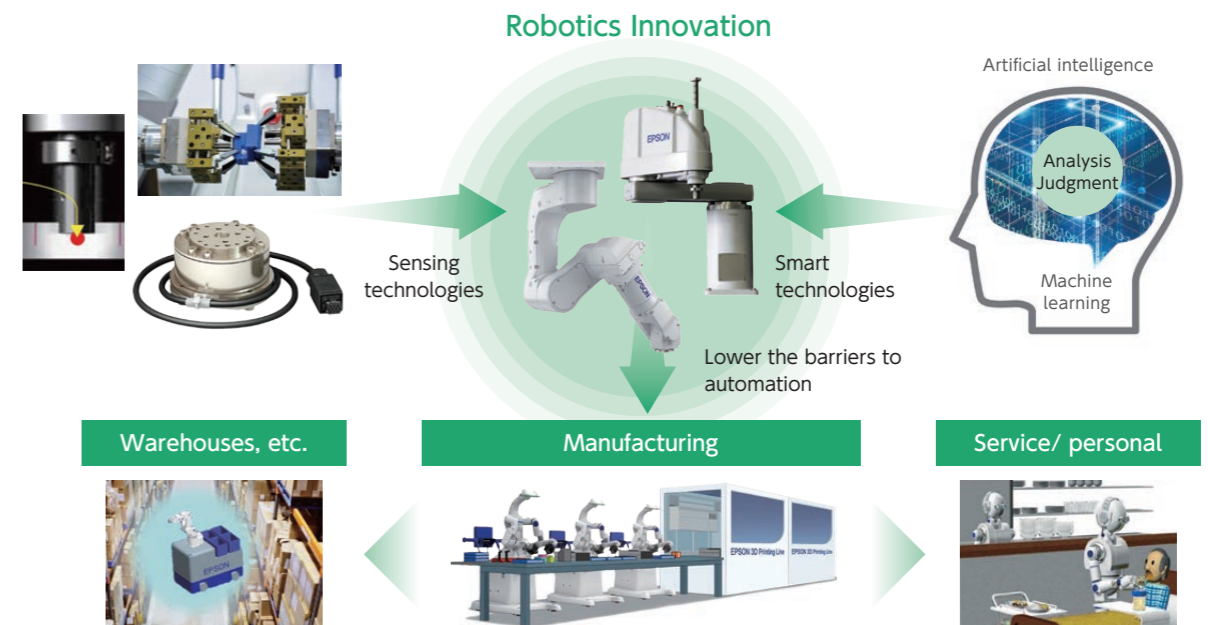
We will establish a solid position in the rapidly expanding robot market by further improving our solutions proposals that capitalize on these Epson strengths.

Strategic Progress

The robot business is moving smoothly in line with our strategy. The majority of Epson's robots are comparatively high-priced, yet our unit shipments have been growing by the year for the past several years. In the 2017 fiscal year we are seeing growth in orders from large electronics manufacturing services (EMS), and we expect robot unit shipments to sharply increase from last year. We are also increasingly being asked to recommend factory automation solutions, as customers recognize the efficacy of the solutions we have provided in the past. I think this shows the trust that is being placed in Epson's robot business.

To further solidify business growth moving forward, we will reinforce our production capacity and organizations as demanded by the order situation and external environment. We will also strengthen cooperation with the R&D group to develop smart sensing technology.

Value Provided to Customers through Robotics Innovation

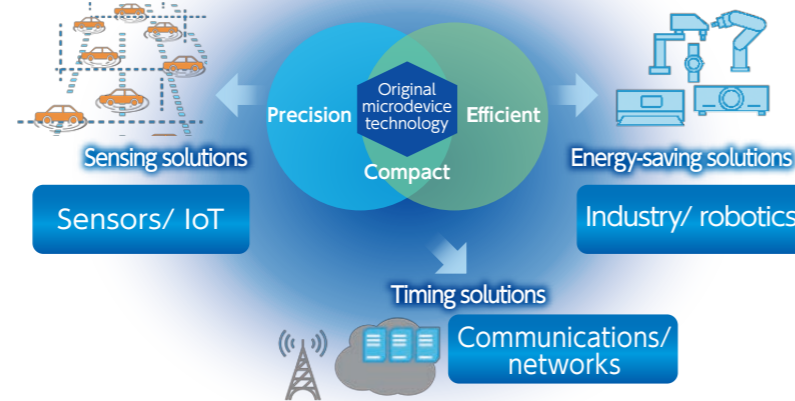


Microdevices That Will Support the Four Areas of Innovation

Vision

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.

Value Provided by Microdevices



Strategic Direction

We will use Epson's original QMEMS® technology to tap fully into the outstanding accuracy and stability of crystal, and to provide quartz crystal devices not only to the consumer electronics market but also to the infrastructure and automotive markets that require exceptional accuracy and reliability. We will also meet the needs of various industries with timing devices, such as crystal units, oscillators, and real-time clock modules, and with sensing devices, such as gyrosensors. At the same time, we will produce new value with distinctive products such as micro atomic oscillators.

We will provide LCD controllers, microcontrollers, application-specific integrated circuits (ASICs), LCD drivers, and other differentiated Epson semiconductor products for use in wearable products and automotive equipment.

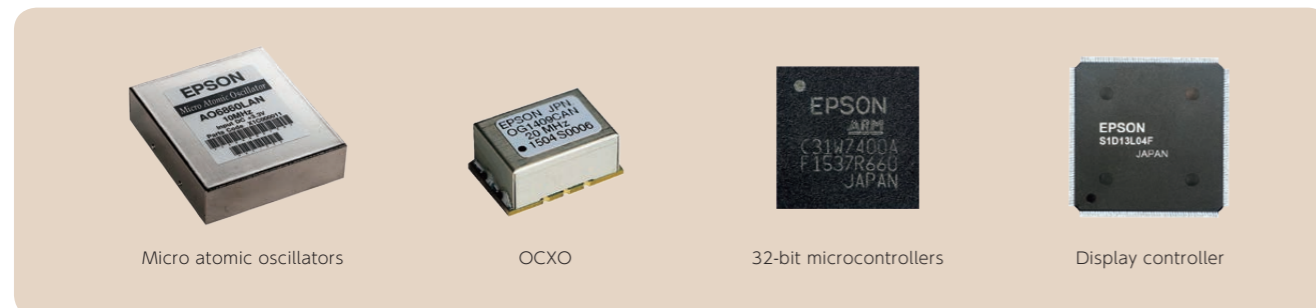
Strategic Progress

In the quartz segment, we have made it to the

starting line in a race for earnings in new fields. We are set to launch products that we have had in development for some time, including exceptionally stable oven controlled crystal oscillators (OCXOs) for communications and network applications, and micro atomic oscillators, which are needed for applications that require timing devices of higher accuracy. In the semiconductor segment, we have new products in development for automotive applications and are on course to expand sales.

We are establishing solid quality, stable production, and infrastructure for business expansion, and a project to develop high-efficiency production lines is going to plan. In addition, we are seeing benefits from a program to reduce total costs, including the costs of materials and so forth.

Moving forward we will strengthen existing areas by continuing to increase productivity and expand sales in new areas that we have seriously entered.



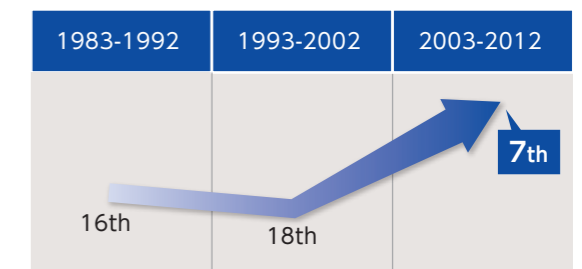
Intellectual Property Underpinning Epson Innovation

Intellectual Property Leadership

Epson is a vertically integrated company that drives innovation by honing its original core technologies and using advanced manufacturing techniques to create products. Consequently, we emphasize an intellectual property strategy that supports innovation. In 2015, Epson came in 7th in the top 100 global patent application rankings announced by the World Intellectual Property Organization (WIPO).

Our patent portfolio is both qualitatively and quantitatively world-class in product categories such as inkjet printers and projectors, and this industry-leading intellectual property supports the creation of proprietary core technologies.

The top 100 global patent application rankings (WIPO)



* Ranking for 2003 to 2012, published in 2015.

A Global Leader in Patent Applications

Ranking by number of publications of unexamined patent applications in different product categories

Inkjet printers	1 st	Inkjet printers	1 st
Projectors	1 st	Projectors	1 st
Quartz crystal devices	1 st	Quartz crystal devices	1 st
Robotics	1 st	Robotics	1 st

* 2016 ranking in number of patent applications laid open to the public (Epson research) (January 1 to December 31, 2016)

Ranking in Number of Registered Patents

Japan	7 th
United States	15 th
China ¹	16 th

* 2016 ranking in number of patents registered (Epson research) (January 1 to December 31, 2016)

¹ The China ranking is only for foreign companies (January 1 to December 31, 2016)

Acclaim for Epson's Intellectual Property Strengths

Epson's contribution to improving and advancing science and technology through continuous intellectual property activities was recognized in 2016 with a Top 100 Global Innovators 2016 award from Clarivate Analytics, formerly the Intellectual Property & Science business of Thomson Reuters. Epson has been selected for six years in succession as one of the top 100 companies in the world for innovation and research. Thirty-nine companies, including 14 Japanese companies, were named as innovators for six consecutive years.

