

EPSON

Sustainability Report 2004

April 2003 – March 2004

An Overview of
Corporate Environmental
and Social Activities



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About the Cover

The word *sustainability* is interwoven with silhouettes of people who represent our multifaceted relationship with society.

Epson's Annual Reports

Each year, Epson publishes two reports that contain an overview of corporate activities, the *Annual Report* (AR) and the *Sustainability Report* (SR). They cover the following subjects:

- AR2004: Business vision, review of operations and financial statements
- SR2004: Report on environmental and social performance
- Corporate governance, compliance and risk management are discussed in both reports.

For questions and inquiries on AR2004, please contact: Investor Relations Promotion Department, Seiko Epson Corporation Tel. 81-3-3343-5513



About This Report

This report has been compiled based on the following basic policies:

Our highest priority is to provide a reader-friendly report with the information that best meets the uncompromising standards of reliability that our diverse stakeholders have come to expect. To do so, we followed the Japanese Ministry of the Environment's *Environmental Reporting Guidelines* (2003) for reporting on environmental activities and the Global Reporting Initiative (GRI)'s *Sustainability Reporting Guidelines* (2002) for reporting on social performance (see p. 77).

Because the amount of environmental burden depends on the nature of the business activities of a given business organization, we have indicated the business activity categories of each of our organizations (manufacturing/non-manufacturing), along with the location (prefecture or country).

This report contains overviews of activities and data for the following Seiko Epson Group companies:

Environmental Performance — Seiko Epson Corporation, 19 Group companies/affiliates in Japan, and 45 overseas companies that have acquired ISO 14001 certification and in which Seiko Epson has greater than 50% ownership.

Social Performance — Seiko Epson Corporation and certain Group companies/affiliates.

In the year under review, the following organizational changes have taken place:

- In July 2003, Injex Corporation (Japan/manufacturing) and Atmix Corporation (Japan/manufacturing) merged. The new company operates under the name Atmix Corporation.
- In December 2003, Epson Industrial (Taiwan) Pte. Ltd. was dissolved as a result of site consolidation.
- In January 2004, Epson Logistics Corporation (Japan/non-manufacturing) moved to the Takagi Plant as a result of site consolidation.

Widening of scope of reporting

- Akita Orient Seimitsu Co., Ltd. (Japan/manufacturing), Orient Watch Co., Ltd. (Japan/manufacturing) and Epson (Beijing) Technology Service Co., Ltd. (China/non-manufacturing) will now be participating in Epson's environmental activities; part of the data on these companies is included in this report.

Printing paper

- This report is printed on a thinner paper than that used for previous reports.

Although this report primarily covers activities from April 2003 through March 2004, it includes some activities that took place after April 2004.

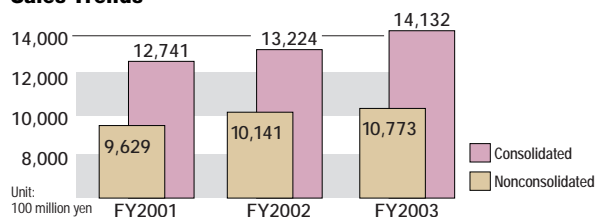
Past reports and next issue

Epson has issued the *Environmental Report* every August since 1999. In 2003, we added social performance to the *Environmental Report* and started issuing the *Sustainability Report*. Our next report is scheduled for August 2005.

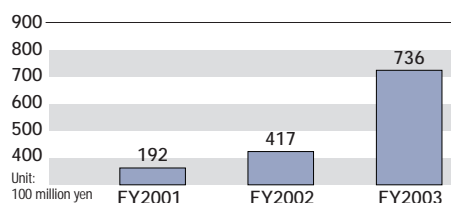
Corporate Profile

Name	SEIKO EPSON CORPORATION		
Established	1942		
Head Office	3-3-5 Owa, Suwa-shi, Nagano-ken, 392-8502 Japan		
Capitalization	53.204 billion yen (as of March 31, 2004)		
No. of Employees	Nonconsolidated: 12,839; Consolidated: 84,899 (as of March 31, 2004)		
Business Activities	<ul style="list-style-type: none"> • IT equipment Personal computers and peripherals (such as printers and scanners); imaging equipment (such as LCD projectors) 		
	<ul style="list-style-type: none"> • Electronic devices Semiconductors/LCDs/quartz devices 		
	<ul style="list-style-type: none"> • Precision instruments Watches/optical lenses/factory automation 		
	Other Activities: R&D, manufacturing, marketing and services		
Sales/Ordinary Income (FY2003 actual)	Consolidated:	1,413.2 billion yen/73.6 billion yen	
	Nonconsolidated:	1,077.3 billion yen/31.5 billion yen	
Sales Breakdown (FY2003, consolidated)	IT equipment	Sales (million yen)	Ratio (%)
	Electronic devices	917,115	64.9
	Precision instruments	413,540	29.3
	Other	77,735	5.5
Group Companies	110 (36 in Japan, 74 overseas as of March 31, 2004)		
Membership in Environmental Organizations	Japan Electronics and Information Technology Industries Association, Japan Business Machine and Information System Industries Association, Communications and Information Network Association of Japan, Japan Environmental Management Association for Industry, Sustainable Management Forum of Japan, Nagano Employers' Association, Nagano Association for Conserving Environment and others		

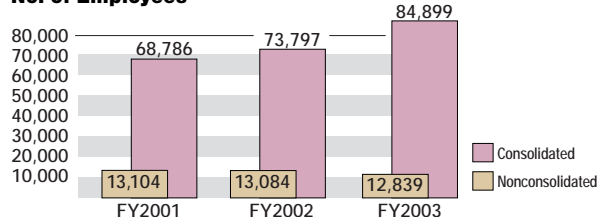
Sales Trends



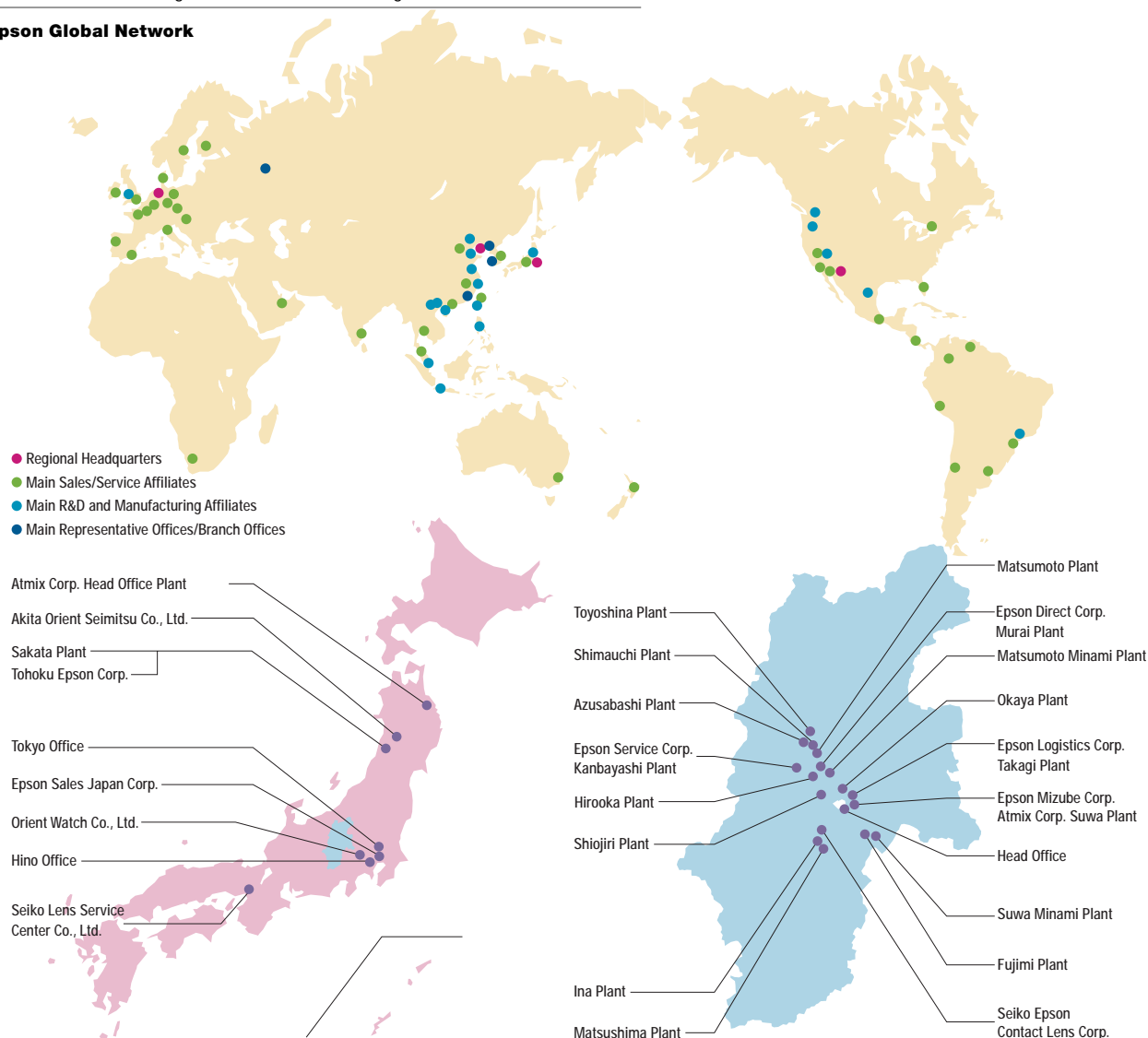
Ordinary Income (Consolidated)



No. of Employees



Epson Global Network



These are stylized maps of the locations

Management Philosophy (Issued July 1989, revised March 1999)

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

(This has been translated into 14 languages and is shared Groupwide)

Quality Philosophy (Issued September 2002)

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

Environmental Philosophy (Issued October 1994, revised June 1999)

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

Quality Policy

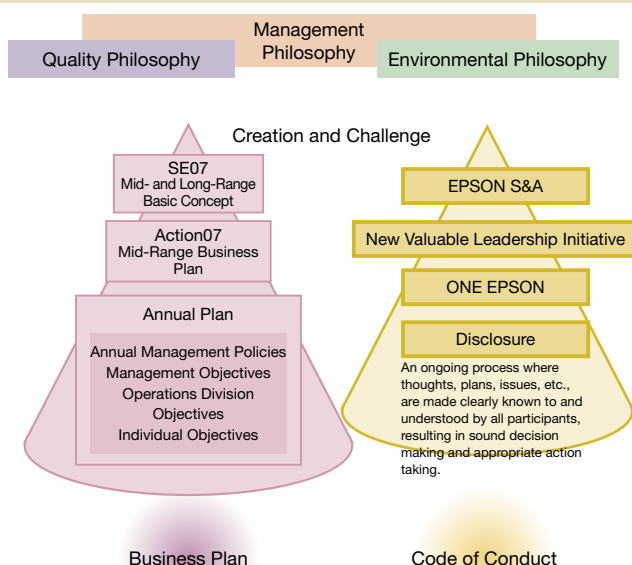
1. We will solve problems by directly observing all of our operations and processes.
2. We will quickly complete the Plan, Do, Check & Act (PDCA) cycle in all situations.
3. We will thoroughly analyze any failures, and establish procedures based on that analysis, so that mistakes are never repeated.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

Major Activities

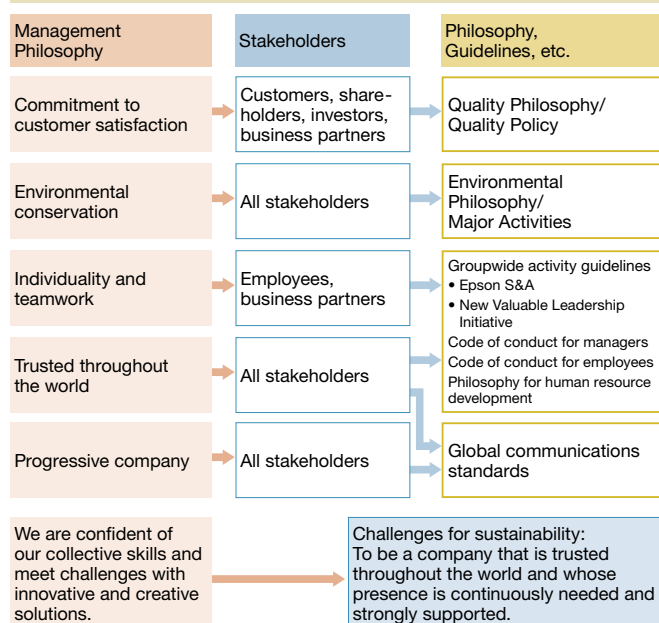
The following activities will be pursued in keeping with the Environmental Philosophy:

1. Creating and providing earth-friendly products
2. Transforming all processes to reduce the burden on the environment
3. Recovering and recycling used products
4. Sharing of environmental information and contributing to regional and international preservation efforts
5. Continually improving the environmental management system

Two Pillars Driving Management Philosophy



Relationship Between Management Philosophy and Our Stakeholders



Enhancing Our “Quality of Heart” to Continue Winning Your Confidence

At Epson Group, an important goal of our Management Philosophy is to become a progressive company that is trusted throughout the world. That is why we have adopted trust-based management as the basis for all our business activities.

Our concept of trust-based management involves more than simply meeting legal requirements and following corporate ethics. It is an ongoing endeavor to offer products and services that are safe to use, that bring joy to our customers and that earn their loyalty. Trust-based management drives us to meet the expectations of our shareholders and investors for stable profits over the long term, to build relationships with our business partners that allow us to prosper and grow together, and to participate in creating a better society wherever we do business. Another aspect of this Philosophy is the building of a corporate environment where employees are self-reliant, find their jobs rewarding and are happy about their work as they pursue our founding motto: Creation and Challenge. Fulfilling these social responsibilities is at the heart of what we call trust-based management.

In June 2003, our company made its initial public offering on the First Section of the Tokyo Stock Exchange. This milestone event for our company made us even more determined to foster trust in our relationships with our stakeholders.

When we consider our role in society, we recognize the great importance of protecting the environment of the planet where we and our stakeholders live, particularly in our role as a manufacturer. At Epson, we share the belief that management that is not environmentally conscious does not deserve to manage, particularly since our business had its beginnings in the rich natural environment of the Lake Suwa area in Nagano Prefecture.

Epson's full-scale environmental protection efforts began in 1988, when most of the corporate world still believed that protecting the environment was a managerial burden. Among our early accomplishments were the complete elimination of ozone-depleting CFC gas (in 1992) and three chlorine-based organic solvents (in 1999) from our manufacturing processes. Since 1998, we have been developing increasingly environmentally friendly products, reducing the burden of our production processes on the environment, and promoting product recovery/recycling, all based on our Mid-Range General Environmental Policy. These efforts have convinced us that helping to protect the environment can surely generate profits in the long run.

FY2003, the final year of our three-year Mid-Range General Environmental Policy, saw further advancement in our environmental protection activities in product development, with the development of a digital camera with advanced energy-saving features and a more easily recyclable printer; in manufacturing processes, with the collection of data and creation of a database on the containment of chemical substances used in products; and in energy conservation, with the reduction of production equipment energy requirements. Starting in FY2004, we are implementing a new Mid-Range General Environmental Policy as part of Action07, our mid-range business plan. This policy includes a variety of comprehensive measures for protecting the environment: implementation of environmentally sound practices across

the entire product lifecycle, quantitative understanding of both the economic and environmental impact of these practices, and tighter management of the entire supply chain to improve production quality.

We are committed to reducing CO₂ emissions in the production process by 60% of their FY1997 levels by FY2010. We are taking every possible measure to attain this goal, such as utilizing process innovation to reduce CO₂ emissions in the production of electronic devices.

With mounting global awareness of environmental issues and corporate responsibility, customers are now basing their purchase decisions on criteria that go beyond the conventional product attributes of price and product features. These new criteria include whether there is an established recycling system for the product, whether the product incorporates chemicals that could be harmful to the customer's children, and whether the manufacturer is socially responsible in its business dealings. Environmentally and socially responsible product attributes have now become an important part of overall product quality.

Epson's Quality Philosophy, set out in 2002, emphasizes the importance of “quality of heart” of our employees, as well as the quality of our company. We believe that these two factors affect the level of quality of our products, as well as the level of trust that we can establish in our relationship with society.

I hereby pledge that we will continue to be a company that is deserving of your confidence by enhancing our “quality of heart” and the quality of our company.

I look forward to hearing from you after you have the opportunity to read this report of our FY2003 efforts.



A handwritten signature in black ink, reading 'S. Kusama'.

Saburo Kusama
President
SEIKO EPSON CORPORATION

FY2003 Topics

Highlights of Epson's Business, Environmental and Social Activities in FY2003

Business Activities

April 2003 Colorio PhotoPC Series announced

A new digital photo product series, Colorio PhotoPC Series, was announced under the catchphrase "Now you can 'manage' photos, instead of just 'shooting' them." **Photo 1**



Photo 1

June 2003 Seiko Epson Corporation lists on Tokyo Stock Exchange

On June 24, the Company made its initial public offering on the First Section of the Tokyo Stock Exchange.

July 2003 Group companies Atmix Corporation and Injex Corporation merge

Two companies developing, manufacturing and selling metallic powders merged to operate under the Atmix Corporation name (Japan/manufacturing).