In addition, Epson won the 2016 National Commendation for Invention and the 2016 Kanto Region Commendation for Invention from the Japan Institute of Invention and Innovation, reflecting the high regard with which Epson's IP is held outside the company.



Toshiya Takahata of Epson's Intellectual Property Division accepts the award from Hirofumi Hino of Clarivate Analytics.

In Japan in 2016, Epson was awarded a National Commendation for Invention for 15 innovations in 20 years.

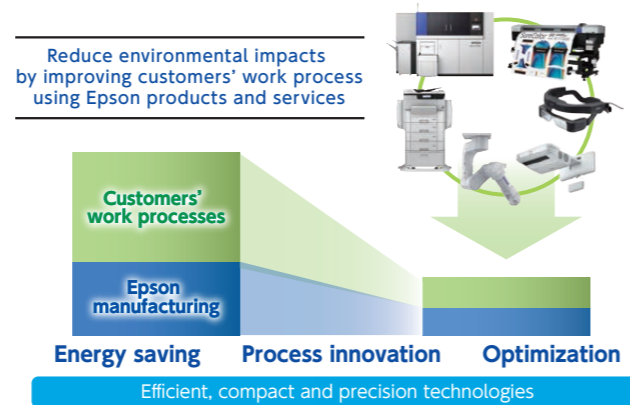


Reducing Environmental Impact through Business Activities

Epson 25 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.

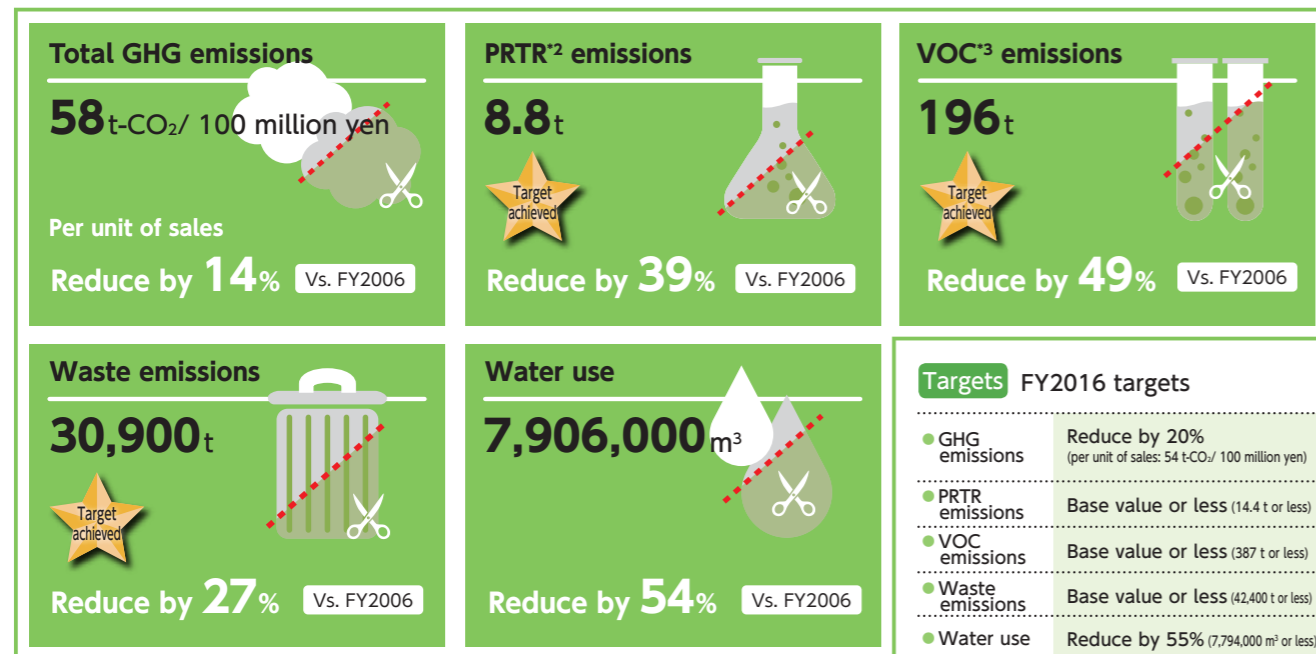
Epson will continue to drive improvements in the basic environmental performance of its products in addition to reducing the environmental impact of their manufacture, transportation and sales. Epson also contributes to broader environmental conservation by reducing the environmental impact of customer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



Environmental Indicators

Demand for electronic device products rose in FY2016, leading to increased greenhouse gas (GHG) emissions from our plants outside Japan. In addition, foreign

exchange fluctuations cut into Epson's revenues. As a result, we did not meet our target for greenhouse gas emissions per unit of consolidated sales.¹



¹ Greenhouse gas emissions per unit of sales (including foreign exchange effects)
² Substances subject to reporting in the Pollutant Release and Transfer Register (PRTR) database
³ Volatile organic compounds

Making Printer Parts from Used Paper

Epson has established an internal paper resource cycle that uses paper used inside the company as a raw material. For example, we use our dry fiber technology to turn used paper into a raw material for functional recycled parts.

P.T. Indonesia Epson Industry (IEI) is our largest printer manufacturing site. Some 12% of the waste created at IEI is paper used in printing inspection processes for printers. We have introduced dry fiber technology to take this used paper and reuse it as raw material for porous pads in printers. The result is a roughly 25% reduction in used paper waste.

Porous pads, which absorb liquid like a sponge, are included in the maintenance boxes of business inkjet printers and large format printers to boost printer performance. Epson will continue to bring out the potential of paper resources as we develop and take advantage of new high-function parts that enhance product performance.



Porous pad production machine



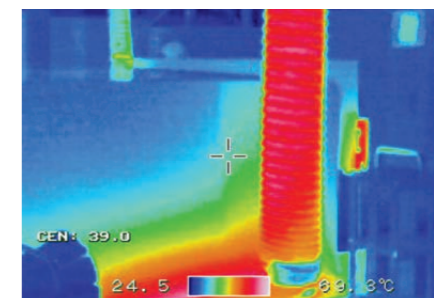
Maintenance box

Energy Saving with Energy Cross-Patrols

Epson is proud of its efficient, compact and precision technologies. The quartz device business develops timing and sensing solutions with particularly advanced quartz precision. However, it also consumes much water and energy (electricity, gas, etc.) in its production processes. As such, environmental initiatives are a key business priority.

Safety and environmental staff from Japan, Malaysia, Thailand, and China have conducted energy cross-

patrols since FY2015. Visiting staff spend two to three days patrolling other plants, pointing out places in need of improvement and giving advice. This initiative takes advantage of earlier safety activities by using thermal cameras to detect energy loss and take measures against it. The approach makes losses of heat and cold visible so that staff can take suitable measures. In FY2016, 259 energy saving measures were proposed at five quartz device business sites.



Heat radiation from exhaust hose (right: thermal camera image, with red indicating heat radiation)

Strengthening Monozukuri and the Supply Chain

Approach to Raising Problem-Solving Capability

Epson has started operating at a number of new plants since FY2016, but it is not enough to simply expand the scale of our plants. Raising manufacturing problem-solving capability is also critical to a stronger production infrastructure.

Epson is dealing with several social trends that make it difficult to attract top talent. Many of our major plants are located outside Japan, and those in newly emerging economies face rising labor costs. In Japan, meanwhile, there are fewer manufacturing workers. To improve our problem-solving capability, therefore, it is important to raise our manufacturing quality, automate factories, and nurture manufacturing staff.

Promoting Automation to Boost Production Efficiency

With the aim of enhancing production efficiency, we are bringing in robots to automate our plants and implementing advanced manufacturing methods. Projects like these are changing the way we manufacture. Production sites pursue the projects that best meet their situation.

Production process automation means using robots not only in assembly processes but in carrying parts and materials between processes. Our aim is that each plant will function as an organically integrated system.

Professional Development Geared toward a Self-Sufficient Manufacturing Site

Aside from hardware such as robots, it has become more and more important for Epson to address software needs in areas like facility maintenance and on-site improvements. In light of these changes, our aim is to develop manufacturing sites where the staff can think and act for themselves. Each manufacturing site fosters personnel at all levels—new hires, core employees, and skilled and master technicians—to give them the skills and knowledge they need in their particular location.

In FY2016, Epson Precision (Philippines) Inc. (EPPI) started its manufacturing program, kicking off (1) basic training in machine technology, (2) machining technician development training, and (3) basic training in mechatronic technology/ machine maintenance.

We take advantage of the WorldSkills competition to train young engineers in technical skills. After training, trainees are dispatched to manufacturing sites in Japan and beyond, where they put their skills to use in the workplace and teach others.



Technician training at EPPI



New printer assembly plant of P.T. Indonesia Epson Industry (IEI)

Operations began in April 2016



New printhead assembly plant of Akita Epson Corporation (Japan)

Operations began in November 2016



New printer assembly plant of Epson Precision (Philippines) Inc. (EPPI)

Operations began in July 2017



New PrecisionCore printhead development and production plant of Seiko Epson Corporation Hirooka Office (Japan)

Operations to begin in first half of FY2018

Stance on Sustainable Procurement

Epson seeks to maintain mutually beneficial relationships with our business partners, who we ask to live up to the highest standards of ethical conduct while respecting their autonomy and independence.

At Epson, we believe our responsibility for products and services includes not only creating high-quality products but also that our entire supply chain upholds appropriate standards in respect to human rights, labor, and the environment.

Communication with Suppliers

At Epson, we create opportunities to educate suppliers about our procurement stance and initiatives. Our suppliers work with us to fulfill our social responsibility. In FY2016, 624 suppliers in Japan and China attended our sustainable procurement briefings. The content we discussed is listed below.

- How detailed evaluations are performed
- Improving the accuracy of conflict mineral surveys
- Supply chain BCP initiatives

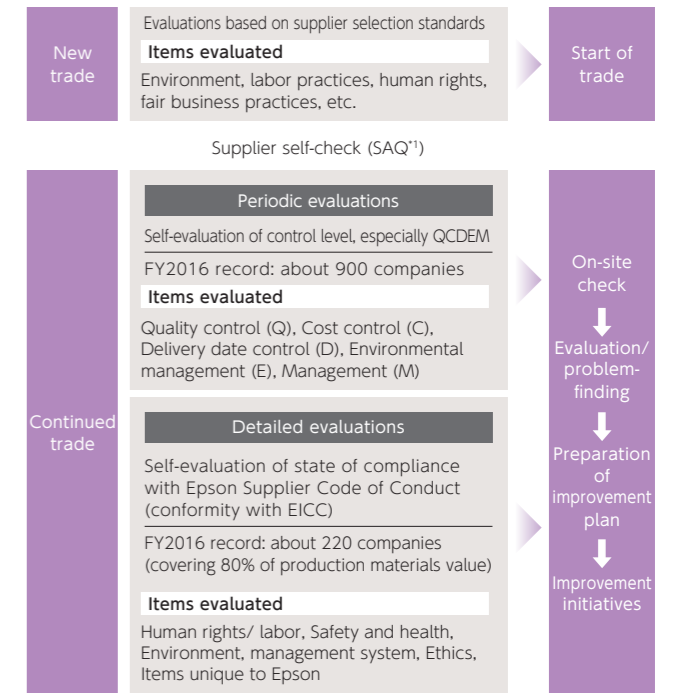


A sustainable procurement briefing for suppliers (China)

CSR Evaluation on the Supply Chain

Epson conducts CSR evaluations of suppliers when starting business with them and periodically after that. This helps suppliers make improvements to answer society's needs. As a new initiative, in FY2016 we also conducted third-party audits of two companies.

FY2016 Supplier Evaluation Initiatives



*1 A self-evaluation in question-and-answer format (abbreviation for "Self-Assessment Questionnaire")

Dealing with Conflict Minerals

Conflict minerals are minerals that armed groups in the Democratic Republic of the Congo (DRC) and adjoining countries, through acts of violence, force area citizens to extract and which are then traded to fund these groups. The policy at Epson is not to use conflict minerals, and accordingly we work through our suppliers to identify the smelters we purchase from for all components procured.

Conflict Minerals Survey Implementation Status

	FY2014	FY2015	FY2016
Number of suppliers surveyed	912	716	561
Number of identified smelters (A)	243	298	331
Number of CFS-certified ² smelters (B)	144	211	243
Percentage CFS-certified [(B)/(A)]	59%	71%	74%

² Smelters with no connection to conflict minerals

Supplier BCP Campaign

Epson asks its suppliers to establish systems to facilitate the speedy resumption of product supply in the case that the supply chain is disrupted by a disaster or accident. Specifically, we ask our suppliers to evaluate themselves for emergency readiness and to perform safety management self-checks. This identifies issues and improvement suggestions so we can work with our suppliers to take appropriate measures.


Maximizing the Capacities of Our Diverse Personnel



Epson Group Human Resources Development Policy

Epson develops its human resources in line with the Epson Group Human Resources Development Policy established in 1996, which designates talented people as a precious management resource and asserts that it is people that connect, support, and nurture the Epson Group. We assist employees so that they can achieve their dreams of self-fulfillment. 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.

 Epson Group Human Resources Development Policy http://global.epson.com/company/epson_way/principle/human_policy.html

Developing Global Human Resources

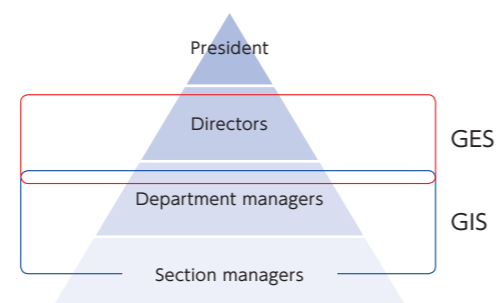
Epson runs a global business, and thus it is critical to our management that we foster global human resources that can help us pursue the common global goals of our business, each within the role of his or her Epson Group company.

The Global Incubation Seminar (GIS) is a training program in which we share Epson's vision and values with up-and-coming leaders from Group companies around the world, and empower them to put these into practice in their own organizations. We have held GIS every year since 1999, training more than 330 individuals so far.

Additionally, in FY2017, Epson held the inaugural Global Executive Seminar (GES). The GES, which we plan to make an annual event, seeks to further strengthen executive management training at Group companies. The seminar is designed to develop leaders who can develop strategies and consider issues, such as how to achieve Epson's long-term goals, what role they and their companies


should play, and what changes to make, in a business environment with limited future visibility.

■ GIS/ GES target trainees



Respecting Human Rights

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. Also, the Group's policies regarding human rights and labor standards articulate 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-management relations. These attitudes are widely disseminated and practiced throughout the Group.

 Epson Group The Policies regarding Human Rights and Labor Standards http://global.epson.com/company/epson_way/principle/human_rights.html

Promoting Diversity

Epson's true customers are end-users the world over. 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. 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.

Commitment to Diversity

Epson works continually to achieve true diversity by enabling a diverse workforce, including women and foreign nationals, to take an active role and by reviewing our system to create a better working environment.

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

Work Reform

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.

Beginning in FY2017, we are reforming the way we work through what we call our WILL BE program.¹⁾ It includes

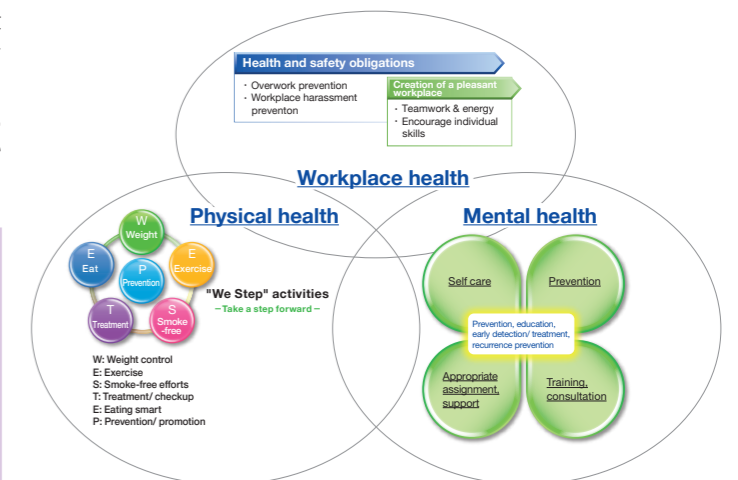
Health Management Initiatives

In 2017, Japan's Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi recognized Seiko Epson under the Certified Health and Productivity Management Organization Recognition Program (White 500), large enterprise category. 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 we institute a mid-range plan on health. The current plan, Health Action 2020, proclaims emphasizing safety and improving the working environment while fostering employee and workplace independence and autonomy as our basic stance. Initiatives address health in three focus areas: workplace, physical, and mental.




■ Health Action 2020: Three Key Areas and Actions



targets for working hours in the medium term, and others.

¹⁾ "WILL BE" signifies work-life balance, innovation, liveliness, and enjoyment.

 Epson's work goals and work culture http://global.epson.com/SR/our_people/pdf/workplace_01.pdf

■ Annual Total Working Hours per Employee(Japan)



Corporate Governance



Basic Principles

To achieve the goals declared in the Management Philosophy, promote sustainable growth, and increase corporate value over the long term, Epson strives to continuously enhance and strengthen corporate governance so as to realize transparent, fair, timely, and decisive decision-making.

- Respect the rights of shareholders, and secure equality.
- Keeping the interests of shareholders, customers, communities, business partners, employees and other stakeholders in mind, work in an appropriately cooperative manner with them.
- Disclose company information as appropriate and ensure transparency.
- 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.
- Epson shall engage in constructive dialogue with shareholders.