August 2003 Construction of liquid crystal panel manufacturing plant in Chitose, Hokkaido resumes p.47

Construction of a plant to manufacture devices for LCD projectors was resumed. Plant operation is scheduled to begin in September 2004.



Photo 2

August 2003 New dreamio EMP-TW10 projector released for the home consumer market

This affordably priced projector allows users to enjoy high-definition, large-screen digital images at home. **Photo 2**

September 2003 Tsuyo-ink (strong ink), which maintains image quality of photographs significantly longer, announced

Epson has developed three kinds of ink technologies that achieve higher-quality photo printing and longer durability.



Photo 3

September 2003 Seiko Epson Corporation ties up with Renesas Technology Corporation

The two companies will jointly develop technologies for high-speed data transmission, fewer interface lines and electromagnetic interference countermeasures.

September 2003 Commercial production of a new high-temperature polysilicon thin-film transistor (HTPS TFT) liquid crystal panel begins

To meet the growing demand for home projectors, Epson developed two new devices for use in projectors.

October 2003 World's smallest, lightest and fastest A3 class color laser printer, LP-9000C, developed

The printer is half the size of previous models, requires less space and is more economical. **Photo 3**



Photo 4

October 2003 Printer using newly-developed Tsuyo-ink released

Six models of printers using the light-resistant, ozone-proof and water-resistant ink were released. **Photo 4**

November 2003 World's smallest flying micro-robot developed

μFR (Micro Flying Robot) was developed to explore the possibilities for micro-robots and was displayed at the 2003 International Robot Exhibition. **Photo 5**



Photo 5

December 2003 Watch manufacturing sites consolidated

Watch manufacturing sections and their staff at Okaya Plant (Japan/manufacturing) and Suwa Minami Plant (Japan/manufacturing) were consolidated into a single site at Shiojiri Plant (Japan/manufacturing) to raise production efficiency.

January 2004 World's first big-screen TV with built-in printer released in North America

LCD rear-projection TVs that realize large-screen, high-definition images at an affordable price were developed and released in the U.S., where demand is growing for large-screen TVs. **Photo 6**



Photo 6

March 2004 Action07 Mid-Range Business Plan announced p.14

Action07, the FY2004-FY2006 action plan to realize SE07, Epson's mid- to long-term corporate vision, was announced.

March 2004 Seiko Epson Corporation and SANYO Electric Co., Ltd. announce merger of their liquid crystal businesses

The new entity aims to become the leading manufacturer of small- and medium-sized LCDs by combining technical specialties, including miniaturization technologies, creation of high-resolution displays and volume production.

For further details, please visit our website: <http://www.epson.co.jp/e/>

Environmental and Social Activities

May 2003 **Epson's occupational safety and health management system certified under the Health, Labor and Welfare Ministry guidelines** p.58

New Epson Safety and Health Program (NESP, begun in FY2000) was certified as an Occupational Safety and Health Management System (OSHMS) by the Japan Industrial Safety and Health Association (JISHA) based on Health, Labor and Welfare Ministry guidelines.

May 2003 **Epson provides backing for Shinshu University's greening research** p.62

Epson supports Shinshu University Faculty of Agriculture's greening project, which employs a breeding-block method, providing funding for testing in China and subsequent promotion of the technique. **Photo 7**

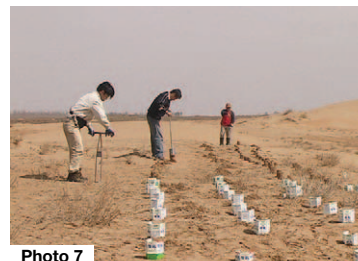


Photo 7

May 2003 **Second year of Kids ISO program kicks off** p.21

Epson cosponsored the environmental education support program for children, Kids ISO14000s, developed by the International Art & Technology Cooperation Organization, for two consecutive years. Nineteen of our employees' children participated in the program. **Photo 8**



Photo 8

August 2003 **Sustainability Report 2003 issued** p.64

In addition to reporting on environmental performance, to fulfill our corporate social responsibility, Epson issued its first sustainability report covering social performance (Japanese, English and Chinese versions). **Photo 9**



Photo 9

August 2003 **Epson Square Beijing showroom opens in Beijing, China**

An Epson showroom was opened in Zhongguancun Science Park to allow visitors to experience the fun of printing digital photos at home. **Photo 10**



Photo 10

August 2003 **Epson establishes industry's first closed system for recycling hydrofluoric acid waste** p.41

Epson developed a technology to produce high-purity fluorite from hydrofluoric acid-containing wastewater generated in semiconductor manufacturing. This fluorite can be used in the production of more hydrofluoric acid.

August 2003 **Program to eliminate six chemicals restricted by RoHS Directive begins** p.29

To respond swiftly to the RoHS Directive adopted in Europe, Epson began a program to phase out six chemicals named in the directive from all Epson electric and electronic products.

August 2003 **epSITE Epson Imaging Gallery opens in Singapore, with galleries to follow in Beijing in November and Shanghai in December** p.65

Epson launched the epSITE Epson Imaging Gallery to demonstrate digital imaging technology through the work of the world's top photographers. **Photo 11**



Photo 11

October 2003 **Recovery and recycling of home PCs begins** p.34

Following an amendment to the Japanese Law for Promotion of Effective Utilization of Resources, Epson began recovery and recycling of home PCs in Japan.

December 2003 **Epson President Saburo Kusama receives 2003 Akira Inoue EHS Award** p.73

Epson President Saburo Kusama received the Akira Inoue EHS Award, an award recognizing individuals for their outstanding environmental, health and safety achievements in the semiconductor industry and for society as a whole.

February 2004 **Epson becomes first in projector industry to receive EcoLeaf System Certification** p.27

Epson was granted System Certification for its projector business under the EcoLeaf environmental label's data collection/verification/publication system certification issued by the Japan Environmental Management Association.

February 2004 **Epson wins Environmental Ministry Award at the 13th Global Environment Awards** p.73

The award recognized Epson's efforts to attain the daunting goal of reducing energy use by 60% (absolute quantity, global consolidated basis) in FY2010 from the FY1997 level through the fundamental production process innovation concept of scalable minimum fab. **Photo 12**



Photo 12

March 2004 **Epson's 12 overseas manufacturers achieve Zero Emissions Level 1** p.39

Zero Emissions Level 1, or 100% recycling, was achieved at all 28 operations divisions and Group companies/affiliates in Japan and overseas, as well as at 21 overseas manufacturing sites.

Epson's Idea of Trust-Based Management

Management philosophy is what shapes the future of our company. Our Management Philosophy originates from the Guideposts we instituted in 1959 as Suwa Seikosha Co., Ltd. A formal Management Philosophy was then established in 1989 and revised to the current version in 1999. Although our Management Philosophy has undergone revisions to accommodate managerial and social changes, the underlying spirit remains the same — to remain a company worthy of the trust of our customers, shareholders, investors, business partners, residents of the communities we operate in and other stakeholders around the world who support our business operations. We believe this can be achieved by becoming the kind of company we have envisioned in our Management Philosophy.

History of Our Management Philosophy

1959 Guideposts Instituted

Guideposts

- Have confidence and pride as an employee of Seiko, which operates globally, and acquire the requisite knowledge, technology and skills.
- Technology and skills are like an untapped wilderness with no boundaries. Explore the new territory with humility and a strong pioneering spirit.
- Create good products with the highest precision and quality, earning customer trust, and ship them worldwide. This is the best contribution we can make to society and our biggest source of satisfaction.
- Good products come from a positive and disciplined workplace. Build good human relations through sound communications by fostering an open, nurturing environment.
- Life's greatest joy derives from a positive workplace filled with the sounds of laughter and from a loving home. Good health is a treasure and must be valued.

Upon reorganizing the company as Suwa Seikosha in 1959, we defined what the company should be and expressed it in the Guideposts which later became the foundation of our current Management Philosophy.

1989 Management Philosophy Established

Management Philosophy

To be a good company that is trusted in every community we operate in around the world by putting the customer first, by respecting individuality and by fostering teamwork.

A good company is —

1. A company that secures a fair profit
2. A company where employees are always engaged in creative and challenging activities, with confidence and pride
3. A company that is an inspiration to its employees and society as a whole.

A good company continues to grow and develop as it pursues the above philosophy.

As Epson's business grew, our operations went beyond the Suwa area and expanded nationwide and then worldwide. As the number of non-Japanese employees grew rapidly, we sensed the need to establish a single Management Philosophy that could be shared by all employees of Epson and the Group companies/affiliates. This single Management Philosophy would bring a sense of unity and common understanding of the Epson spirit to all our employees. We established our Management Philosophy in 1989, with a preamble that states, "To be a 'good company' that is trusted in every community we operate in around the world," to express our emphasis on trust.

1999 Management Philosophy Revised

Management Philosophy

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

Our Management Philosophy was revised in 1999 to accommodate the trend toward globalization and a borderless society, as well as heightened awareness of environmental issues. In creating the revised version, 29 management executives were interviewed and ideas were exchanged among different Epson companies overseas, so that the Philosophy could be shared trans-culturally. The Philosophy has been translated into 14 languages and is shared Group-wide.

Corporate History	Pre-1960s		1970s		1980s	
	1942	Yamato Kogyo established	1975	Established first overseas sales base	1980	MP-80 computer printer released
	1959	Suwa Seikosha Co., Ltd.established	1975	Epson brand established	1985	Seiko Epson Corporation founded
	1968	Launched first overseas manufacturing site; EP-101 miniature printer released			1988	Commercialized world's first watch with self-winding generator
	1969	Seiko Quartz 35SQ analog quartz watch released			1988	Began CFC-free initiatives
Management Philosophy	1959	Guideposts announced			1989	Management Philosophy announced
Activity Guidelines					1984	Scrum & Scramble Method (current Epson S&A: Start Together & Achieve Together) established
Management Policy (Objectives)	1956	First Management Objectives (Policy Directive) set	1976	The objective “to be an international company” stated for the first time in the Management Policy	1987	As the business grew globally, Epson announced in the Management Policy its plan to make Epson a global brand (first time policy was set for the Epson brand).

We Want to Foster Trust Day by Day, Like the Careful Tending of a Tree as It Grows

I first became acutely aware of the significance of trust-based management more than 30 years ago when I was still a leader of the development team. We began practicing trust-based management by doing something very basic — keeping our promises.

Looking back, not all of Epson's operations were growing favorably and some divisions were suffering from slow product development. We carefully examined such cases and found that many of the development team leaders were so obsessed with the technology, they had neglected the sales organizations, distributors and end users.

I was entrusted with the mission of rebuilding these divisions. I reevaluated Epson's technology from a customer's perspective and collected new ideas from the development/design division all the way to the manufacturing division. As a result, the time to market of products was drastically reduced; in one extreme case the time was reduced from two years to two months. This proved that at Epson, if our leaders are diligent, they can make the best use of existing technological expertise and employee enthusiasm.

We believe that by developing new products as planned and delivering them as scheduled — that is, by keeping our promises — we can earn confidence and new business. For that purpose, leaders must listen to voices both inside and outside the company, and communicate their ideas in simple language to drive the projects. I learned these lessons from development projects and incorporated them into the Management Philosophy, Quality Philosophy and Valuable Leadership Initiative so that they would reach all our employees.

We must keep offering products and services that customers and society appreciate to earn their confidence. Equally important, when something goes wrong, we must make the issue public immediately and attend to it in a sincere and expeditious manner. Regrettably in the past, serious quality assurance failures were found in our laptop computers (1990) and black and white laser printers (2002). We immediately recalled the products and made efforts companywide to restore the confidence of our stakeholders. We believe that dishonesty causes the most serious damage to their confidence in us.

Epson operates globally. When we build and operate plants and do business in the areas in which we operate, we always make an effort to be trusted and loved by the local community. We always keep in mind that we must build a good relationship with our customers, shareholders, investors, employees and their families, and community residents, so that we can respect them as individuals and care about them. We must never act arrogantly, take a negative attitude, or be engaged in any form of misconduct. We must also not forget to care for the natural environment in these communities and keep it in good condition. Epson has fostered a corporate culture where employees Groupwide share these values as the basics of our business operations. We hope to preserve this culture for as long as we exist.

In the spring of 2004, I visited Kalimantan in Indonesia to view the progress of a tree-planting project* we are supporting as part of our social contribution efforts. There I learned that to grow a tree, we must take care of it on a daily basis. The tree-planting project and its support do not end at planting the trees. We must keep removing weeds and nurturing the tree until it grows tall. I believe that the relationship of trust between Epson and our stakeholders, like any relationship between people, can only grow if we are prepared to nurture it on a daily basis.



Hideaki Yasukawa

Hideaki Yasukawa
Chairman
SEIKO EPSON CORPORATION

* Please see p. 62 for details on the tree-planting project.

1990s		2000s	
1992	Completed elimination of CFCs from domestic production processes	2001	Manufacturing/non-manufacturing sites in Japan and overseas obtained ISO 14001 certification
1994	MJ-700V2C color inkjet printer released ELP-3000 compact LCD projector developed		
1998	Second environmental benchmark year, General Environmental Policy set		
1999	Management Philosophy revised		
1994	Epson S&A	2000 2003	Valuable Leadership Initiative New Valuable Leadership Initiative
1991	"Creation and Challenge" made Epson's corporate motto	2001	New Epson Safety and Health Program (NESP) activities began
1994	Environmental Policy set	2002	Quality Philosophy and Quality Policy set
1995	Used the phrase "customer satisfaction" for the first time in Management Policy and incorporated customer perspectives in all aspects of business operations		
1998	Upon starting the second environmental benchmark year, Epson's eco-conscious values emphasized in Management Policy		
1999	Environmental Policy revised		

Corporate Structure Driving Management Philosophy

Corporate Governance

Epson's main objectives in the area of corporate governance are to increase corporate value and maintain a high level of transparency and soundness in its operations for its customers, shareholders, employees and other stakeholders, by strengthening management monitoring activities and ensuring compliance with corporate ethics.

To fulfill these objectives, Epson currently employs an auditing system with four auditors, including two outside auditors, who attend monthly auditors' meetings. The auditors participate not only in Board of Directors meetings, but also other high-level, executive meetings, such as Management meetings. They are thus in a position to conduct their audits based on the same information the directors have. Because reelection of one statutory auditor and two outside auditors will be held in 2004, new auditors are to be appointed at the annual shareholders' meeting in June. At the same time, Epson plans to add one more outside auditor to bring the total of outside auditors to three (five auditors in total), to further enhance the independence and transparency of the audits.

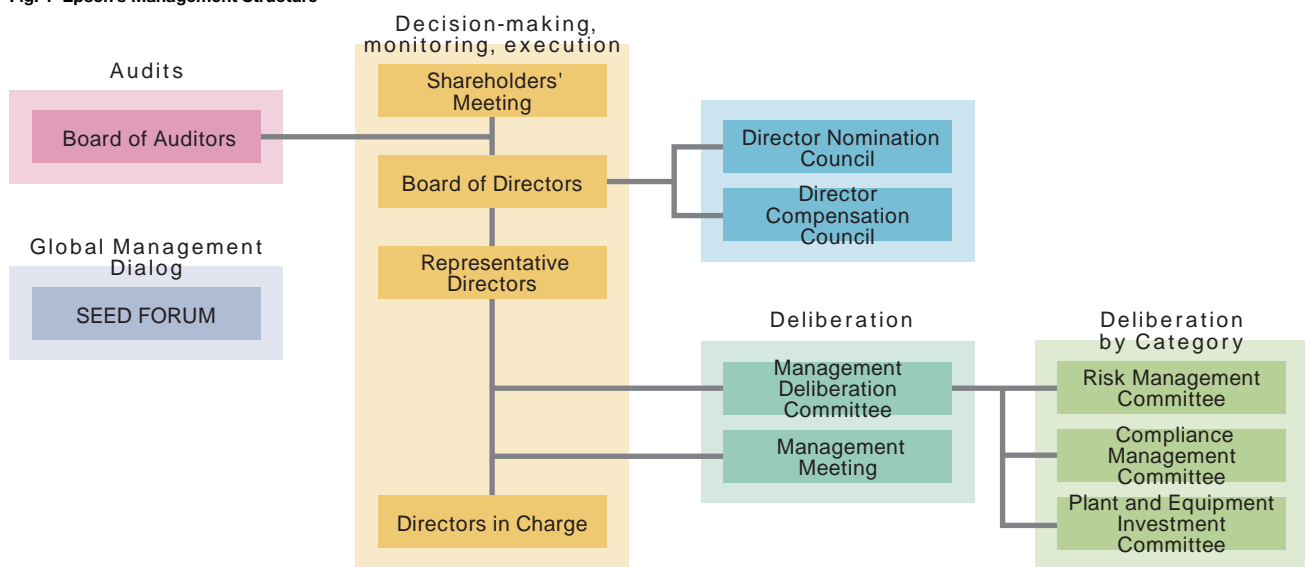
Epson has a Board of Auditors in place as part of its corporate governance. This makes the Board of Directors responsible for management monitoring, unlike companies with committees where execution and monitoring functions are separated organizationally. Epson believes that for monitoring to work properly under our current business style, it is more effective for the directors to manage the company. For this same reason, Epson does not appoint outside directors.

Epson plans to continue with the current company with statutory auditors governance system and appoint competent directors with capabilities for handling both execution and monitoring. We will also make sure the discussions at the Board of Directors meetings adequately serve the current governance. In addition to making efforts to constantly improve the current setup, Epson is determined to keep pursuing optimum governance in the future.

To keep the selection of directors and their compensation transparent, Epson formed the Director Nomination Council and Director Compensation Council in FY2003. The Nomination Council prepares the draft to decide the nominating criteria and nominates candidates, while the Compensation Council outlines the compensation system for the directors and the policy on amounts, and submits the results to the Board of Directors.

Moreover, Epson ensures that executive bodies adhere to legal requirements and internal regulations by establishing a system of internal checks. Through this system, the Auditing Office conducts regular internal audits Groupwide (including subsidiaries) and feeds the results back directly to the President. Other initiatives to strengthen compliance functions include the formation of the Legal Compliance Promotion Office, which is responsible for gathering information related to compliance issues (through the Compliance Hotline). This office was established to ensure compliance on a day-to-day level and to prevent compliance violations.

Fig. 1 Epson's Management Structure



Compliance

Of the various risks a company is exposed to, Epson's compliance management focuses on averting managerial risks — the risks that derive from corporate activities or employee actions, rather than those imposed by external factors, such as accidents, natural disasters and civil incidents.

To avert these company-derived risks, Epson appointed a director in charge of compliance, who drives its compliance efforts. The following outlines the director's tasks:

- Organize and maintain the Compliance Management Committee's compliance structure
- Run the Legal Compliance Promotion Office's Compliance Hotline
- Offer various in-house education

Epson believes that simply having a system in place is not enough to eliminate risk and that the company's activities are the sum total of each employee's actions. Leaders at Epson practice three codes of conduct daily — “do not hide,” “do not mislead,” “the worse the news, the faster it should be reported” — to maintain a healthy corporate culture.

Risk Management

Two important management tasks for promoting the Management Philosophy and being a good company are the elimination of risks that threaten management and building a mechanism to support management. Epson has a Groupwide risk management system that can flexibly accommodate changes in business structure and environment, to remove risk and to minimize damage.

When a crisis occurs, we adhere to the following guidelines:
a. Deal with the situation companywide and cross-divisionally;
b. Eliminate corporate ego and fulfill corporate social responsibility. For measures to prevent crisis: a. Forecast the changes and flexibly reassess organizational formation; b. Order all divisions to be responsible for creating their own mechanism to prepare for crises.

Structurally, Epson strives to demonstrate a collective strength in implementing the most effective measures swiftly, in flexibly accommodating changes in the external environment, and in integrating all crisis management measures Groupwide. The Risk Management Committee, chaired by the President, and its subcommittees for each business operation are there to ensure that important risk information reaches the President immediately. We have also compiled a Risk Management Program that categorizes risks by their nature and gives the definition of each risk, together with the organizational structure, role, preventive measures and countermeasures for the risk. This booklet is a means of sharing our risk management schemes Groupwide.

For stakeholders, investor relations and corporate communications departments disclose information appropriately, as required.

Fig. 2 Risk Management Categories

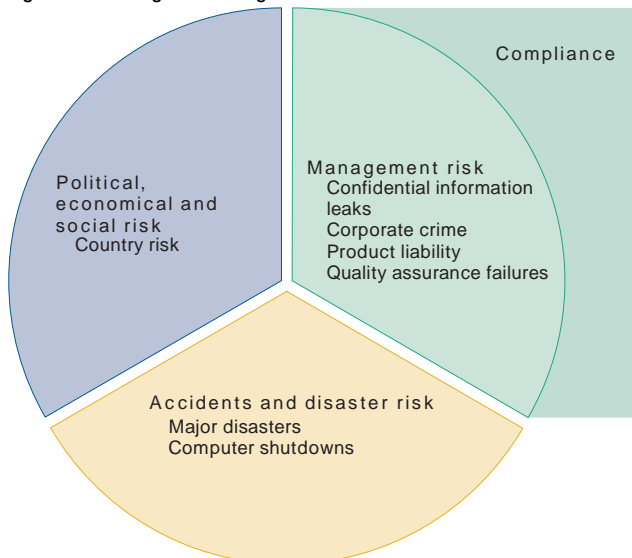
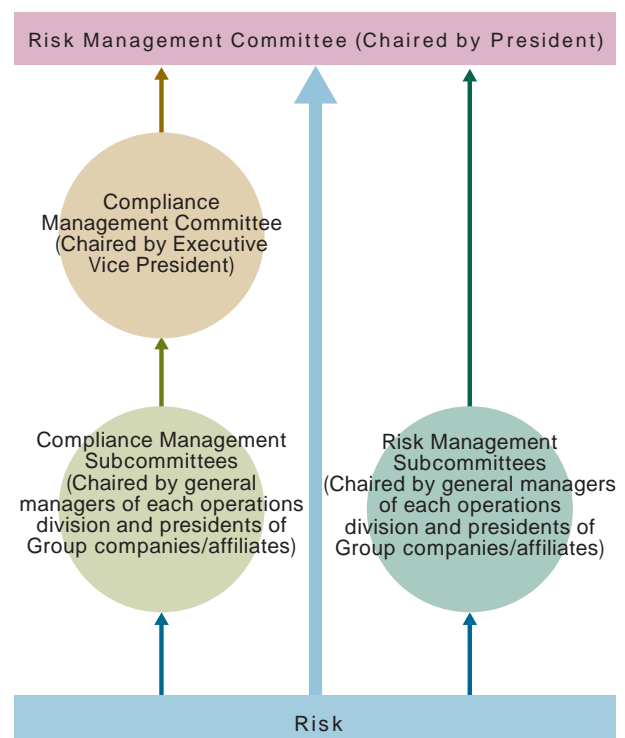


Fig. 3 Risk Management Structure and Flow of Information (Reporting to President)



Ingraining the Principle of “Never Lie, Never Mislead” Firmly in Our Corporate Culture

“Management that never lies, never misleads” is the principle of Epson's compliance. Abide by the law, have sound ethics and be sensible — practicing these basics with integrity is the essence of compliance.

At Epson, the Legal Compliance Promotion Office provides compliance education and training, and the Compliance Hotline is in place to hear from our employees about compliance issues and to help resolve them. Although the creation of these mechanisms and organizations is important, even more crucial is that the principle of “never lie, never mislead” is firmly ingrained in each of our employees.

The same principle applies to corporate governance; managerial decision-making should be “clean and correct.” It is extremely important that management does not degenerate into dogmatism, self-service and arbitrary promotion or demotion of employees, but stays consistently fair and open. These mechanisms exist to facilitate fair and open decision-making.

Our stance on corporate governance is to keep the company with statutory auditors structure, while reinforcing the function of the outside auditors to monitor management. Open discussions at council meetings on the nomination of directors and their compensation is part of the effort. Moreover, an effective balance between the monitoring and executive functions is maintained through a managing director system (with the managing director playing only an executive role). By constantly improving corporate governance, we are striving for “clean and correct” management that never allows fraud or misconduct.

The Risk Management Committee chaired by the President makes important decisions for managing risk. In FY2003, under the leadership of the President, we made a concerted effort with

the Group companies/affiliates in China, the Head Office and the operations divisions to deal with the SARS outbreak.

Epson has been training employees to prepare for the outbreak of war, terrorism and other civil risks, as well as for disasters and accidents. We have a mechanism in place to swiftly respond if a crisis occurs.

We believe that loss of trust is the most serious form of damage to the company. To alleviate management-related risk, such as quality assurance failures, we have structured the company in such a way that these failures are prevented. At the same time, we foster a corporate culture that encourages the immediate reporting of negative information to the President. If a failure occurs, we are ready to make the information public immediately.

Trust-based management has always been the basis of our business operations. We always try our best to serve our stakeholders sincerely, to improve our own behavior and to create a structure to promote trust-based management. For example, when the MJ-700V2C color inkjet printer swept the consumer market in 1994, we received a barrage of calls complaining that the printer was difficult to use. Since then, we have been focusing on developing more user-friendly products and manuals, as well as an improved customer center and repair/support structure.

To be a company that is trusted demands that the daily communication between our employees is truly honest, open and not misleading. I myself emphasize this point whenever I have a chance — talking to employees at worksites, meetings, when writing newsletters and on various other occasions. We are continuing to refine our corporate culture and corporate character to be worthy of your trust.



Executive Vice President's intranet page



Communicating with employees



Toshio Kimura
Executive Vice President
and CFO
SEIKO EPSON CORPORATION

Environmental Performance

With an understanding that our business operations impose an impact on the environment, members of the Epson Group in all regions of the world employ unified standards and pursue shared objectives. This section contains a detailed overview on our efforts in running the environmental management system, creating earth-friendly products, building recovery/recycling systems and reducing the environmental burden in the production process.



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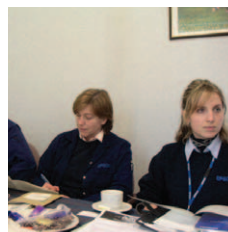
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These photographs capture Group members participating in environmental initiatives.

1. Newspaper recovery in Malaysia
2. Manufacturing plant in Malaysia
3. Judging for Environmental Management Awards overseas
4. / 5. Global meeting
6. Zero Emissions activities
7. Judging for Environmental Management Awards overseas
8. Energy-saving activity
9. Recycling center in Japan

FY2003 Objectives and Results

Policy Category	FY2003 High-Priority Activities	Groupwide Objectives
1. Creating and providing earth-friendly products (see pp. 25-31)	1-1 Encourage development and production of products that reduce environmental burden throughout their lifecycles <ul style="list-style-type: none"> Energy-saving design Create products with an industry-leading level of energy-saving performance 	
	<ul style="list-style-type: none"> Ecology labels/information disclosure Market release of products qualified for Epson Ecology Label Create a system to evaluate product environmental performance 	<ul style="list-style-type: none"> More than 50% of products released on the market to be compliant (number of models/sales)
	<ul style="list-style-type: none"> Chemical substances in products Build and operate a stable management system Work out concrete measures to completely eliminate specific chemical substances 	
	1-2 Promote green procurement of production materials for eco-products <ul style="list-style-type: none"> Establish a green procurement method for production materials that would guarantee the disclosure of environmental specifications of all purchases (Q+E/C/D) Prove that prohibited chemical substances are not used/promote complete elimination Obtain information on controlled chemical substances contained in products when they are procured and create a database 	
	1-3 Disclose environmental data for use in green procurement by customers, and promote sales with that data <ul style="list-style-type: none"> Strategically obtain ecology label (Type I & Type II) compliance and set up a system to disclose information 	<ul style="list-style-type: none"> Obtain ecology label compliance/disclose information
2. Transforming all processes to reduce the burden on the environment (see pp. 35-45)	2-1 Help prevent global warming <ul style="list-style-type: none"> Activities based on detailed plans to achieve the FY2010 target for total energy use reduction 	<ul style="list-style-type: none"> Total consumption reduction (crude oil equivalent) Japan: 5% reduction (based on FY2002) Overseas: 0%
	<ul style="list-style-type: none"> Reduce emission of global warming substances 	<ul style="list-style-type: none"> 35% reduction (based on FY1997)
	<ul style="list-style-type: none"> Quantify and reduce the volume of transportation and its environmental burden 	
	2-2 Control and reuse of industrial waste <ul style="list-style-type: none"> Reduce the environmental burden through resource-saving activities/identify reduction targets and make reductions in each business 	Total generation <ul style="list-style-type: none"> Japan: 14,000 t (same level as FY1997) Overseas manufacturing Group companies/affiliates: 19,000 t (on a consolidated basis, 10% reduction per unit of sales, based on FY2001)
	<ul style="list-style-type: none"> Achieve Zero Emissions Level 1 at overseas manufacturing Group companies/affiliates 	
	2-3 Control environmental risks and reduce burden of chemical substances <ul style="list-style-type: none"> Promote chemical substance management in each operations division and Group company/affiliate (reduction/complete elimination) 	
	2-4 Effective use of water resources	<ul style="list-style-type: none"> Japan: Reduce water use (set reduction target for each business site) Overseas: Establish water use volume (dry regions = same target as Japan)
3. Recovering and recycling used products (see pp. 32-34)	3-1 Build and operate recovery/recycling systems for used products and consumables <ul style="list-style-type: none"> Japan: Build and operate system to cater to individual users (PC) 	<ul style="list-style-type: none"> Recycling rate: 65%
	<ul style="list-style-type: none"> All overseas countries: Individual activity according to local activity plan 	
	<ul style="list-style-type: none"> Europe: Monitor local legislation based on WEEE Directive and discuss measures for each country 	
	3-2 Improve product reusability/recyclability at development and design stages (included in 1-1)	
4. Sharing of environmental information and contributing to regional and international preservation efforts (see pp. 60-66)	4-1 Refine the content of environmental data disclosures	<ul style="list-style-type: none"> Release consolidated Group report
	4-2 Strengthen cooperation with/contribute to regional/global communities <ul style="list-style-type: none"> Have each promotional organization plan/promote corporate citizenship activities 	
5. Continually improving the environmental management system (see pp. 16-19)	<ul style="list-style-type: none"> Deploy environmental performance data management systems globally 	

Evaluation — A: Target achieved (over 80%) B: Target mostly achieved (at least 50%) C: Target partly achieved (less than 50%) D: Not implemented

Sub-Index	FY2003 Results	Assessment
• Operations division objectives	• Target achievement rates: see Table 3 on p. 28	A
• Build system • Recyclability: 70%	• Epson Ecology Label compliant products Number of models: all businesses achieved targets Sales: 43% (target not achieved) • Revise Epson Ecology Label system, set/revise Groupwide regulations and standards • Recyclability: Printer/Scanner businesses achieved targets	
• Stabilize system operation • Create plans for complete elimination • Achieve lead-free production Use of lead-free terminal plating for electronic products: 90% Approval from customers to use lead-free solder: 70%	• Set/revise Green Procurement Standards and sales companies' independent procurement standards • Built and operated parts database • Planned complete elimination of six chemical substances restricted by RoHS Directive; eliminated them completely from device products Lead-free terminal plating for electronic products: inkjet printers 92.3% LCD projectors 94.6% Approval from customers to use lead-free solder: Semiconductors 80.4% LCDs 70.7% Quartz devices 39.8%	
• Build up Green Procurement Standards • Green procurement rate of production materials: Japan and Overseas 100% • Green procurement rate of general purchases: Japan 100%	• Built product safety management structure by setting/revising Green Procurement Standards and sales companies' independent procurement standards • Green procurement rate of production materials: Japan 95.2% Overseas 96.9% • Green procurement rate of general purchases: Japan 99.9%	A
	• Type I : Japan's Eco Mark, China's Energy Conservation Product Certification, Taiwan's Green Mark Type II : Nordic Eco Declaration Type III: Japan's EcoLeaf (Two businesses received System Certification)	A
• Operation divisions' consolidated energy savings: 7% of FY2002 energy use • Qualitative targets: Improved management 90 points Facilities 80 points Production equipment 40 points	• Total energy use (based on FY2002): Japan: 3.4% reduction Overseas: 2.0% increase • Operation divisions' consolidated energy savings: 6.5% • Qualitative targets: Improved management 91.1 points Facilities 82.6 points Production equipment 46.1 points	B
	• Global warming substance emissions: 49.5% reduction (based on FY1997)	A
	• Completed preliminary quantification of environmental burden from transportation	A
• Reduction of landfill waste volume Japan: 5% reduction (absolute volume based on FY2001) Overseas: Establish benchmark	• Japan total generation: 19,591 t • Overseas total generation: 22,263 t • Landfill waste volume Japan: 200% increase (based on FY2001)	C
	• All overseas manufacturing Group companies/affiliates achieved Zero Emissions Level 1	A
• Promotional organizations' individual targets	• Promotional organizations' self-imposed reduction targets: Achieved 52 out of 69 targets • Three business sites conducted risk communications with local communities	B
	• Total water use: 12,462,000 t (2.6% reduction based on FY2002)	A
	• Japan: Recovery of home-use PCs following the enactment of the Law for Promotion of Effective Utilization of Resources, established/operated recycling system Recycling rate: 64% Updated the "recovery rates by material"	B
	• Overseas: Created/revise regional plans U.S.: Participation in Plug-In To eCycling; IC recovery by FundingFactory Korea: Resource savings and compliance with the recycling promotion law	
	• Europe: Monitored local laws and promoted lobbying Analyzed recovery/recycling costs	
• Create abridged versions of site reports	• Released <i>Sustainability Report</i> (Japanese, English and Chinese) • Nine operations divisions and two Group companies/affiliates released site reports (all designated business operations released reports)	A
	• Planned and implemented by each promotional organization	A
	• Began planning the building of an environmental information management system that covers a product's entire lifecycle	B

Action07 — General Environmental Policy (FY2004-FY2006)

General Environmental Policy outlines the Group's policy on environmental activities during FY2004-FY2006 and is part of our mid-range business plan, Action07. High-priority objectives in this policy include more complete quantification of environmental burden throughout a product's lifecycle and disclosure of information that caters to the needs of local communities and customers.