(Excerpted from the Corporate Governance Policy)

Complying with the Corporate Governance Code

Seiko Epson endorses the Corporate Governance Code established by the Tokyo Stock Exchange and implements all of the principles of the code.

Corporate Governance
http://global.epson.com/SR/organizational_governance/

Initiatives to Enhance and Strengthen Corporate Governance

Seiko Epson's main corporate governance initiatives in recent years are listed below.

2012	Hired an outside director
2013	Established "Standard of Outside Officers' Independence" ¹⁾
2014	Hired outside directors
2015	Established a Corporate Governance Policy
2016	<ul style="list-style-type: none"> - Transitioned from a company with an audit & supervisory board to a company with an audit & supervisory committee - Increased the number of outside directors - Introduced a performance-linked stock compensation plan

2016 initiatives

Transitioned to a company with an audit & supervisory committee

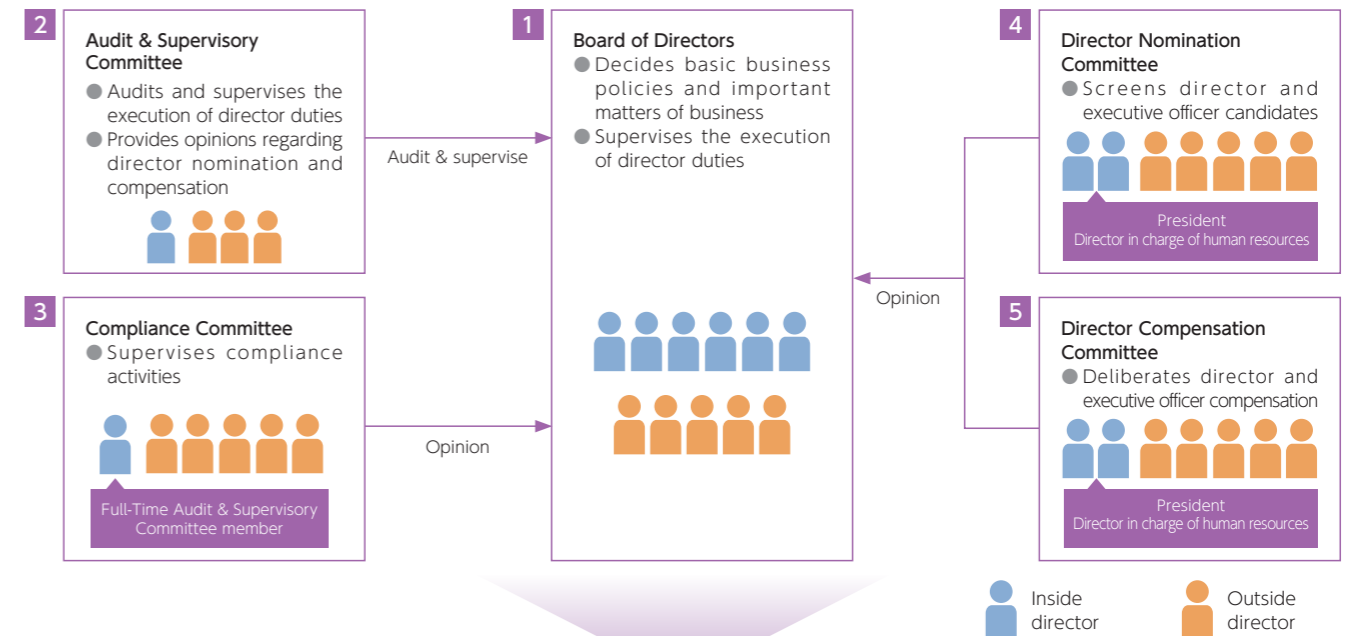
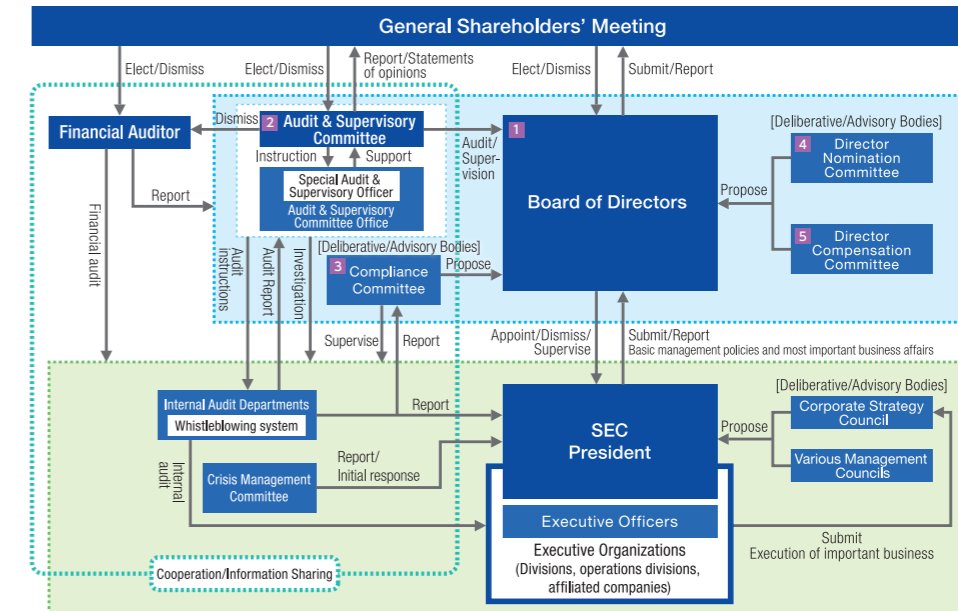
- Aims**
- Improve supervision over the board of directors
 - Enrich board discussions
 - Speed up management decision-making

Introduced a performance-linked stock compensation plan

- Aims**
- Heighten directors' sense of shared common interests with shareholders
 - Show a commitment to sustaining growth and increasing corporate value over the long term

¹⁾ The name was changed to "Criteria for Independence of Outside Directors" on April 28, 2017, and the content was partially revised.

Corporate Governance System



Evaluating the Effectiveness of the Board of Directors

Seiko Epson analyzed and debated the effectiveness of the board of directors in the 2016 fiscal year. Seiko Epson found that the objective of transitioning to a company with an audit and supervisory committee was met and that the board's functions had been further enhanced. For example, it was determined that (1) discussions regarding the direction and strategies of the company had improved because the board was able to focus more tightly on important business issues; (2) the supervisory function of the board was operating effectively because the transition promoted open, constructive dialog from many different angles; and

(3) decisions were being made timely and decisively on the executive line due to the articulation of effective strategies and the delegation of authority. Based on this, Seiko Epson believes that the effectiveness of the board of directors is being maintained.

Seiko Epson will continue its efforts to ensure the effectiveness of the board by enabling fuller discussions among the directors and otherwise improving the board's functions, and by increasing the efficiency with which board meetings are run.

Other Important Positions Held by Outside Directors² and Their Main Contributions to the Board

Seiko Epson has hired five outside directors as required by the Company's Corporate Governance Policy and Criteria for Independence of Outside Directors.

Hideaki Omiya	Attended 13 out of 13 board meetings (100%) ³
Other important positions held	Chairman of the Board, Mitsubishi Heavy Industries, Ltd. Outside Director, Mitsubishi Corporation
Main contributions to the board	Based on a wealth of experience and insight as a corporate manager and engineer, he actively expresses opinions including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in heavy industry, a different business field.
Mari Matsunaga	Attended 9 out of 10 board meetings (90.0%)
Other important positions held	Outside Director, MS & AD Insurance Group Holdings, Inc. Outside Director, ROHTO Pharmaceutical Co., Ltd.
Main contributions to the board	Based on a track record of creating new business models and considerable insight and experiences through her involvement in the management of multiple companies as outside officers, she actively expresses opinions including findings and proposals regarding managerial issues from the viewpoints of diversity and employees' working environment, etc.
Michihiro Nara	Attended 12 out of 13 board meetings (92.3%)
Other important positions held	Attorney Outside Director, Oji Holdings Corp. Outside Director, Audit & Supervisory Committee Member, Chori Co., Ltd. Outside Director, Nihon Tokushu Toryo Co., Ltd.
Main contributions to the board	Based on a high level of expertise as an attorney-of-law and a considerable insight and experiences through his involvement in the management of multiple companies as an outside officer, he actively expresses opinions including findings and proposals regarding managerial issues from the perspective of a legal professional.
Chikami Tsubaki	Attended 10 out of 10 board meetings (100%)
Other important positions held	Certified Public Accountant Outside Audit & Supervisory Board Member, Heiwa Real Estate Co., Ltd.
Main contributions to the board	Based on a high level of expertise as a certified public accountant and a considerable insight and experiences through her involvement in the management of multiple companies as an outside officer, she actively expresses opinions including findings and proposals regarding managerial issues from the perspective of finance and accounting professional.
Yoshio Shirai	Attended 10 out of 10 board meetings (100%)
Other important positions held	Advisor, Toyota Tsusho Corporation Advisor, Hino Motors, Ltd. Outside Director, Audit & Supervisory Committee Member, Fujikura Ltd.
Main contributions to the board	Based on considerable experience and insight as a corporate manager and engineer, he actively expresses opinions including findings and proposals regarding overall managerial issues from the perspective of a corporate manager well-versed in the global corporate management in the automotive industry and at a trading firm, different business fields.