	High-Priority Activities	Description
Eco-Products	1. Develop and produce products that impose less environmental burden throughout their lifecycles (increase resource and energy productivity)	a. New Epson Ecology Label system
		b. Resource savings <ul style="list-style-type: none"> Promote miniaturized, lightweight products Increase recyclability (start at design stage/increase recyclable volume) Reuse recycled resources
		c. Energy savings <ul style="list-style-type: none"> Maintain industry-leading energy-saving performance for each product category
	2. Reorganize the structure to enhance environmental performance (quality)	a. Conduct product evaluation to keep environmental performance (quality) high b. Build and operate a product safety management structure for chemical substances contained in products
	3. Effectively use environmental performance (quality) information in sales promotion	a. Comply with local green procurement laws and ecology labels (Type I, II, III)
	4. Recover/recycle used products	a. Build recovery/recycling systems based on regional plans
Green Factory	1. Reduce global warming substances	a. Reduction of total CO ₂ emissions <ul style="list-style-type: none"> Reduce energy use (including process innovation)/reduce use of global warming substances (PFC and others) Reduce environmental burden from transportation
	2. Promote resource-saving activities	a. Effectively utilize resources (materials, production materials) <ul style="list-style-type: none"> Reduce waste Reduce environmental burden from chemical substances used at business sites Reduce water use
EMS, information disclosure, corporate citizenship	1. Transition to performance-oriented EMS	a. Upgrade to and operate a performance-oriented EMS b. Introduce and implement Groupwide audits
	2. Disclose environmental information in the regions we operate in	a. Disclose environmental information according to the needs of local communities (globally)
		b. Communicate with NGOs, NPOs and other third-party organizations
	3. Implement effective corporate citizenship activities in each region we operate in	a. Improve corporate citizenship activities by collaborating with environmental organizations (including NGOs, NPOs) in each region of the world b. Support environmental education for the next generation

Our Shared Policy: Our Group Companies/Affiliates and Business Sites Are Taking the Initiative to Become Recognized Leaders in Environmental Activities for the Regions We Operate In

Marking the final year of our three-year Mid-Range General Environmental Policy, we have made a concerted effort in FY2003 to attain the targets we set in our policy. Our efforts have born fruit and laid the foundation for the next General Environmental Policy component of our business plan, Action07, which starts in FY2004.

Our major accomplishments in FY2003 include: meeting our target of more than 50% of products becoming Epson Ecology Label compliant; qualifying for additional ecology labels in various countries; and incorporating more eco-conscious features into the product design process. We also received a 99% response rate from Japan and overseas for our survey on chemical substances in products, which helped us construct a database. Regarding product recycling, recovery and recycling of home-use PCs started domestically and more recycling systems that comply with local legislation were established in other countries.

Overall energy use decreased by 1.9% from the previous year, owing to each promotional organization's energy-saving efforts, despite an increase in the energy used for electronic device production following an increase in the production volume. We will vigorously strive to meet the FY2010 target through a number of measures, such as applying results from process innovation research to volume production.

Major manufacturing sites overseas met their FY2003 targets for Zero Emissions Level 1. For integrated management of chemical substances used at our plants, we are starting to see the positive effects of each operations division's self-imposed reduction schemes, based on our Hazard Evaluation Guidelines. We also have a better quantitative understanding of the environmental burden imposed by transportation and are ready to take measures against it.

Looking back on our environmental activities in FY2003, I sense that steady progress is being made by each Group company/affiliate worldwide in making environmental efforts part of their operations, working toward our goal of becoming recognized leaders of environmental activities in the regions we operate in. Corporate citizenship activities, such as tree-planting and volunteer cleaning drives, are now initiated by Group companies/affiliates and are appreciated by the local communities they are held in. In Japan, 12 business sites began communicating with members of their local communities following the issuance of site reports.

The activities ahead are to be driven by Action07's General Environmental Policy. We will further quantify the environmental burden through the product's entire lifecycle, reduce the burden, and promote the disclosure of

environmental information according to the needs of the local communities we operate in and the needs of our customers. As we fulfill our social responsibility as a good corporate citizen, we continue to strive for conservation of the environment and to contribute to the advancement of a sustainable society.

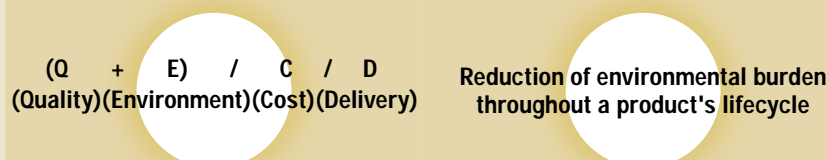


Nobuo Hashizume
General Administrative Manager
CSR & Environmental Affairs Division
SEIKO EPSON CORPORATION

Objectives
Finished products business: 20% of Epson's products to be top-selling, compliant products Device businesses: All products are to be compliant with the RoHS Directive in FY2004
FY2006: 15% reduction (based on FY2002) FY2005: 75% (excluding thermal recycling), 85% (including thermal recycling) Set target by product
Set target by product
Implement evaluation
Build and operate
Set target by business and region
Set target by region Establish system: Europe August 2005 Recycling rate: December 2006 Japan 65% (excluding thermal recycling) December 2006 Europe 65% (excluding thermal recycling) 75% (including thermal recycling)
FY2010: 60% reduction in total CO ₂ emissions (based on FY1997) (Energy savings: 7% of use in the previous year) FY2004: Establish benchmark and set targets
FY2004: Plan activities FY2010: 40% reduction in total generation (based on FY2002) FY2004: Reduce usage according to promotional organizations' individual targets FY2010: 60% reduction in use of PRTR chemicals (based on FY2002) FY2006: Reduce to FY2002 level or lower
FY2004: Construction
FY2005: Begin audit
FY2004: Status analysis and planning/implementation
FY2004: Planning/implementation
FY2005 and onward: Implement collaborative activities
FY2006: Implement in major countries

Promotion of Environmental Management

Harmony with the environment is the highest priority of the Epson Group's management. Because we know that our business activities unavoidably impose an environmental burden, we work hard to achieve coexistence of the environment and economy, and the creation of a sustainable economy through good environmental management. To integrate our Groupwide efforts, we share these standards and objectives with all our sites throughout the world.



Our approach to environmental management

As a manufacturer, we consider it our responsibility to reduce the environmental burden of a product throughout its lifecycle. This not only includes Epson's production process, but also the parts and materials stages, during transportation, while the product is being used by the customer and during recovery/recycling. Planning a product from an environmental perspective, starting at the planning and design stage, is crucial to enhancing its environmental performance.

For us, every factor involved at every stage of product manufacturing contributes to the product's quality.

This is the foundation for making products that are trusted and enjoyed by our customers. Environment (E) therefore should not be excluded from business operations; it is a part of Quality (Q). By incorporating environmental activities into business, we can describe the basic concept of environmental management as $(Q+E)/C$ (cost) / D (delivery).

We established the General Environmental Policy component of Action07 (see p. 14) after identifying the challenges and setting corresponding objectives that cover all stages of a product's lifecycle, as shown in Fig. 1. Moreover, we make efforts to quantify environmental conservation costs and effectiveness through

environmental accounting. We do this to monitor overall activities and to incorporate the findings into our future activities.

There are three axes to our environmental management:

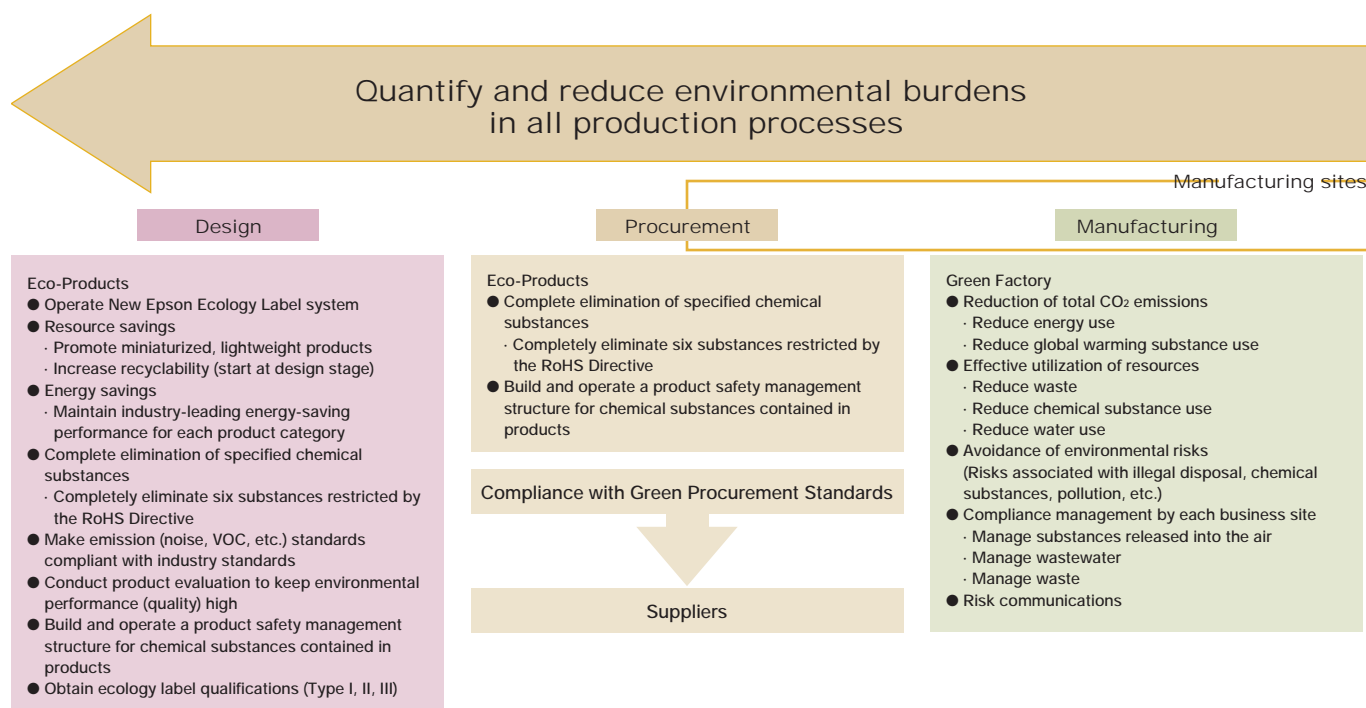
Creating and providing earth-friendly products

Manufacturers like Epson earn profits through customers' purchases of products. We are integrating energy-saving designs, resource savings and elimination of hazardous substances into our product cycle — from planning, development and design to procurement of materials and parts — to ensure that our products are increasingly earth-friendly. For more efficient product recycling, we are introducing ways to improve recycling rates into product development as early as the development stage.

Creation of products that impose less burden on the environment

Superior environmental products impose a lower environmental burden during production. We are working toward minimizing environmental burdens such as energy use, wastes and chemical substances. At the plants that produce these products, where our business activities are based,

Fig. 1 Concept of Reducing Environmental Burden Throughout a Product's Lifecycle



we conduct stringent management of the risks associated with plant management and constantly monitor their impact on air, water and soil.

Promotion of product recovery/recycling

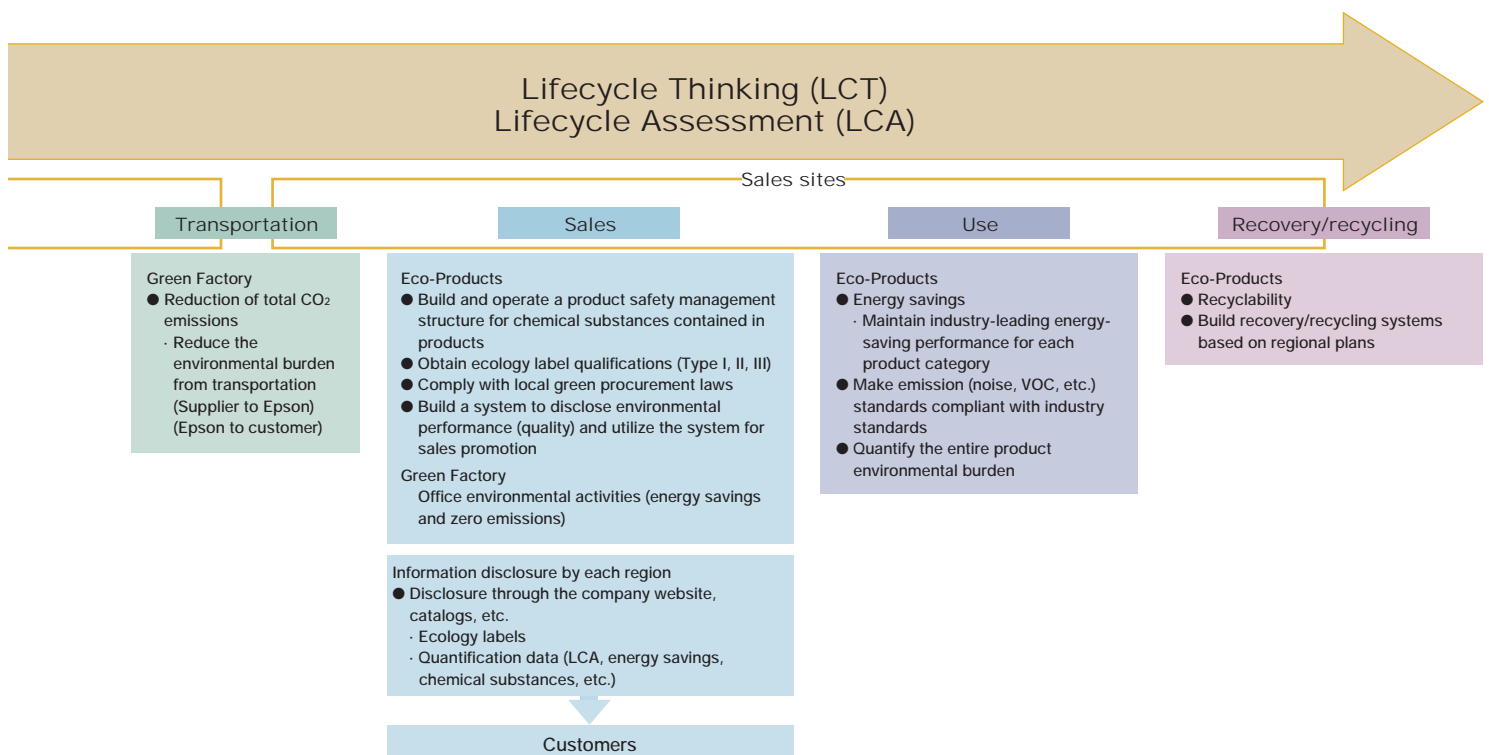
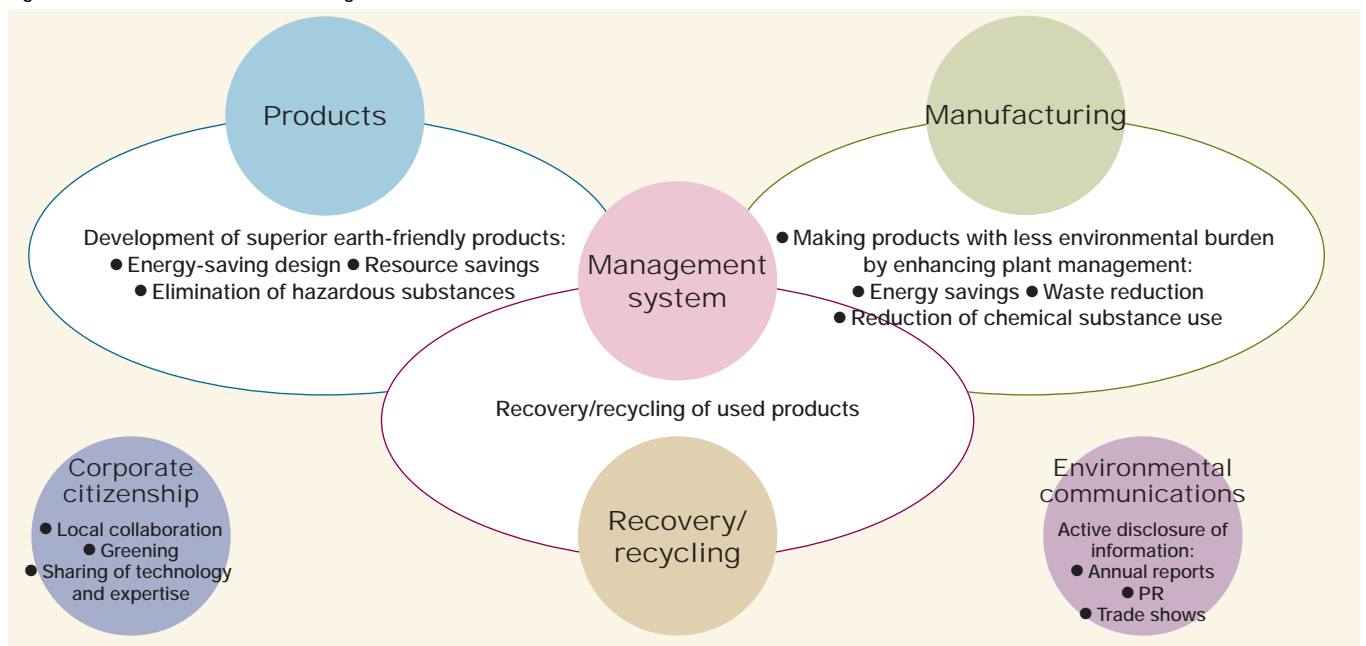
We are building the most suitable recovery/recycling systems for each

country and region in which we operate, ahead of enactment of local legislation. We encourage this to move closer to achieving a recycling-oriented society.

The environmental management system underpinning the abovementioned three axes should continually improve to assure that they function efficiently and achieve positive results.

In addition, we are contributing to society through the promotion of local community activities and the sharing of environmental technologies and expertise. Disclosing information and communicating with stakeholders through annual reports and other media are additional important components of our environmental management process.

Fig. 2 Three Axes of Environmental Management



Environmental management system utilizing ISO 14001

Epson sets annual/mid-range General Environmental Policy as a vital part of our annual management policy and mid-range business plans, which are drawn up every three years. Promotional organizations (operations divisions, Head Office and Group companies/affiliates) then create their own environmental plans (fiscal year and mid-range plans) to undertake environmental activities as part of their business operations. Their efforts are audited internally once or twice a year, and appropriate corrective measures are taken at the promotional organization level. In FY2003, six training courses for environmental auditors were conducted in Japan with the goal of improving our internal auditing capabilities.

We continuously improve this system by utilizing ISO 14001 guidelines and the Plan-Do-Check-Action (PDCA) cycle. All major manufacturing and non-manufacturing sites in Japan and overseas have acquired ISO 14001 certification (see p.

72). Newly established companies work toward achieving certification within three years of startup.

Moreover, a database developed in-house is used to help quantify the environmental burden at business sites around the world, so that the appropriate environmental activities can be implemented (Fig. 5).

Implementation by product and production process expert committees

The Executive Vice President, as the Senior Director of Environmental Activities, leads the Group's entire environmental operations. The Senior Director is supported by the Global Environmental & Safety Policy Department, which is the main Head Office organization for environmental efforts. The Environmental Committee and the Meeting of Environmental Affairs General Managers decide the Groupwide direction of environmental operations. Serious issues identified from the General Environmental Policy are

dealt with by a cross-divisional Expert Committee that supports each promotional organization.

Two expert committees, the Environmental Products Committee and the Green Factory Committee, pursue environmental measures in two areas, products and production processes/plant operations, respectively. Through these committees, we are strengthening the working relationship between the two areas, implementing more effective measures and using them to encourage further integration of environmental activities into business operations.

For overseas Group companies/affiliates, we hold global environmental conferences and area conferences (U.S., Europe and China). Sponsored by the Head Office, they share information and discuss the direction/goals of our environmental undertakings. The FY2003 global environmental conference was held at the Head Office in December with Group companies/affiliates engaged in manufacturing and sales activities.

Fig. 3 Environmental Management System

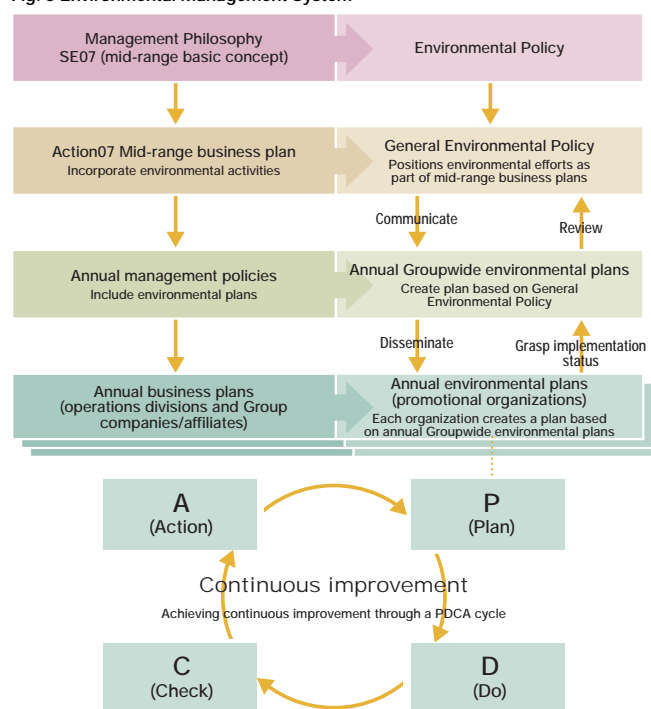
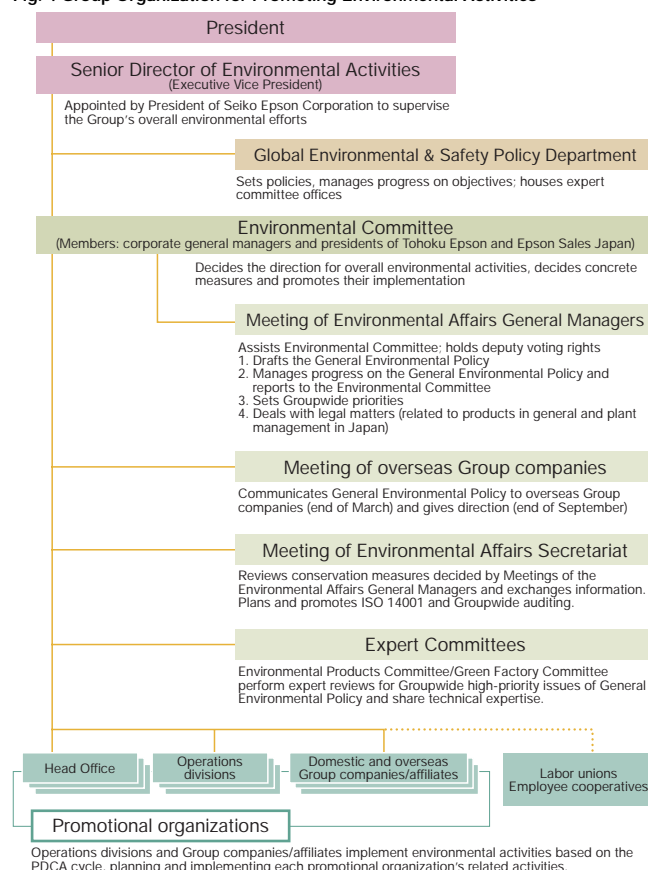


Fig. 4 Group Organization for Promoting Environmental Activities



Managing risk through unified regulations

The Epson Group complies with pollution-prevention legislation by adhering uncompromisingly to the Group's unified regulations and standards, which were set based on our Environmental Policy.

Each promotional organization practices ISO 14001 to identify all risks in the workplace, such as potential failure to meet standards, complaints we may receive and accidents that may occur. For each potential risk, we take preventive measures based on the results of risk assessment and work continuously to minimize impact.

Table 1 shows cases of standards violations, complaints and accidents associated with the environment in FY2003. We are pleased to report that we did not receive any fines or penalties in relation to environmental laws or regulations, either in Japan or overseas, and that corrective measures have already been taken.

Moreover, for Groupwide risks, including those unrelated to the environment, we forecast and assess these to take preventive measures based on our Risk Management Program. If a crisis occurs despite all our efforts, the Risk Management Committee acts as the central body governing the situation (see p. 9).

Improving environmental activities through in-house awards

The Group has established two in-house awards, the Environmental Award and the Environmental Management Award, to encourage improvement in ongoing environmental efforts and to raise environmental awareness.

The details of the awards and the results for FY2003 are shown in Table 2.

Table 1 FY2003 Reports of Standard Violations, Complaints and Accidents

Failure to meet legal standards	Japan	Failure to meet noise standards	1 case
		Failure to meet wastewater standards	3 cases
	Overseas	Failure to meet industrial complex wastewater standards	3 cases
Complaints	Japan	Complaints about noise	2 cases
Accidents	—	—	None

Table 2 Environmental Management Award and Environmental Award

	Environmental Management Award	Environmental Award
Purpose	To encourage each promotional organization to fully incorporate environmental efforts into every area of business operations and to yield outstanding results.	To encourage employees to increase their interest in environmental activities and to motivate them to pursue new "Creation and Challenge" activities.
Basis of evaluation	Recognize overall environmental activities, especially the attainment of targets stated in the General Environmental Policy, as well as basic requirements, such as compliance with related legislation, and aspects such as improved organizational structure.	Recognize development of technology, products or systems that have contributed greatly to raising environmental performance, or activities in education and corporate citizenship that have made a difference in improving environmental awareness.
Recipients	Operations divisions, Head Office, Group companies/affiliates in Japan and overseas	Promotional organizations, teams or individuals
FY2003 results	<ul style="list-style-type: none"> Imaging and Information Products Operations Division Display Operations Division Tohoku Epson Corporation Epson Engineering (Shenzhen) Ltd. (China) Epson El Paso, Inc. (U.S.)/Epson de Juarez, S.A. de C.V. (Mexico) Epson Portland Inc. (U.S.) Epson Telford Ltd. (U.K.) 	<ul style="list-style-type: none"> Grand Prix Epson Engineering (Shenzhen) Ltd. (China) for its energy-saving activities 1st Class 4 awards 2nd Class 23 awards 3rd Class 26 awards



Onsite evaluation for Environmental Management Awards (China)



Onsite evaluation for Environmental Management Awards (Japan)

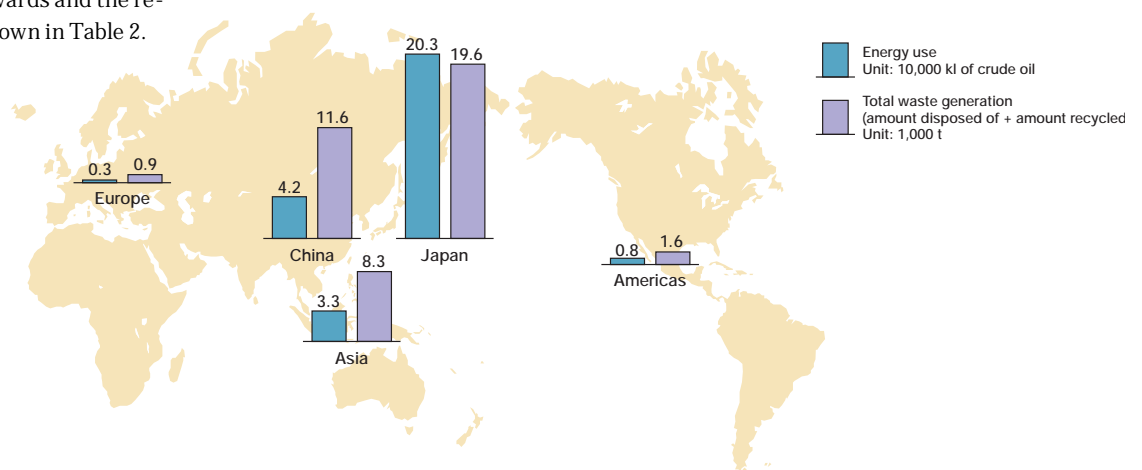


Onsite evaluation site for Environmental Management Awards (China)



Final judges' meeting for Environmental Management Awards

Fig. 5 Environmental Burden: Energy Use/Total Waste Generation by Region (FY2003)



Environmental Education and Awareness Programs

Epson has implemented an environmental education program to give each employee an accurate understanding of environmental issues and to motivate employees to exercise conservation measures on their own initiative.



Three pillars of environmental education

Our Global Environmental & Safety Policy Department implements systematic and continuous environmental education to help each employee use environmental conservation as a basis of judgment and take action in environmental efforts, both at work and at home. We provide three types of environmental education: a program based on job role, education for specialists and education to promote awareness.

1. Program based on job role

This program offers training tailored to all job types, from entry to management level, to teach each employee how to approach environmental issues and take action based on their position.

•Basic education

Basic environmental education is a mandatory program for all Epson Group employees and is conducted through a web-based (intranet) educational system called Epson Web Campus.

The campus consists of four sections: environmental issues, environmental issues and corporations, individual environmental efforts and Epson Group environmental activities. A test menu is provided as well. Users can take the web-based course without the re-

strictions of time or pace of learning. Supervisors can also monitor each employee's progress on the web.

•Seminars for new general managers and managers

New manager seminars provide the opportunity to discuss environmental activity trends and Epson's efforts, as well as their relation to the General Environmental Policy. These seminars are conducted so that new managers can direct our environmental activities. A seminar for general managers, led by the general manager in charge of environmental activities, focuses on the

significance of environmental management.

•For employees transferred overseas

Management directors (heads of overseas Group companies/affiliates) are trained to gain expertise in environmental management, including knowledge of legislation and eco-activities in the countries to which they are transferred. Management-level and regular employees alike are provided with in-depth training, so that they fully understand the local environmental initiatives and are able to actively participate in local eco-activities under the leadership of the management directors.

•Orientation for new employees

For new Epson employees, we provide basic education on environmental issues and our own efforts, through which we help each employee understand the importance of participating in eco-activities.

2. Education for specialists

This program aims to provide skills training for environmental activities in certain job positions. This includes, for example, training of internal auditors and education on environmental legislation. In FY2003, 201 employees were newly registered as auditors.

Fig. 1 Environmental Education System

Education type Class	Job role-based programs (compulsory)	Education for specialists (optional)	Awareness promotion
Executives			
General managers	Basic education New general manager seminar		Lectures on various topics Study tours Internal recognition system In-house publications
Managers	New manager seminar	Seminar for employees transferred overseas Global environmental technology Internal environmental auditing Environmental legislation Safety and health education (compulsory)	
Supervisors			
New employees	Orientation for new employees		

3. Awareness promotion programs

This category is designed to raise the environmental awareness of all employees and to continually improve environmental activities at Epson through such activities as establishing internal honors, the Environmental Award and the Environmental Management Award (see p. 19); provision of environmental information through the intranet, featuring related articles in the web-based Harmony Online and

For the Globe company newsletter; displaying awareness posters and running seminars and other events.

The current emphasis is on the intranet news website reporting on Groupwide environmental efforts, because it provides employees with information in a timely fashion. The website offers the latest news categorized according to activity themes, as well as trends in related legislation, minutes of internal and external en-

vironmental meetings together with meeting materials, and a glossary of environmental terms.

During environmental month (June 2003), we held a campaign calling on employees to cut back on the use of their cars for commuting. This was the second year of the campaign. We also solicited ideas on how to reduce commuting by car and shared them through the intranet.

Environmental education and awareness activities at Group companies/affiliates

Group companies/affiliates take the initiative in engaging in unique environmental education and awareness activities that accommodate environmental trends, local legislation and social needs.

Japan

Kids ISO 14000s

Epson has joined with its labor union to cosponsor the Kids ISO 14000s environmental education assistance program, developed by Japan's International Art & Technology Cooperation Organization (ArTech). Since the beginning of the program in FY2002, 219 local elementary school students and children of employees attended the introductory course and 89 children took the beginner's course. In FY2003, 130 fifth graders from Minowa Chubu Elementary School in Minowa, Nagano Prefecture participated in the introductory course. In FY2002, Kawagishi Elementary School (Okaya City) students took part in the same program. Epson employees served as certified instructors to support the teachers and children in the activities. In FY2004, these employees will be evaluating the children in the introductory course and supporting the children as they try to complete the beginner's course.

Eight certified instructors were added to the 10 instructors from FY2003 to better support these activities. We plan to encourage more of our employees' children, as well as more children from local schools, to participate.



Education on energy savings by in-house instructors

In addition to standard environmental education, in-house instructors at Tohoku Epson (Japan/manufacturing) have been conducting courses on energy savings

since FY2002. Using in-house materials and case studies on energy-saving measures outlined in training sheets, the courses are designed for participants to acquire skills in identifying areas where energy can be saved and implementing practical energy-saving measures.



Asia/China

Companywide Exciting Eco-Activity

Under the slogan Exciting Eco-Activity, employees at Epson Engineering (Shenzhen) Ltd. are conducting companywide environmental activities. These include environmental education courses using their own materials, exhibitions of the results of environmental activities in the newly opened Environmental Education Room, an environmental conservation rally at the employee residence and displays of educational materials for raising eco-awareness.

Scholarship for students in environmental conservation studies

Epson (China) Co., Ltd., based in Beijing, established a fund for supporting students who specialize in environmental conservation studies and began a scholarship program. The urgent need to supply environmental specialists and to raise individuals who can lead China's environmental conservation activities are the background behind the establishment of this fund.

Epson (China) has contracted with a technical institute in Changsha under the State

Environmental Protection Administration of China and offered scholarships to three of the institute's students in FY2003.

Singapore

Conference with vendor participation

In November 2003, Singapore Epson Industrial Pte. Ltd. held Epson Clean & Green Day, an environmental conference with the goal of deepening knowledge on waste volume reduction and recycling. Twenty vendors also attended the conference, in which a lecturer from the Environmental Ministry spoke on public health, Singapore Epson reported on its zero emissions activities and a waste processing vendor explained waste recycling.



Europe

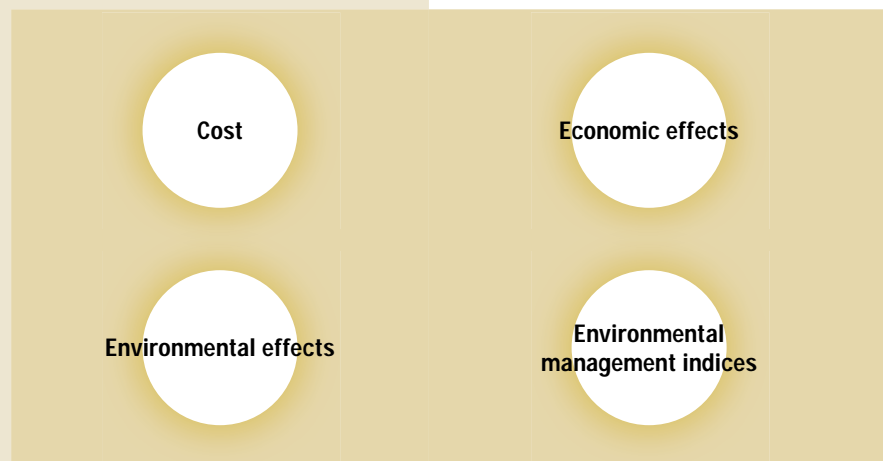
Poster contest for elementary school students

Epson Telford Ltd. (U.K.) held an environmental poster contest for elementary school students on June 5, 2004 as a company event marking World Environment Day. The theme for the posters was water resources, incorporating the Environment Day's theme. The top prize-winning schools were awarded Epson printers, while other prizewinners received art supplies.