² As of June 29, 2017
³ The rate of attendance at board meetings was calculated using the number of board meetings held in the 2016 fiscal year as the denominator. The attendance rate for Ms. Matsunaga, Ms. Tsubaki, and Mr. Shirai was calculated using as the denominator the number of board meetings held since they were elected to the board at the annual general shareholders' meeting held on June 28, 2016.

Compliance

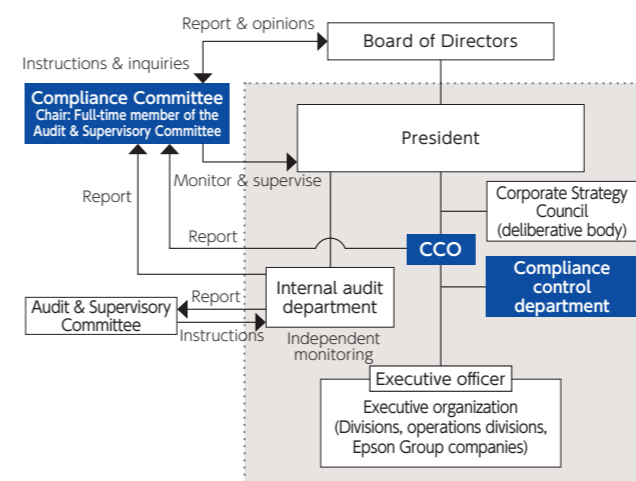
Basic Principles

At Epson, our Management Philosophy forms the foundation for how we run our business. Our mission is to build stakeholder trust as we grow and prosper with communities and to help create a better world. We seek to do this through business activities that comply with the law, adhere to the highest standards of business ethics, and create value that exceeds the expectations of our customers.

Compliance System

Seiko Epson transitioned to a company with an audit & supervisory committee. The move was approved by shareholders at the annual general shareholders' meeting in June 2016. The composition of the Compliance Committee and the role of the chief compliance officer (CCO) were revised in conjunction with this change. The Compliance Committee acts as an advisory body to the board of directors and is chaired by a full-time member of the Audit & Supervisory Committee. It discusses important compliance activities, furnishes the board of directors with compliance reports and opinions, 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. The compliance control department coordinates and monitors general compliance efforts and takes corrective action where needed to ensure that activities are complete and effective.

Compliance System Diagram



Instilling Compliance Globally

Epson has established and communicated throughout the Group a system of beliefs, beginning with the Management Philosophy, that guides the actions and decisions of everyone at Epson. October is Compliance Month in the Epson Group. During the month all Epson Group companies, including overseas subsidiaries, conduct standardized activities. In addition, we have appointed regional chief compliance officers (R-CCOs) in the Americas, Europe, China, and the Asia-Pacific region. The R-CCOs promote and assist their affiliates with compliance activities, and put in place systems tailored to their particular regions.

Whistleblowing Systems

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.

Whistleblowing Systems in Japan: A List of Advisory Services

- Advisory and Support Services**
- Epson Hotline (Compliance Office)
 - Harassment advisory (HR Department)
 - Counseling related to working long hours (HR Department)
 - Employee counseling (General Affairs Department)
 - Labor union counseling (Labor Union)
 - Insider trading inquiries (Legal Affairs Department)
 - Anti-monopoly inquiries (Legal Affairs Department)
 - Inquiries related to bribes and corruption (Legal and General Affairs Departments)

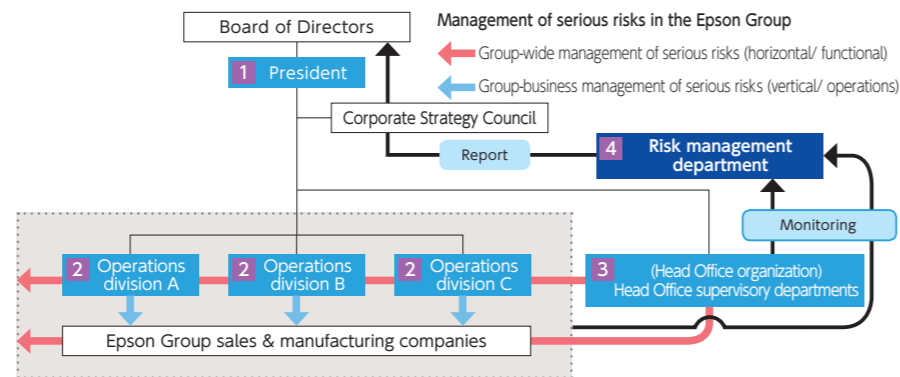
All global Epson Group companies, with the exception of one company with only a very small number of employees, have introduced whistleblowing systems. The use of these systems is monitored, and usage data are reported to a corporate management body and to Group companies in an effort to increase the effectiveness of the systems.

Risk Management

Epson's Risk Management Organization

Seiko Epson's board of directors has approved an internal control system policy pursuant to the Companies Act. The policy specifies the following system for managing risks based on the Epson Group Risk Management Basic Regulation.

Risk Management Organization Chart



- 1 The Chief Risk Management Officer in the Epson Group is the president of Seiko Epson.
- 2 The heads of divisions own responsibility for managing risks in their respective businesses and subsidiaries.
- 3 The heads of Seiko Epson Head Office organizations own responsibility for managing risks in their areas of

- operations, both in their respective businesses and across companies in the Epson Group.
- 4 The Seiko Epson risk management department monitors overall risk management in the Epson Group, makes corrections and adjustments thereto, and ensures the efficacy of risk management programs.

Actions to Control Serious Risks

Epson treats serious risks that could have serious consequences on the company as follows:

- (1) We identify risks that could have serious adverse effects on Epson Group management. These serious Group-wide risks are owned by the appropriate departments in the Seiko Epson Head Office. These departments draft and execute a control plan, monitor the progress of the plan, and evaluate the effectiveness of the control activities.
- (2) We identify risks that could have serious adverse effects on business operations. These serious business risks are owned by the chief operating officer of the relevant business. Personnel draft and execute a control plan, monitor the progress of the plan, and evaluate the effectiveness of the control activities under the supervision of the COO.

- (3) The handling of serious Group-wide risks and serious business risks is reported to and discussed by the Corporate Strategy Council on a quarterly and half-yearly basis, respectively, and we strive to ensure the effectiveness of control plans by revising them as needed. The president of Seiko Epson reports important risk management affairs to the board of directors every quarter.

Risk Management Cycle



Crisis Management

Epson has a standing Crisis Management Committee. The committee is chaired by the president. The general administrative manager in charge of risk management serves as vice-chair. The rest of the committee is made up

of the general managers of supervisory departments at the Head Office. An organization and a predetermined crisis management program are in place to enable us to rapidly mount a Group-wide response in the event of a crisis.

List of Main Risks

Note: The content of the list was excerpted from "Risks related to Epson's business operations" in Epson's Annual Report. Please see the Annual Report for additional details.

Epson's Annual Report 2017 (pp. 16-21)
<http://global.epson.com/IR/library/>

Main Risks	General Description of Risk	Main Countermeasures
Parts procurement risks from certain suppliers	<ul style="list-style-type: none"> A supplier parts shortage or quality problem with supplier parts could interfere with Epson's manufacturing and selling activities. 	<ul style="list-style-type: none"> Procure parts and materials from multiple suppliers whenever possible. Work with suppliers to maintain or improve quality and reduce costs to ensure stable and efficient procurement.
Intellectual property rights risks	<ul style="list-style-type: none"> An objection might be raised to, or an application to invalidate might be filed with respect to, an intellectual property right of Epson, and as a result, that right might be recognized as invalid. A third party to whom we originally had not granted a license could come to possess a license as a result of a merger with or acquisition by another party, potentially causing us to lose the competitive advantage conferred by that intellectual property. New restrictions could be imposed on an Epson business as a result of a buyout or a merger with a third party, and we could be forced to spend money to find a solution to those restrictions. 	<ul style="list-style-type: none"> Independently develop technologies we need; acquire patent, trademark, and other IP rights for them; and license the rights for products and technologies. Strengthen our intellectual property portfolio by placing personnel in key positions to manage our IP.
Environmental risks	<ul style="list-style-type: none"> An environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or halt production. New regulations could be enacted that would require major expenditures. 	<ul style="list-style-type: none"> Take environmental action in line with a mid-range action plan and "Environmental Vision 2050," a statement of our long-term goals for reducing our environmental impacts. Drive programs to develop and manufacture low-impact products, reduce energy use, recover and recycle end-of-life products, ensure compliance with international substance regulations, and improve environmental management systems.
Hiring and personnel retention risks	<ul style="list-style-type: none"> We may be unable to hire and retain talented personnel to develop advanced new technologies and manufacture advanced new products. 	<ul style="list-style-type: none"> Secure talent by providing role-based compensation and actively promoting good people internationally.
Risks from natural or other disasters	<ul style="list-style-type: none"> Our operating results could be adversely affected by any number of unpredictable events, including but not limited to natural disasters, pandemics involving new strains of influenza virus, infection by computer viruses, leaks or theft of customer data, reputational damage on social networking services (SNS), failures of mission-critical internal IT systems, supply chain disruptions, and acts of terrorism or war. 	<ul style="list-style-type: none"> Conduct disaster drills, prepare earthquake disaster management and response plans, and establish business continuity plans to mitigate the effects of disasters to the extent possible. Insure against losses arising from earthquakes. (However, the scope of indemnification is limited.)
Legal, regulatory, licensing and similar risks	<ul style="list-style-type: none"> Epson's credibility could be damaged, we could be subject to large civil fines, or we could see constraints placed on our business activities if, as we try to expand business, we were to violate or potentially violate laws and regulations, or if stricter laws and regulations are enacted. 	<ul style="list-style-type: none"> Ensure compliance by building a robust compliance framework in each country and business and through internal awareness campaigns. Treat compliance as a high management priority, and develop measures to prevent and control potential issues as appropriate.