Environmental Accounting

To enhance environmental management, we make quantitative assessments of our environmental costs and effects.



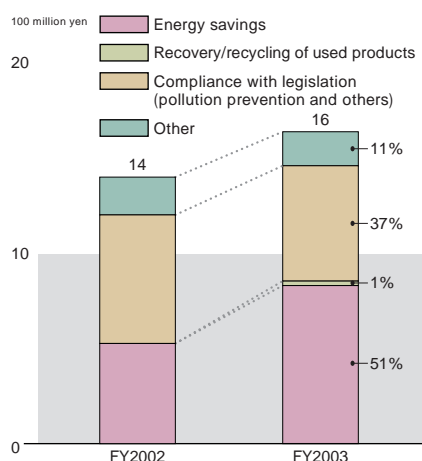
Our approach to environmental accounting

Epson's environmental accounting statements correspond to the categories in our General Environmental Policy to quantify the costs and effects of conservation activities, and to clarify the relationship between objectives and results*. The scope of accounting covers Seiko Epson Corporation and 36 Group companies/affiliates (16 companies in Japan and 20 companies overseas)**.

* The accounting statement corresponding to the Japanese Environment Ministry's reporting guidelines can be found on our website.

** The companies included in the scope of accounting are ISO 14001 certified and owned more than 50% by Seiko Epson Corporation. For overseas non-manufacturing Group companies/affiliates, only three regional headquarters are included.

Graph 1 Breakdown of Environmental Investments



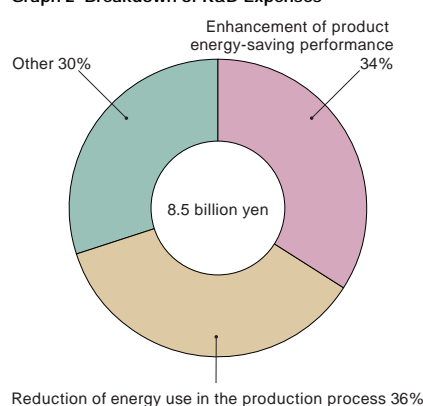
FY2003 results

In FY2003, total investments amounted to 1.6 billion yen, up 17% from the previous year. This can be attributed to an increase in spending associated with various energy-saving measures included in the new plant and equipment investments, a 55% increase from the previous year.

Expenses totaled 19.9 billion yen, a 3% rise from the previous year, owing largely to a 25% increase in R&D spending to enhance product environmental performance and production process energy savings. This accounts for 43% of total expenses. Graph 2 shows the ratios of these two categories with respect to total R&D spending.

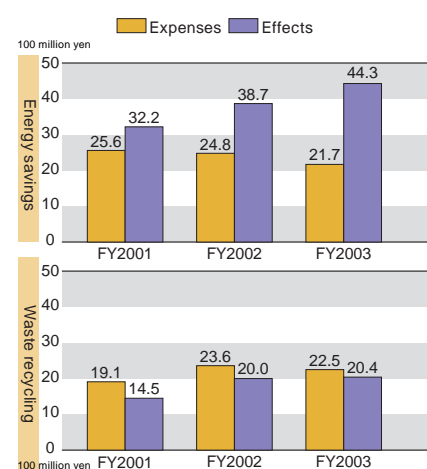
Recognized economic effects stood at 7.7 billion yen. Effects surpassed

Graph 2 Breakdown of R&D Expenses



expenses in the areas of energy savings, reduction in the use of chemical substances that impose environmental burden and reuse of water. Of the total, 83% were the effects of energy-saving measures and waste volume reduction/recycling measures. Graph 3 shows the changes in the economic effects in these two categories.

Graph 3 Cost Effectiveness



Our environmental accounting method

Data are compiled using internal guidelines based on the environmental accounting guidelines provided by Japan's Ministry of the Environment.

1. Accounting standards for environmental costs

- Investments and expenses: Based on categories used in financial accounting
- Expenses: Include depreciation (appropriated for 6 years), labor costs, overall expenses and R&D costs
- Combined costs: Costs of environmental conservation associated with production are allocated in differential accounting and apportionment.
- R&D costs: Includes all research/development costs associated with environmental conservation, calculated by multiplying by an environmental contribution ratio
- Contaminated soil cleanup costs: Expenses are appropriated on a fiscal-year basis

2. Method of calculating environmental effects

These are the sum of the effects of conservation measures. In principle, effects of energy savings and reduction of global warming substance emissions are appropriated for six years after implementation of the measures. For others, effects are appropriated for one year.

3. Method of calculating economic effects

This is the amount equivalent to the sum of the effects of conservation measures.

Future measures

We are establishing a system whereby the conservation cost, economic effects and environmental effects data collected for environmental accounting are utilized to enhance internal conservation activities. We will also pursue timely updating of the data items to be collected and the scope of accounting. In addition, we will continue to work on reviewing environmental management indices and to improve the in-house use of environmental accounting data.

•FY2003 Environmental Accounting Statement

Scope: Seiko Epson Corporation, 16 Group companies/affiliates in Japan, and 20 overseas Group companies/affiliates

Strategy/activity			FY2002				FY2003						
			Environmental costs		Environmental costs		Economic effects		Bal- ance*3	Environmental/other qualitative effects			
			Invest- ments	Ex- penses	Invest- ments	Ex- penses	Content	Sum			Item	Unit	Value
General Environmental Policy (mid-range high-priority activities)	Creating and providing earth-friendly products	Eco-products/services									Effect of energy-saving products on society	10,000 kWh	864
		Green procurement	0.0	5.0	0.0	5.7			5.7		Green procurement rate (production materials)	%	96
		Lead-free											
	Transforming processes to reduce environmental burden	Energy savings	5.1	24.8	6.7	21.7	Energy-savings effect	44.3	(22.6)		Energy saved	kl	108,828
		Global warming prevention	0.0	3.1	0.2	2.3	Reduction in use of global warming substances	1.4	0.9		Reduction in use of global warming substances	t	26
		Reduction of chemical substances that impose environmental burden	0.0	0.6	0.2	0.7	Savings as result of reduced use of chemical substances that impose environmental burden	5.4	(4.7)		CO2 cut (energy savings + reduction of global warming substances)	t-CO ₂	623,551
		Waste disposal/recycling	0.1	23.6	0.7	22.5	Waste-reduction effect	0.4	2.1		Reduction in waste volume	t	1,589
							Waste-recycling effect	20.0			Amount of waste recycled	t	39,206
		Effective use of water resources	0.0	2.6	0.3	2.0	Water-recycling effect	3.0	(1.0)		Amount of water recycled	1,000 m ³	2,540
		PRTR (chemical substance discharge/transfer registration)	0.0	0.3	0.0	0.4			0.4		Preparations for compliance with PRTR Law		
		Other environmental conservation costs	0.2	2.6	1.3	5.5			5.5		Promotion of independent management by operations division using Hazard Evaluation Guidelines		
	Recovering/recycling used products	Recycling products/consumables	0.0	8.2	0.1	10.1	Savings from parts reuse	2.0	8.1		Increased recovery rate of used products and ink/toner cartridges		
		Recycling containers/packaging					Savings from packaging recycling/reuse						
	Sharing environmental data; contributing to conservation efforts	Environmental information disclosure (reports, PR, etc.)	0.0	5.5	0.0	0.9	PR effect; information disclosure effect	0.2	0.7		Publishing environmental reports on our website		
		Contributions to society and donations									Greening and cleanup activities in local communities		
	Continually improving EMS	Environmental education									Basic environmental education, internal auditor training and energy-savings education		
		ISO 14001	0.0	10.8	0.5	10.1	Savings as a result of internal education	0.5	9.6		ISO 14001 maintenance and management activities		
		Other environmental management activities											
	Environmental R&D	Eco-product development/production process development	0.0	68.4	0.0	85.5			85.5				
Compliance with legislation (pollution prevention, others)			6.8	30.2	6.1	25.2			25.2				
Soil and groundwater cleanup; others			1.6	7.2	0.1	6.4			6.4				
Total			14.2	193.8	16.6	199.6	Total		77.6				
Rate of environmental investment to total plant and equipment investment (%)			1.9	-	2.4	-							
Total amount of plant and equipment investment			744	-	*1 687	-							
Rate of environmental costs to sales (%)			-	1.5	-	*2 1.4	Estimated effect from CO ₂ reductions *4		49.8 100 million yen				

•Material Balance Sheet Related to Business Activities (Scope: consolidated basis)

INPUT				
Item	Unit	FY2002	FY2003	Increase/ decrease
Amount of energy used	kl	292,184	289,232	(2,952)
Per unit of sales*2	kl/100 million yen	22	20	(2)
Chemical substances subject to PRTR*9	t	1,473	1,469	37
Amount of global warming substances used	t	52	74	22
Amount of currently used chemical substances targeted for prohibition or reduction	t	3	0	(3)
Amount of lead used*8	kg	1,062	-	-
Amount of water used	1,000 m ³	12,797	12,462	(335)
Amount of used products recovered *6	t	4,643	5,338	695
Amount of ink/toner cartridges recovered	t	1,821	2,603	782
Amount of IT equipment recovered	t	2,822	2,735	(86)

*1 Represents Epson Group's consolidated investment.

*2 Calculated based on Group's consolidated sales.

*3 Represents net environmental expenses (total expenses-economic effects).
Negative figures represent profit generated as result of measures taken.

*4 Monetary representation of effects resulting from energy savings and reduction of global warming substances (623,551t-CO₂), using the average cost of the Activities Implemented Jointly (AIJ) project of the UN Framework Convention on Climate Change: 8,000 yen/t-CO₂

OUTPUT				
Item	Unit	FY2002	FY2003	Increase/ decrease*5
CO ₂ emissions Per unit of sales*2	t-CO ₂ /100 million yen	815,504 62	833,945 59	18,441 (2.7)
Energy	t-CO ₂	676,933	671,895	(5,038)
Global warming substances	t-CO ₂	138,571	162,050	23,479
NOx emissions	t	309	408	
SOx emissions	t	133	244	
Wastewater	1,000 m ³	10,459	10,485	26
BOD discharge*7	t	29.6	11.7	(18)
COD discharge*7	t	82.4	13.5	(69)
Total waste generated Per unit of sales*2	t/100 million yen	42,156 3.2	41,853 3.0	(303) (0.2)
Total waste (landfill and incineration) Per unit of sales*2	t/100 million yen	5,932 0.4	2,647 0.2	(3,285) (0.3)
Amount recycled Recycling rate	t %	36,224 86	39,206 93	2,982 8

*5 No figures are available for changes in sections with a dash (-); only FY2002 figures for Japanese sites were available.

*6 Internally discarded products are included.

*7 BOD/COD discharge is calculated based on the amount released into rivers.
FY2003 saw reductions due to improvement in the sewage system and due to plant closures at overseas Group companies.

*8 Outside the scope since FY2003.

*9 Overseas Group companies/affiliates are not included in the FY2002 and FY2003 figures.

Considering Use of Environmental Management Indices

Since FY2002, Epson has been considering the use of environmental indices to enhance the efficiency of our environmental efforts. In FY2003, the second trial year, we calculated eco-efficiency and cost-effectiveness indices.

Our approach to environmental management indices

It is more vital than ever to translate eco-effects into corporate competitiveness and profitability. Therefore, since FY2002 we have been considering the use of environmental management indices as an effective tool in quantifying the balance of these two aspects of business activities.

Extending the work done in the previous year, we calculated two indices: the eco-efficiency index and the environmental cost-effectiveness index.

For the eco-efficiency index, we collected data for three categories: global warming substance emissions, resource output and use of chemical substances. For the environmental cost-effectiveness index, we collected data for two categories: global warming substance emissions and resource output. Only the production phase was used for both indices. (Fig. 1).

Environmental management indices formulae

Index	Formula
Eco-efficiency index	$\frac{\text{Sales}}{\text{Environmental burden in each category}^*}$
Cost-effectiveness index	$\frac{\text{Reduction of environmental burden in each category}^{**}}{\text{Environmental cost in each category}}$

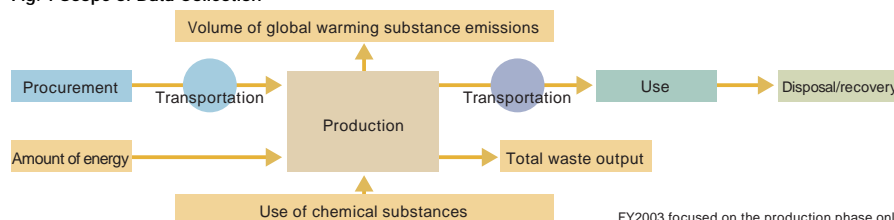
* Environmental burden in each category:

- Global warming substance emissions: Energy use (CO₂ equivalent) + global warming substance emissions (non-energy)
- Resource output: Total output of waste (amount disposed of + amount recycled)
- Use of chemical substances: Impact of chemical substance use

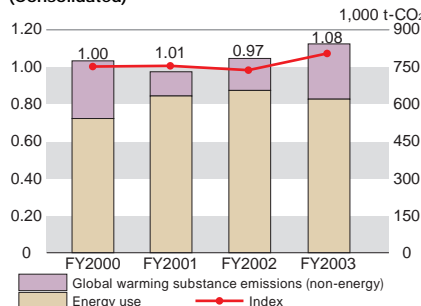
** Reduction of environmental burden in each category:

- Global warming substance emissions: Energy savings + reduction in global warming substance emissions
- Resource output: Reduction in the amount of waste disposed

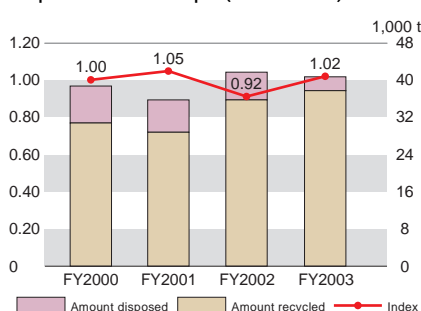
Fig. 1 Scope of Data Collection



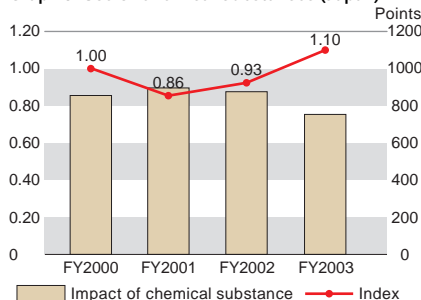
Graph 1 Global Warming Substance Emissions (Consolidated)



Graph 2 Resource Output (Consolidated)



Graph 3 Use of Chemical Substances (Japan)



Notes:

1. FY2000 is the base year for index figures (part of the cost-effectiveness index uses FY2001 as its base year).
2. Amount of xylene in fuels is included in use of chemical substances subject to the PRTR Law.
3. Overseas plants are included based on environmental accounting data (only Japanese plant data are included for use of chemical substances).
4. Impact of chemical substance use is measured using weighted hazard coefficients set for each PRTR substance.
5. Amount of reduction in environmental burden for resource output and use of chemical substances are calculated using sales.

FY2003 results

Eco-efficiency index

1. Global warming substance emissions (Graph 1)

In FY2003, the index rose as a result of reduced energy use and reduced global warming substance emissions.

2. Resource output (Graph 2)

In FY2003, the index rose as a result of progress made in Zero Emissions Level II activities and a subsequent reduction in resource output.

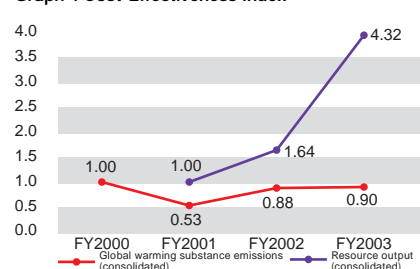
3. Use of chemical substances (Graph 3)

The index jumped owing to the reduction of chemical substances that have high hazard points in the Hazard Evaluation Guidelines.

4. Cost-effectiveness index (Graph 4)

Progress in Zero Emissions Level 1 activities at overseas manufacturing Group companies/affiliates resulted in reduction of waste output. This raised cost effectiveness in the resource output category.

Graph 4 Cost-Effectiveness Index



Future measures

Following a trial period in FY2002, we again calculated two indices. Based on the results of the trial, we will continue exploring appropriate indices and expand the scope to include other business activities (from procurement to disposal/recovery) to gauge our progress in environmental management.

Development of Eco-Products

Epson believes that environmental performance and eco-consciousness in product manufacturing are integral components of product quality. Energy-saving design, resource savings and elimination of hazardous substances are incorporated from the start, at the planning and design phases, and followed through every step of the product's lifecycle.

Energy-saving design

Resource savings

Elimination of hazardous substances

FY2003 Objectives

- Achieve Epson Ecology Label qualification for more than 50% of the products released on the market (number of models/sales)
- Manufacture products with industry-leading energy-saving performance
- Build a system to evaluate product environmental performance
- Achieve 70% recyclability
- Operate a stable system for managing chemical substance in products
- Lead-free ratios
Use of lead-free terminal plating for electronic products*: 90%
Approval from customers to use lead-free solder**: 70%

*Ratio of number of lead-free parts to total number of parts used for major models/major substrates

** Ratio of sales of lead-free products to total sales of products requiring approval from customers

Results

- Number of models: Achieved more than 50% in all businesses
Sales: 43% of total sales (target unattained)
- Offered products with industry-leading energy-saving performance
- EcoLeaf System Certification acquired and announced on website
- Printers and scanners: Achieved recyclability of more than 70%
- Lead-free ratios
Use of lead-free terminal plating for electronic products: 71.6%-100%
Approval from customers to use lead-free solders: 39.8%-80.4%

FY2003 Activity Digest

Products qualify for Epson Ecology Label

All businesses achieved their target of making 50% of all products (in terms of number of models) qualify for the Epson Ecology Label. The target was not achieved in terms of total sales, however, mainly due to the delay in introducing the target in the device businesses and the subsequent shortfall in their contribution.

New measures for ecology labels

Epson was granted System Certification for its inkjet and projector businesses under the EcoLeaf Type III environmental label issued by the Japan Environmental Management Association for Industry. It is the first such certification in the projector industry.

Tighter management of chemical substances found in products

In response to the adoption of the RoHS Directive in Europe, which restricts the use of six specific chemical substances in products, Epson has completed the elimination of these substances from our semiconductor devices, quartz devices and optical devices. For finished products, the target for complete elimination is set for March 2005. To further enhance the management of chemical substances, we are considering the introduction of a system to control these substances throughout the supply chain, in cooperation with suppliers in the supply chain.

Future measures

The Life Cycle Assessment (LCA) method that quantifies the environmental burden throughout a product's lifecycle has been fully introduced. Resources, energy use and output from all stages of production — resource procurement, design, production, transportation and disposal/recycling — are thoroughly quantified and their environmental impact is assessed. Through this assessment, we are improving the system to enhance the product's environmental performance and promote the disclosure of environmental information that meets the various needs of our customers around the world.

Three basic policies

Epson considers environmental performance to be a component of our products' quality and we are determined to help reduce the burden on the environment by offering eco-products. Our approach to product manufacturing exercises eco-consciousness throughout the product's lifecycle, starting at the planning and design stage. Three basic policies on energy-saving design, resource savings and elimination of hazardous substances are in place to guide our efforts. We are also active in sharing environmental information on our products with the public.

1. Energy-saving design

A study of the environmental burden over a product's lifecycle reveals that a significant amount of electricity is consumed when the product is in use. At Epson, each operations division is responsible for setting its own energy-saving design objectives based on each product's features to achieve continuous improvements in environmental performance.

2. Resource savings

We set a recyclability objective for products, based on their calculated recyclable rate, assessed from their configuration and the materials used. We are also committed to reducing the cost of disassembly and sorting. To achieve this, we reflect suggestions from operators at our recycling sites into the design stage of new products, using the *3R Design Guide*. We are focusing on creating smaller and lighter products to minimize use of materials.

3. Elimination of hazardous substances

Epson identifies prohibited or controlled chemicals through our internal Epson Quality Standards (EQS). We also strictly control chemical substances used in raw materials, parts, commercial production and all other aspects of the production process using a database. This ensures product safety and timely disclosure of information to customers.

Commercializing eco-products

We are facilitating the commercialization of eco-products by defining environmental performance as a component of product quality in our regular quality assurance programs. The following case study from Epson's Imaging and Information Products Operations Division, which manufactures printers and scanners, details how eco-products are commercialized.

1. Planning

Environmental specifications (environmental performance) for a product are stated in the product proposal based on Epson Ecology Label Standards and EQS, both of which reflect the three basic policies guiding production of eco-products. At this point, we also look into compliance with the

Eco Mark, Blue Angel and other Type I environmental labels used in other countries. The product proposal is an important step for determining environmental specifications.

2. Design

The product design is based on the product proposal and the *3R Design Guide*, which contains information dedicated to raising product recyclability.

The product design is then assessed for its conformity to environmental specifications and for improvements made from previous models. Finally, environmental specifications are stated as part of the product specifications and recyclability is calculated.

3. Trial production assessment

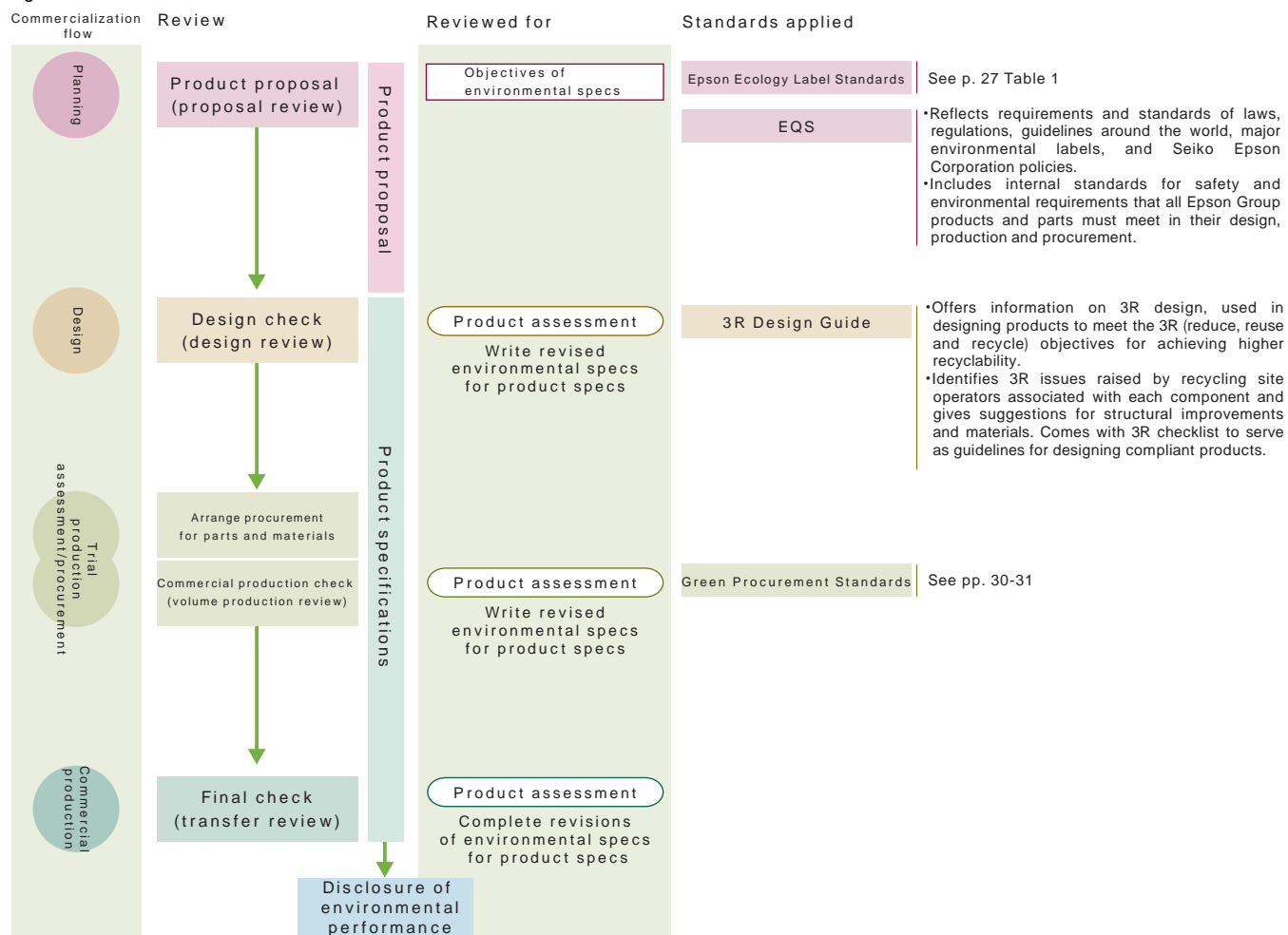
In the next step, raw materials/parts purchases are planned, based on

Epson's Green Procurement Standards, and the trial production process is reviewed for future commercial production. The Green Procurement Standards eliminate not only hazardous substances from the in-house production process but also from materials and electronic parts purchased from other companies. To fulfill this mission, the standards prescribe a two-part review and evaluation process, green vendor certification and green material certification.

4. Commercial production

After the trial production assessment, commercial production begins, followed by final checking for market release. In all these steps, product and other environmental assessments are conducted to ensure conformity to the environmental specifications set in the product's planning stage.

Fig. 1 Commercialization of Eco-Products



Epson Ecology Label

The Epson Ecology Label is a voluntary labeling (Type II) system applicable to all Epson products. We develop new products based on our own evolving set of eco-standards and disclose the products' compliance through the label. It thus serves two purposes: support for continual improvements in earth-friendly products, and information disclosure.



Epson Ecology Label logo

The label has two standards: a Group-wide standard (Table 1) that serves as the basis of the two, and an operations

division standard set by each division based on product features.

Table 1 Groupwide Standards for Epson Ecology Label

1. Throughout the product's lifecycle, improve energy savings for product use, resource savings and elimination of hazardous substances. For existing models, set targets that are superior to industry standards and attain them.
2. Meet the following requirements:
 - Reduce power consumption during use and while in standby mode.
 - Do not include any chemical substances designated as prohibited by Epson.
 - Indicate material used on plastic components weighing 25 g or more.
 - Indicate material used for compact secondary batteries; design for easier loading/unloading.
 - Indicate packaging materials subject to the Law for Containers and Packaging Recycling and the EU Packaging Directive.
 - Indicate material used for plastic packaging materials.
 - Ensure that content of specific heavy metals in packaging materials is below 100 ppm.
3. Conduct product assessments.

New measures for qualifying for ecology labels

In addition to developing products that are compliant with the Epson Ecology Label, we are also attempting to acquire qualification for ecology labels in other countries (Table 2). In FY2003, Epson's inkjet and projector businesses received System Certification* for Japan's Type III ecology label EcoLeaf. The EcoLeaf labels for the PX-V600 inkjet printer and EMP-74 and EMP-54 projectors can be seen on the Epson Sales Japan website.

In China, the government has adopted a policy to give priority to products compliant with



*EcoLeaf System Certification

EcoLeaf verifies the credibility and transparency of product environmental data collected using the LCA method. Normally, a committee of judges and external examiners from the Japan Environmental Management Association for Industry, which runs the EcoLeaf program, conducts the verification. However, under the System Certification program, manufacturers can conduct internal verification and certification if designated employees are certified as EcoLeaf examiners.

China's Energy Conservation Product Certification in public procurement. In response, Epson obtained qualification for the mark immediately and was recognized as a certified manufacturer in the first round of certification.

Research on environmental impact assessment integration

Since

November 2003, Epson has been participating in a research group working on a method for assessment integration of environmental impact called the Lifecycle Impact assessments Method, based on Endpoint modeling (LIME), and has begun research in the field. The objective is to master the use of the method, to identify the balance between environmental costs and effects, and to provide information that would assist Epson in making managerial decisions on environmental measures.

Table 2 Ecology Labels that Epson Has Qualified for

Type	Country/region	Ecology label	Inkjet printer	Laser printer	SIDM printer	POS printer	Ink toner/cartridge	Paper	Projector	Large-screen LCD projection TV	PC	Other
Type I	Germany	Blue Angel										
	Taiwan	Taiwan Green Mark										
	China	Energy Conservation Product Certification										
	Japan	Eco Mark										
	Worldwide	ENERGY STAR Program										
Type II	Scandinavia	ECO Declaration										
	Japan	PC Green Label										
	Worldwide	Epson Ecology Label										
Type III	Japan	EcoLeaf										

Energy-saving design

To continually improve the energy-savings performance of our products, each operations division sets its own design objectives. Some of the FY2003 objectives and results for finished products can be seen in Table 3. For finished products like printers, our focus is on reducing total energy consumption not only while printing, but also when the printer is waiting for data from the computer, is in standby mode or when the power is off.

Resource-saving design

Utilizing the *3R Design Guide*, we design our products with high recyclability to save resources.

The PX-G900 printer, using *Tsuyo-ink*, is designed with various recycle-oriented features, attaining an 80% recyclability rating (Fig. 2).

Energy-saving design best practice L-300/L-400 digital camera with the highest energy performance in its class

The fast-growing digital camera market is one important segment where Epson sees the need for energy-saving designs. For the L-300/L-400, we lowered the power supply voltage for devices to within an acceptable standard limit, employed low energy consumption devices, reduced the current in control systems and used other total-power-management technologies to improve the energy savings for each component. We also focused on how to

utilize as much power as possible from the batteries. As a result, the number of photos that can be taken on one battery has doubled, compared to our previous models, and the camera attained the highest energy performance for its class.



L-400 digital camera

Table 3 Energy-Saving Design Objectives and Results (Finished products)

Product group	Energy-saving objective	FY2003 result
Inkjet printers	Low-energy mode power consumption: 50% lower (based on the PM-970C)	↘92% (PX-G900)
Impact printers	Power consumption/day: 10% lower (based on the FX-2170)	↗137% (FX-2190)
Page printers	Power consumption/day: 10% lower (based on the LP-7100)	↗100% (LP-6100)
Scanners	Low-energy mode power consumption: 10% lower (based on the GT-9800F)	↗101% (GT-X700)
Printers with scanners	Low-energy mode power consumption: 10% lower (based on the CC-600PX)	↗165% (CX-6400)
POS printers	Standby mode power consumption: Below 1 W	↗100% (TM-P60)
LCD projectors	Power use per unit of brightness: Below 20 W/100 lm	↗133% (EMP-S1)

Fig. 2 PX-G900 Inkjet Printer's Eco-Conscious Design

The PX-G900 printer, using *Tsuyo-ink*, is designed with various recycle-oriented features and has attained an 80% recyclability rating.



Tighter management of chemical substances

Epson's measures for the RoHS Directive include setting its own standards and targeting the elimination of the six specific substances from devices (semi-conductors, quartz, optical) by March 2004 and finished products by March 2005. This is well ahead of the scheduled banning of the substances within the European Union on July 1, 2006.

Our future measures include establishing a certification system, whereby we ask suppliers and other companies in the entire supply chain to work together to manage the substances appropriately throughout the supply chain. Our goal is to raise

the credibility of information we provide on chemical substances found in Epson products.

RoHS Directive (Directive of the European Parliament and of the Council on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment)
The directive came into effect on February 13, 2003; it prohibits the use of six specific chemical substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ethers) in electric and electronic products manufactured and sold within the EU after July 1, 2006.



Devices compliant with the RoHS Directive



Eliminating lead from solder

Epson leads other companies in the elimination of lead, a hazardous substance that is subject to the RoHS Directive.

In FY2001, we developed technology to eliminate lead from the solder used on circuit boards (lead in mounting solder and terminal plating for electronic parts) and later established a volume production system to make the solder 98% lead-free.

In FY2003, after promoting lead-free initiatives for our purchases and receiving approval from our customers to use lead-free solder, we achieved lead-free ratios of 71.6–100% for terminal plating for electronic parts (varies by product) and 39.8–80.4% customer approval rate for lead-free solder (varies by operations division).

We were successful in making devices (excluding modules) completely lead-free. We will continue to seek the approval of our customers to use lead-free methods wherever possible.

Lead-free soldering best practice Making LCD projectors lead-free

We have eliminated lead from the lenses and mounting solder on the circuit boards of all models.



dreamio EMP-TW10H

Lead-free soldering best practice Making watches lead-free

The Seiko Arctura Kinetic Chronograph Series has become the first lead-free watch.



Seiko Arctura Kinetic Chronograph Series

Market Size and Social Effects of Eco-Products

Epson designates products that comply with the Epson Ecology Label or that have attained internal energy-saving design targets as eco-products, and monitors their sales. Consumer IT equipment is also monitored and estimates of the reduction in power consumption during use are calculated. The table below shows the results for products sold in FY2003.

Sales of Epson Ecology Label products	475.4 billion yen/year (43% of total sales)
Sales of energy-saving products	100.8 billion yen/year (9% of total sales)
Energy savings from eco-products	8,640,000 kWh/year (1,885 households*)

*Average power consumption per household = 4,487 kWh/year

COLUMN Ensuring our eco-information reaches every customer

Joanna Grocott, Environmental Specialist, Epson Europe B.V. (Netherlands/non-manufacturing)

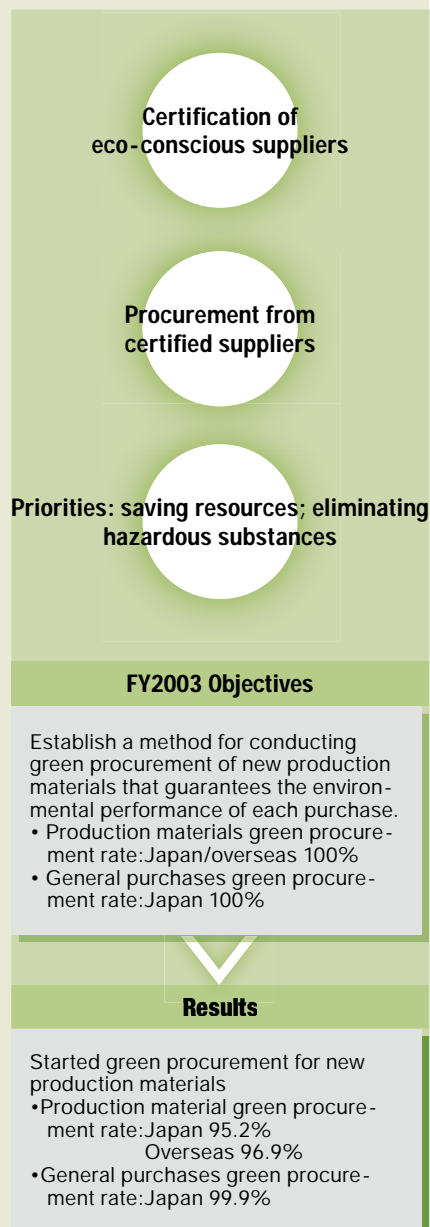


To do business in Europe, it is becoming increasingly important to disclose environmental information and qualify for ecology labels. As a result, we are promoting qualification for one of the ecology labels, Blue

Angel. However, to be a leader in conservation efforts, we must respond to the needs of customers in each region we operate in, qualify for ecology labels and disclose environmental information for all products. We must also create products that meet strict standards and demonstrate superior environmental performance ahead of other companies. It is crucial that the environmental information we disclose is kept transparent, if we are to call it a full disclosure. What we must do is provide a system for our customers to be able to obtain all of our corporate and environmental information, wherever they may be, and to keep improving the usability of this information.