Board of Directors (as of June 28, 2017)



Minoru Usui
President
(Representative Director)



Shigeki Inoue
Director, Senior Managing
Executive Officer
(Representative Director)



Koichi Kubota
Director, Senior Managing
Executive Officer



Masayuki Kawana
Director, Executive Officer



Tatsuaki Seki
Director, Executive Officer



Hideaki Omiya
Outside Director



Mari Matsunaga
Outside Director



Noriyuki Hama
Director,
Full-Time Audit & Supervisory
Committee Member



Michihiro Nara
Outside Director,
Audit & Supervisory
Committee Member



Chikami Tsubaki
Outside Director,
Audit & Supervisory
Committee Member



Yoshio Shirai
Outside Director,
Audit & Supervisory
Committee Member

Outside Directors on Increasing Corporate Value

Hideaki Omiya | Using Scientific Management to Contribute to Epson's Growth

The world has entered an era of rapid geopolitical and technological change. The Epson 25 Corporate Vision serves as a guide to riding out the confusion, and pioneering a new future by connecting people, things, and information with efficient, compact and precision

technologies, and achieving further growth. I want to use the technical insights I have gained as a heavy equipment engineer and business executive, as well as my scientific management experience, to help Epson rapidly reach the right decisions and depart on the next stage of its journey.

Mari Matsunaga | Diversity for Faster, More Dynamic Operation

Epson has outstanding technology development capability, as exemplified by the PaperLab office papermaking system, but if it were to more actively publicize this capability, Epson could create more opportunities for collaboration. A company that wishes to increase the dynamism and speed of its operations must have internal innovation programs but must also harness the energy produced by using and combining external knowledge

and technologies. Epson has developed its own corporate culture and vertically integrated business model. To increase future corporate value, Epson must maintain these strengths while also promoting diversity in areas such as values and work arrangements. As an outside director, I look forward to using my own experience to continue to help foster dynamism.

Michihiro Nara | Further Enhancing Internal Control and Compliance

From an internal control and compliance standpoint I see two avenues to increasing corporate value. The first is to keep an eye on overseas operations. Epson has strong systems in place overseas to ensure compliance. However, the comparatively weaker interest in compliance overseas is cause for concern. Building a stronger awareness overseas of the importance of compliance will thus be essential if systems are to be improved. The second is

to align the level of compliance awareness between the manufacturing and sales organizations, which are different in character. Filling in the awareness gap will require a change in mindset among all individuals, and appropriate education and training to do so are already under way. I feel in particular that a stronger effort to instill awareness will be needed from organization leaders.

Chikami Tsubaki | Drawing Attention to Strengths that Cannot Be Expressed by Financial Figures

To increase corporate value, you need to draw the attention of customers, investors, employees, and other stakeholders to strengths that do not show up in the financial figures. For example, KPI or other tools should be used to intuitively and visually illustrate non-financial strengths such as technological capabilities and a passion for continuous improvement. As a multinational corporation, Epson is exerting considerable effort into developing human

capital and strengthening the compliance framework at overseas sites in China and elsewhere. Publicizing initiatives like these is also an effective way to increase corporate value. Epson aspires to be an indispensable company, an aspiration made explicit earlier this year in the Management Philosophy. As an outside director, I hope to be able to help get Epson recognized as indispensable through its high aspirations and passion.

Yoshio Shirai | Giving Back and Minimizing Wastes

Epson has declared that its technological capabilities are the foundation of its growth, and employees have embraced the goal, stated in the Management Philosophy, of making Epson an indispensable company. A company can increase its value by understanding its strengths and achieving its goals. However, I want to help increase corporate value and make Epson a genuinely indispensable company by protecting the interests of

shareholders and minimizing wastes. I will help protect the interests of shareholders by ensuring that the company is well-managed and shares profits with employees, business partners, and local communities. Manufacturing companies generate various kinds of waste, in areas from investments to quality to inventory. I will help with initiatives that minimize these wastes, thereby increasing earnings and efficiency.

Consolidated Financial Highlights

	JGAAP (Consolidation)						
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Statement of Income (Billions of yen)							
Net sales	1,416.0	1,347.8	1,122.4	985.3	973.6	877.9	851.2
Gross profit	356.7	368.4	289.4	259.4	262.9	248.8	234.4
Operating income (loss)	50.3	57.5	△ 1.5	18.2	32.7	24.6	21.2
Ordinary income	49.0	63.2	5.3	13.8	31.1	27.0	17.6
Income (loss) before income taxes and minority interests	3.4	52.0	△ 89.5	△ 0.7	15.3	15.6	△ 3.4
Net income (loss)	△ 7.0	19.0	△ 111.3	△ 19.7	10.2	5.0	△ 10.0
Statement of Financial Position (Billions of yen)							
Total assets	1,285.0	1,139.1	917.3	870.0	798.2	740.7	778.5
Shareholders' equity ^{*1}	470.3	447.2	302.6	281.2	269.2	246.4	256.7
Interest-bearing liabilities ^{*2}	404.5	342.2	351.2	311.6	272.1	239.8	271.8
Statement of Cash Flows (Billions of yen)							
Net cash provided by (used in) operating activities	160.2	112.0	44.2	56.5	32.3	26.6	42.9
Net cash provided by (used in) investing activities	△ 76.4	△ 50.7	△ 61.0	△ 43.2	△ 23.6	△ 31.5	△ 39.5
Free cash flows	83.8	61.2	△ 16.7	13.3	8.7	△ 4.8	3.4
Financial and Management Indicators (Billions of yen · %)							
Research and development costs	84.6	82.8	82.0	68.8	54.3	52.1	49.9
Capital expenditures	73.1	63.9	55.6	25.9	31.8	38.9	43.1
Depreciation and amortization	89.6	79.2	78.4	47.3	41.1	37.6	39.3
Shareholders' equity ratio	36.6	39.3	33.0	32.3	33.7	33.3	33.0
ROE (net income (loss)/ average shareholders' equity at beginning and end of year)	△ 1.5	4.2	△ 29.7	△ 6.8	3.7	2.0	△ 4.0
ROA (Ordinary income/ average total assets at beginning and end of year)	3.8	5.2	0.5	1.6	3.7	3.5	2.3
ROS (Ordinary income (loss)/ net sales)	3.5	4.7	0.5	1.4	3.2	3.1	2.1
Consolidated dividend payout ratio	-	32.9	-	-	39.0	99.2	-
Per Share Data (Yen)							
Net income (loss) per share (EPS)	△ 36.13	97.24	△ 566.92	△ 99.34	51.25	26.22	△ 56.41
Shareholders' equity per share (BPS)	2,395.14	2,277.45	1,541.16	1,407.92	1,347.71	1,377.60	1,435.20
Cash dividends per share	32.00	32.00	26.00	10.00	20.00	26.00	20.00
Index of Stock Price (Multiples)							
Price Earnings Ratio (PER)	-	27.61	-	-	25.99	44.24	-
Price Book-value Ratio (PBR)	1.45	1.18	0.86	1.03	0.99	0.84	0.64
Sales Breakdown by Region (Billions of yen) ^{*3}							
Japan	451.6	427.9	368.7	345.0	367.5	313.9	266.6
The Americas	270.4	274.4	236.6	217.6	199.2	175.6	200.3
Europe	341.5	344.4	262.1	212.9	189.5	178.1	175.2
Asia/ Oceania	352.3	301.0	255.0	209.8	217.3	210.3	209.1
Average Exchange Rate for the Period (Yen)							
Yen/ U.S. dollars	117.02	114.28	100.53	92.85	85.72	79.08	83.11
Yen/ Euro	150.09	161.53	143.48	131.15	113.12	108.98	107.14
Number of Employees at Period End (Person)							
Total	87,626	88,925	72,326	77,936	74,551	75,303	68,761
Domestic	25,379	25,735	24,190	22,602	20,704	19,765	18,234
Overseas	62,247	63,190	48,136	55,334	53,847	55,538	50,527

*1 Shareholders' equity = total net assets - minority interests

*2 Lease obligations are included in interest-bearing liabilities.

*3 Sales (revenue) by region is based on the location of the customers.

*4 Business profit is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

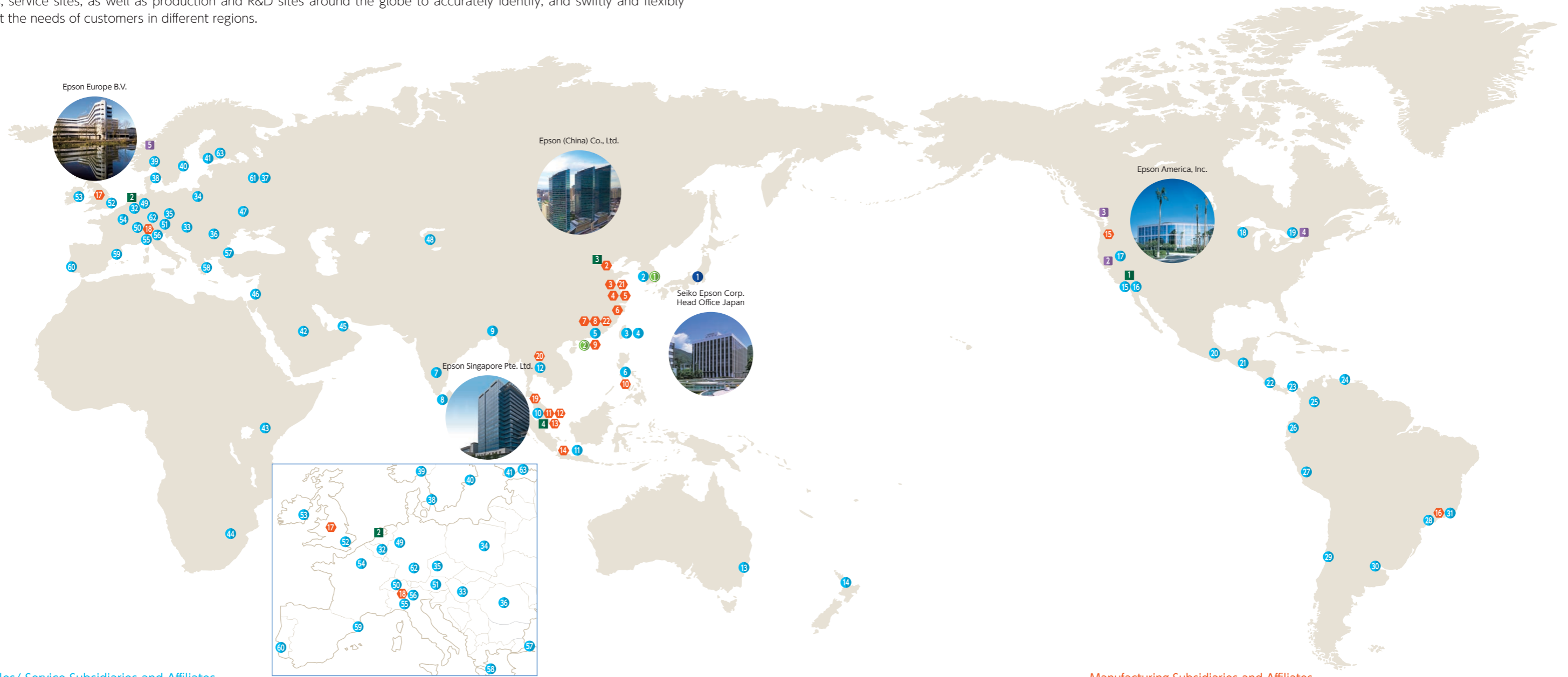
*5 Basic earnings per share (EPS) and equity attributable to owners of the parent company per share (BPS) were calculated under the assumption that the shares split took effect at the beginning of the year ended March 31, 2014.

*6 Seiko Epson Corporation (the "Company") completed the Company's ordinary shares split with an effective date of April 1, 2015. As a result, each share of the Company's ordinary shares was split into two shares.

	IFRS (Consolidation)			
	FY2013	FY2014	FY2015	FY2016
Statement of Income (Billions of yen)				
Revenue	1,008.4	1,086.3	1,092.4	1,024.8
Gross profit	362.5	395.9	397.6	365.9
Business profit ^{*4}	90.0	101.2	84.9	65.8
Profit from operating activities	79.5	131.3	94.0	67.8
Profit before tax	77.9	132.5	91.5	67.4
Profit for the period	84.4	112.7	46.0	48.4
Statement of Financial Position (Billions of yen)				
Total assets	908.8	1,006.2	941.3	974.3
Equity attributable to owners of the parent company	362.3	494.3	467.8	492.1
Interest-bearing liabilities	220.5	185.9	141.7	146.5
Statement of Cash Flows (Billions of yen)				
Net cash provided by (used in) operating activities	114.8	108.8	113.0	96.8
Net cash provided by (used in) investing activities	△ 41.2	△ 32.7	△ 51.5	△ 75.7
Free cash flows	73.6	76.0	61.4	21.1
Financial and Management Indicators (Billions of yen · %)				
Research and development costs	48.8	47.8	53.1	52.7
Capital expenditures	37.8	45.4	69.4	75.3
Depreciation and amortization	40.7	44.4	45.3	43.2
Equity attributable to owners of the parent company ratio	39.9	49.1	49.7	50.5
ROE (Profit for the period attributable to owners of the parent company/ Beginning and ending balance average equity attributable to owners of the parent company)	27.7	26.3	9.5	10.1
ROA (Business profit/ Beginning and ending balance average total assets)	10.4	10.6	8.7	6.9
ROS (Business profit/ Revenue)	8.9	9.3	7.8	6.4
Consolidated dividend payout ratio	10.6	18.3	46.9	43.9
Per Share Data (Yen)				
Basic earnings per share (EPS)	235.35 ^{*5}	314.61 ^{*5}	127.94	136.82
Equity attributable to owners of the parent company per share (BPS)	1,012.83 ^{*5}	1,381.66 ^{*5}	1,307.58	1,397.40
Cash dividends per share	50.00	115.00	60.00 ^{*6}	60.00
Index of Stock Price (Multiples)				
Price Earnings Ratio (PER)	6.82	6.77	14.21	17.13
Price Book-value Ratio (PBR)	1.58	1.54	1.39	1.68
Revenue Breakdown by Region (Billions of yen)				
Japan	280.9	276.2	264.0	251.3
The Americas	260.2	304.6	320.0	290.9
Europe	218.4	230.9	226.3	211.9
Asia/ Oceania	248.8	274.4	282.0	270.5
Average Exchange Rate for the Period (Yen)				
Yen/ U.S. dollars	100.23	109.93	120.14	108.38
Yen/ Euro	134.37	138.77	132.58	118.79
Number of Employees at Period End (Person)				
Total	73,171	69,878	67,605	72,420
Domestic	18,372	18,627	18,699	19,175
Overseas	54,799	51,251	48,906	53,245

Global Network

In 1968, Epson established its first production site outside Japan, in Singapore. Today, Epson has sales and marketing sites, service sites, as well as production and R&D sites around the globe to accurately identify, and swiftly and flexibly meet the needs of customers in different regions.



Sales/ Service Subsidiaries and Affiliates

- 1 — Japan
- 2 — Epson Korea Co., Ltd.
- 3 — Epson Taiwan Technology & Trading Ltd.
- 4 — TekCare Corporation
- 5 — Epson Hong Kong Ltd.
- 6 — Epson Philippines Corporation
- 7 — Epson India Pvt. Ltd.
- 8 — Epson India Pvt. Ltd. (Sri Lanka Branch)
- 9 — Epson India Pvt. Ltd. (Bangladesh Branch)
- 10 — Epson (Malaysia) Sdn. Bhd.
- 11 — P.T. Epson Indonesia
- 12 — Epson (Thailand) Co., Ltd.
- 13 — Epson Australia Pty. Ltd.
- 14 — Epson Australia Pty. Ltd., New Zealand Office
- 15 — Epson America, Inc.
- 16 — Epson Accessories, Inc.
- 17 — Epson Electronics America, Inc.
- 18 — K-SUN Corporation
- 19 — Epson Canada Ltd.
- 20 — Epson Mexico, S.A. de C.V.
- 21 — Epson Guatemala, S.A.
- 22 — Epson Costa Rica, S.A.
- 23 — Epson Panama SRL
- 24 — Epson Venezuela, SRL
- 25 — Epson Colombia Ltda.
- 26 — Epsodecua Cia, Ltda.
- 27 — Epson Peru, S.A.
- 28 — Epson do Brasil Industria e Comercio, Ltda.
- 29 — Epson Chile, S.A.
- 30 — Epson Argentina, SRL
- 31 — Epson Rio De Janeiro Importadora e Exportadora Ltda.
- 32 — Epson Europe B.V., Belgium Office
- 33 — Epson Europe B.V., Hungary Office
- 34 — Epson Europe B.V., Poland Office
- 35 — Epson Europe B.V., Czech Republic Office
- 36 — Epson Europe B.V., Romania Office
- 37 — Epson Europe B.V., Moscow Office
- 38 — Epson Europe B.V., Denmark Office

Europe

- 39 — Epson Europe B.V., Norway Office
- 40 — Epson Europe B.V., Sweden Office
- 41 — Epson Europe B.V., Finland Office
- 42 — Epson Europe B.V., Saudi Arabia Office
- 43 — Epson Europe B.V., Kenya Office
- 44 — Epson Europe B.V., South Africa Office
- 45 — Epson Europe B.V., Middle East Office
- 46 — Epson Europe B.V., Israel Office
- 47 — Epson Europe B.V., Kiev Office
- 48 — Epson Europe B.V., Kazakhstan Office
- 49 — Epson Deutschland GmbH
- 50 — Epson Deutschland GmbH, Switzerland Office
- 51 — Epson Deutschland GmbH, Austria Office
- 52 — Epson (U.K.) Ltd.
- 53 — Epson (U.K.) Ltd., Ireland Office
- 54 — Epson France S.A.
- 55 — Epson Italia S.p.A.
- 56 — For.Tex S.r.l.

Regional Headquarters

- 1 — Epson America, Inc.
- 2 — Epson Europe B.V.
- 3 — Epson (China) Co., Ltd.
- 4 — Epson Singapore Pte. Ltd.

Branches

- 1 — Seiko Epson Corporation, Korea Office
- 2 — Seiko Epson Corporation, Hong Kong Branch

Manufacturing Subsidiaries and Affiliates

- 1 — Japan
- 2 — Tianjin Epson Co., Ltd.
- 3 — Epson Surface Engineering (Zhenjiang) Co., Ltd.
- 4 — Epson Precision Suzhou Co., Ltd.
- 5 — Shanghai Sanhuan Magnetics Co., Ltd.
- 6 — Fujian Epson Co., Ltd.
- 7 — Epson Engineering (Shenzhen) Ltd.
- 8 — E&G Electronic (Shenzhen) Ltd.
- 9 — Orient Watch (Shenzhen) Ltd.
- 10 — Epson Precision (Philippines), Inc.
- 11 — Epson Precision (Johor) Sdn. Bhd.
- 12 — Singapore Epson Industrial Pte. Ltd.
- 13 — P.T. Epson Batam
- 14 — P.T. Indonesia Epson Industry
- 15 — Epson Portland Inc.
- 16 — Epson Paulista Ltda.
- 17 — Epson Telford Ltd.
- 18 — Fratelli Robustelli S.r.l.
- 19 — Epson Precision Malaysia Sdn. Bhd.
- 20 — Epson Precision (Thailand) Ltd.
- 21 — Epson Wuxi Co., Ltd.
- 22 — Epson Precision (Shenzhen) Ltd.

R&D Subsidiaries and Affiliates

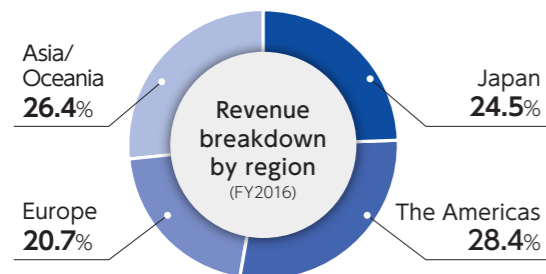
- 1 — Japan
- 2 — Epson Research and Development, Inc.
- 3 — Epson Electronics America, Inc., Vancouver Design Center
- 4 — Epson Canada Ltd. (Development Center)
- 5 — Epson Norway Research and Development AS

As of March 31, 2017

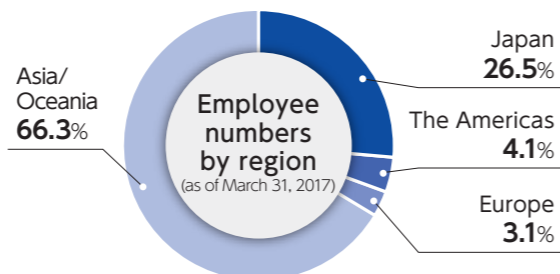
Company Name Seiko Epson Corporation
 Founded May 18, 1942
 Head Office 3-3-5 Owa, Suwa-shi, Nagano, Japan
 Paid-in Capital ¥53,204 million



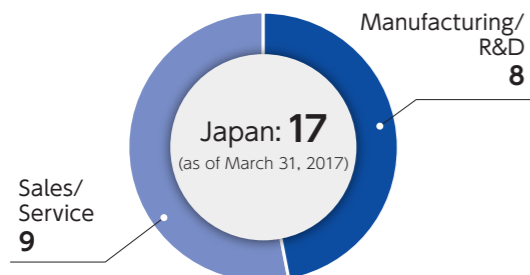
■ Revenue Breakdown by Region



■ Employee Numbers by Region



■ Group Company Breakdown



■ Shareholder's Equity

(As of March 31, 2017)

Total number of shares authorized to be issued	1,214,916,736 shares
Total number of shares issued	399,634,778 shares
Number of shareholders	37,089

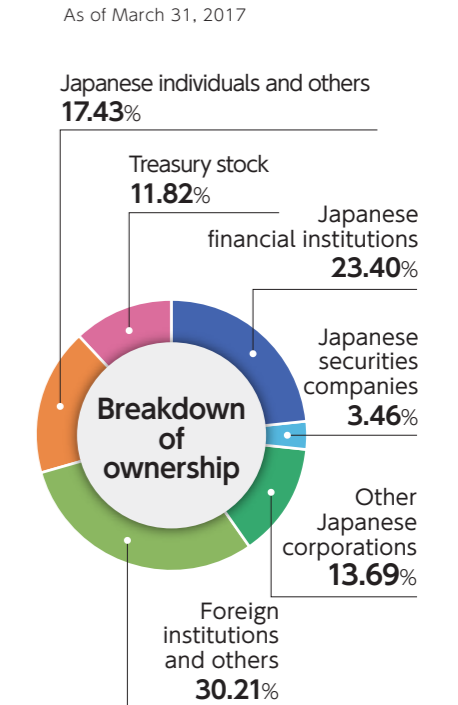
■ Principal Shareholders

(As of March 31, 2017)

Shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
Sanko Kigyo Kabushiki Kaisha	20,000	5.00
Japan Trustee Services Bank, Ltd. (Trust Account)	16,797	4.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,957	3.49
Seiko Holdings Corporation	12,000	3.00
Yasuo Hattori	11,932	2.98
Noboru Hattori	11,199	2.80
The Dai-ichi Life Insurance Company, Limited	8,736	2.18
Mizuho Trust & Banking Co., Ltd. Retirement benefit trust (Mizuho Bank, Ltd. account)	8,153	2.04
Seiko Epson Corporation Employees' Shareholding Association	7,564	1.89
Ichigo Trust Pte. Ltd.	6,766	1.69

* Epson treasury stock (47,231 thousand shares) has been excluded from the list of principal shareholders.
 * Holdings of less than 1,000 shares have been omitted from the number of shares owned.
 * The percentage of shares owned has been calculated to two decimal places.

■ Distribution of Ownership among Shareholders

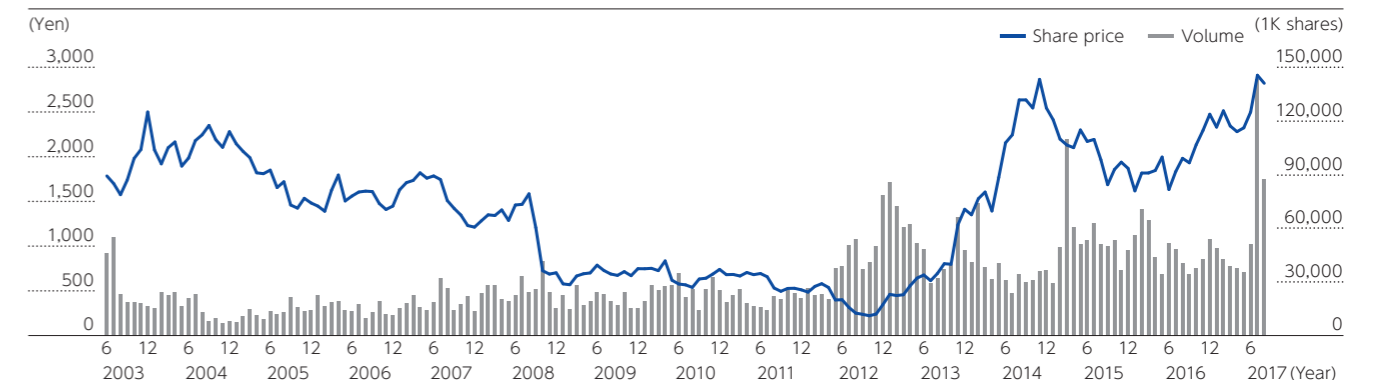


■ Inclusion in Social Responsible Investment (SRI) and ESG Indexes

In 2017 Seiko Epson was selected for inclusion in two SRI indexes, the FTSE Blossom Japan Index and the MSCI Japan Empowering Women Index (WIN), which were selected when the Government Pension Investment Fund (GPIF) began ESG investing.



■ Monthly Share Price and Volume Trend



* The share price through March 2015 is split-adjusted to account for the effect of the 2-for-1 split of common shares that took effect on April 1, 2015.