Green Procurement

In making earth-friendly products, every part and raw material must be chosen carefully and procured with the environment in mind, to achieve the highest environmental performance. Epson follows a set of strict standards to effect green procurement for both production materials and general purchases.



FY2003 Activity Digest

Renewed green procurement standards for production materials

In January 2003, we established new Seiko Epson Group (SEG) Green Procurement Standards for Production Materials to further enhance the safety of Epson products. Suppliers of production materials must prove that prohibited chemical substances are not found in their products and materials, and that they are not used in the production process. According to the new standards, we require suppliers to disclose information on substances found in their products and materials if they want to become Epson suppliers.

Started a global study on chemical substances found in products

Epson held a briefing for 2,200 suppliers worldwide to collect information on chemical substances found in the production materials they supply.

Built a database of 500 chemical substances

Epson has constructed a Groupwide database containing information that has been collected from around the world on chemical substances found in production materials. The database, which includes information on alternative materials, can also be used by product planners and designers for developing earth-friendly products.

Future measures

Our objective is to use the framework we built in FY2003 to continue with elimination of chemical substances and to improve our product safety assurance system.

Green procurement for production materials

Epson's global procurement standards for production materials (all parts and raw materials including packaging and OEM products used to create products) support our policy for creating earth-friendly products, starting from the initial stage of production.

Supporting our green procurement effort is a two-step process of review, certification and registration of Green Vendors and Green Production Materials. We certify green vendors as those suppliers who are active participants in environmental initiatives. And we certify green production materials as those we have assessed as being eco-conscious. This two-step process demonstrates the high priority we place on purchasing materials that impose a lesser burden on the environment from eco-conscious suppliers.

In January 2003, we established the SEG Green Procurement Standards for Production Materials to enhance the quality assurance of Epson products, while encouraging further elimination of chemical substances from our products. Under the new standards, which took full effect two months later, we require our suppliers to guarantee that legally prohibited substances are not found in the production materials they supply, as a prerequisite for qualification as a Green Vendor. We also added the disclosure of information on chemical substances found in production materials as a condition for qualification as a Green Production Material. Fig. 1 shows the renewed green procurement process for production materials.

In addition to the requirements mentioned above, we ask our suppliers to guarantee that prohibited substances are not used in their production processes, as a further step in our efforts to eliminate these substances from our products.

Briefings for suppliers

Epson has been holding briefings for 2,200 Group companies/affiliates around the world to explain the new green procurement initiatives and to

ask them to cooperate by providing information on chemical substances found in production materials.

Management of chemical substances in products and elimination efforts

Epson joined its competitors in founding the Japan Green Procurement Survey Standardization Initiative (JG-PSSI). Using a research tool developed by the Initiative, Epson conducted a worldwide investigation on chemical substances found in production materials and created a database that is to be shared Groupwide (Fig. 2).

The database houses information provided by participating suppliers on 500 kinds of chemical substances in 70,000 production materials. One can search the database for production materials that use prohibited substances subject to complete elimination and for information



Green Procurement Standards for Production Materials (Chinese & English)

Fig 1. Green Procurement of Production Materials

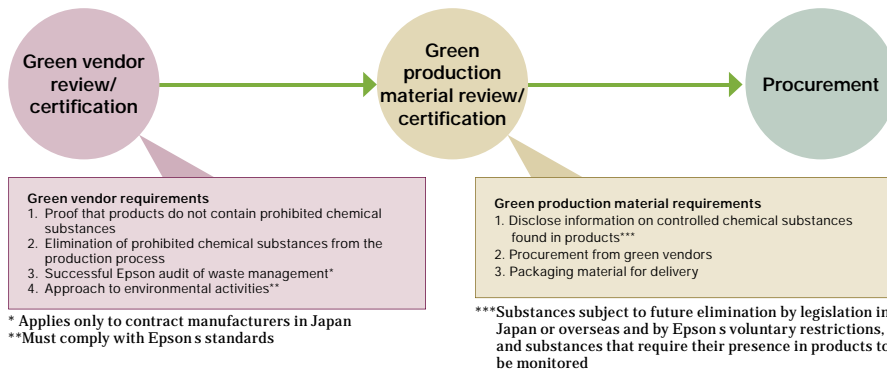
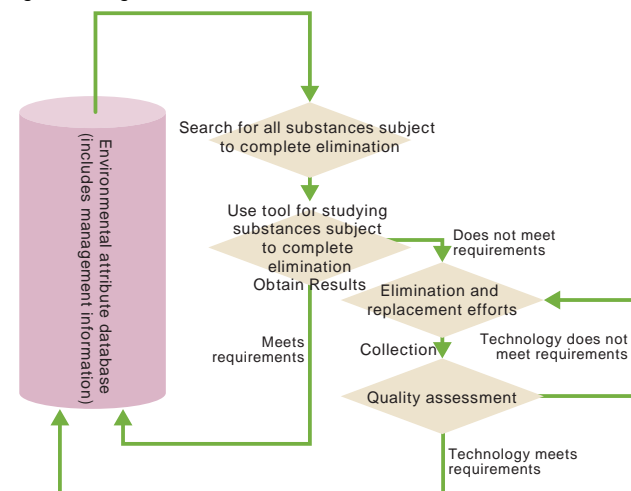


Fig. 2 Investigation of Chemical Substances in Products



on corresponding alternative materials. Using this database, we are improving our efforts to eliminate chemical substances subject to RoHS Directive.

Green procurement for general purchases

For general purchases such as office machines and supplies, fixtures and furniture, we greatly encourage green procurement. In 1999 we established guidelines for these purchases, and these were partially amended to accommodate the enactment of Japan's Law on Promoting Green Purchasing. For the 14 products subject to the Law, we certify those in conformance as green products. Other products are reviewed against Epson's own standards and given certified status. Green products are given higher priority in purchasing. In FY2003, we removed all items that are not compliant from the ordering system for general purchases.

A Sense of Responsibility and a Spirit of Challenge Drive the Elimination of Chemical Substances

Toh Yew Lye, chemical substance management systems architect, Singapore Epson Industrial Pte. Ltd.

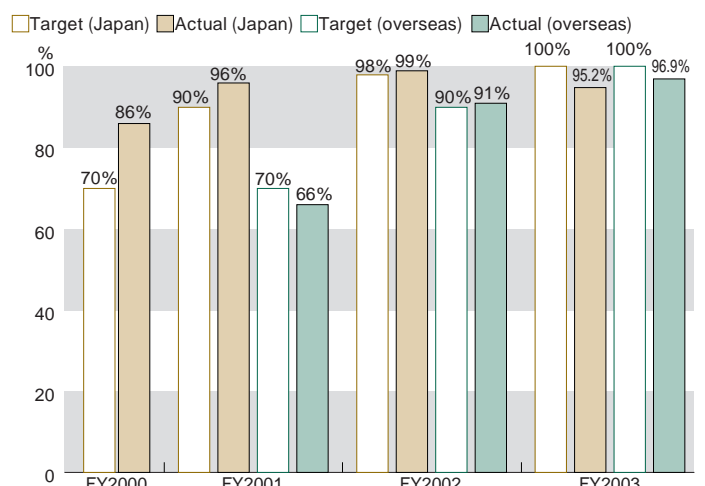


In July 2003, we invited our suppliers to a briefing on Epson's Standards for Green Procurement of Production Materials and asked their cooperation in providing information on chemical substances contained in their products. We faced many problems at the initial stage and there was some confusion, but we successfully worked through each stage — from launching the task force, to appointing persons in charge, to requesting vendors for more cooperation — all with the help of the Head Office. As a result, we now have the knowledge and experience we need to resolve issues ourselves. With a strong sense of responsibility, the group of individuals that heads this initiative is ready and willing to take on whatever challenges we encounter, with the full cooperation of our peers. We now have the confidence we need and strongly believe that we can attain our goals.

Table 1 Briefings for Vendors

	No. of vendors
Japan	Total 1,400
Shanghai, China	300
Fuzhou, China	50
Suzhou, China	40
Taiwan	100
Hong Kong	400
Philippines	40
Indonesia	80
Europe & U.S.	50

Graph 1 Rate of Green Procurement of Production Materials



Product Recycling

Creating a society that constantly recycles requires manufacturers to work together with governments and consumers, and to assume responsibility for used products. With a commitment to extended producer responsibility, the Epson Group is building recovery/recycling systems that meet local legislation requirements and the needs of consumers in each region in which we manufacture and sell products.

Compliance with legislation
in each region

Meeting the needs of
consumers in each region

Effective
recycling system

FY2003 Objectives

- Recycling rate of products recovered in Japan: 65%

Results

- Recycling rate of products recovered in Japan: 64%

FY2003 Activity Digest

Promoting recovery/recycling around the world

Epson has launched product recovery/recycling systems in seven countries in Europe, as well as in the U.S., South Korea, China and Japan. In FY2003, we initiated new types of activities in the U.S. and South Korea. For consumables, such as ink and toner cartridges, we collaborated with local electronics manufacturers and environmental organizations in the U.S. and Australia to launch new recovery/recycling initiatives.

Home-Use PC Recovery Begins in Japan

In Japan, Epson started recovering/recycling of home-use PCs in October 2003. This followed a revision in the Law for Promotion of Effective Utilization of Resources, which made it mandatory for manufacturers to recover/reuse PCs used in the home, in addition to those used in offices. The recycling rate of products recovered in Japan was 64% in FY2003.

New recycling systems

To further promote reuse of resources, a system was created at Atmix Corporation (Aomori/manufacturing) to recycle metal parts from IT equipment recovered in the Kanbayashi Plant (Nagano/non-manufacturing). Part of the recycled materials will be used for watch parts.

Future measures

Epson will respond swiftly to trends in legislation and consumer needs in each region we operate in, while continuing to build up recovery/recycling systems for used products.

Global movement to recover/recycle products

Europe

Under the Directive of the European Parliament and of the Council on Waste Electrical and Electronic Equipment (WEEE Directive), EU member states are to establish legislation that requires recovery and recycling of used electrical/electronic equipment subject to the WEEE Directive by August 2004. We have been monitoring each country's legislation and have begun planning suitable recovery/recycling systems.

U.S.

One of our affiliates has launched its own product take-back program to recover/recycle Epson products at a flat 10-dollar fee for both corporate and personal users. In FY2003, one of Epson's sales affiliates joined the pilot run of Plug-In To eCycling, an initiative launched by the U.S. Environmental Protection Agency, the Product Stewardship Institute and Staples, Inc., together with several electronics manufacturers and a recycling firm, Environcycle, Inc. Through the pilot's take-back program, electronics, such as Epson's printers, are collected for recycling at 25 retail stores in Connecticut, Maine, New Hampshire and Massachusetts.

South Korea

In January 2003, a revision was made to the law to promote resource savings and recycling and it is now mandatory to recycle plastic foam protectors used in packaging and to add sorting marks to facilitate sorting. Epson's manufacturing affiliate in South Korea is carrying out the recycling through a recycling association and adding the sorting marks on protectors.

Japan

Under the Law for Promotion of Effective Utilization of Resources, manufacturers are required to recover/recycle PCs. Epson has already been recycling corporate-use IT equipment (printers, PCs and projectors) for some time.

Definition of terms

$$\text{Recycling rate} = \frac{\text{Weight of items directly reused as products or parts (units)} + \text{Weight of items recycled as materials such as iron, copper, aluminum, precious metals, glass and plastics*}}{\text{Weight of reused/recycled products}}$$

*For composite parts (circuit boards, motors, HDD, FDD, etc.), the weight is calculated by multiplying the total weight by the fraction of the weight of precious metals recovered from the parts, both before and after sorting (starting in FY2003).

Following the revision to the law in October 2003, Epson established a recovery/recycling system for home-use desktop computers, laptop computers and monitors manufactured by Seiko Epson, Epson Sales and Epson Direct. The system recovers/recycles the products sold up to September 30, 2003 for a fee, and those sold from October 1 onward free-of-charge. We are using a recovery scheme created by the Japan Electronics and Information Technology Industries Association

(JEITA) and Japan Post. The scheme is shared by manufacturers (Fig. 2).

In its recovery/recycling system, the Group has been focusing on maximizing the reuse of recovered products, resulting in less than 2% (average across recycling sites) of recovered products being sent to landfills. We are also improving the product life by reusing recovered products. Epson Direct has been running a take-back program for PCs since FY2002.

We are determined to further im-

prove reuse rates and reduce costs, as we now are required to recover and recycle home-use PCs in addition to corporate-use PCs.

To request collection of corporate-use PCs for recycling, please visit:
http://www.epson.co.jp/ecology/consumer/index_business.html (in Japanese only)

To request collection of home-use PCs for recycling, please visit:
<http://www.epsondirect.co.jp/pcrecycle/> (in Japanese only)

Fig. 1 Recovery/Recycling System for Used Products and Consumables



Fig. 2 Recovery/Recycling System for Home-Use PCs (Japan)

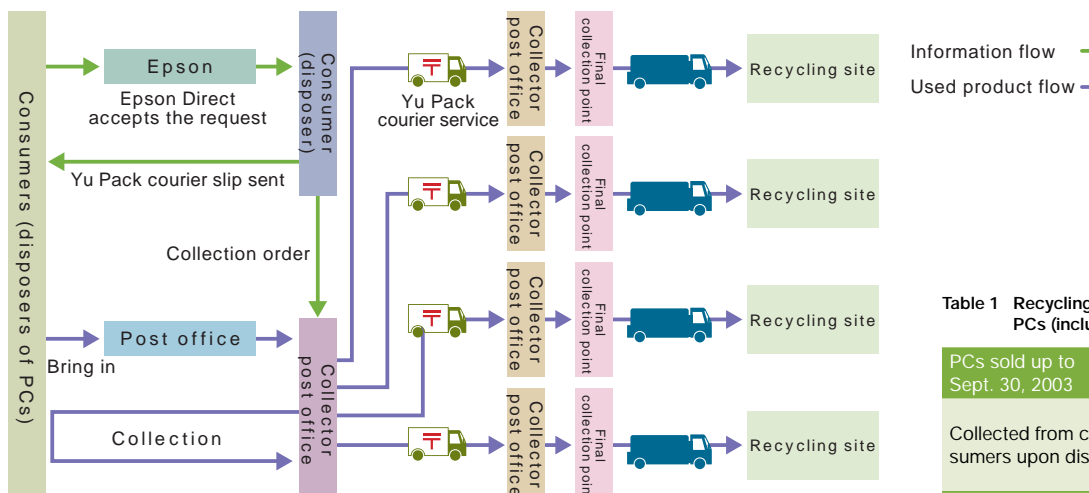


Table 1 Recycling Fee Collection for Home-Use PCs (including collection fee)

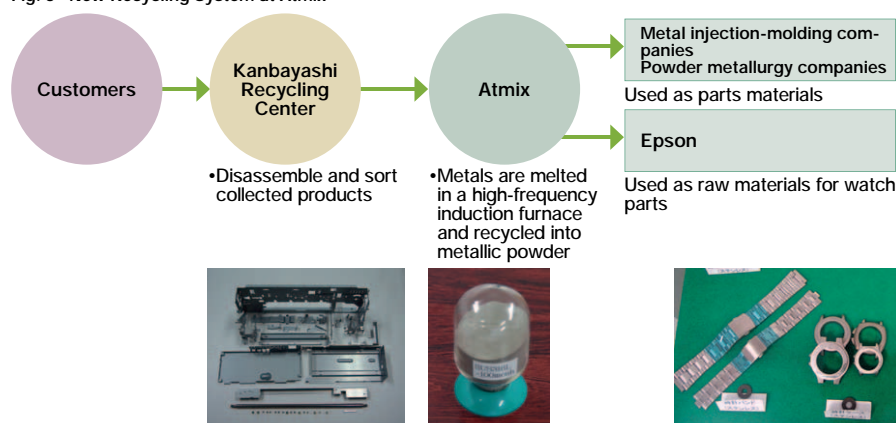
PCs sold up to Sept. 30, 2003	PCs sold from Oct. 1, 2003 onward
Collected from consumers upon disposal	Collected from consumers upon purchase by including the fee in the retail price

New recycling measures

In FY2003, a system was created at one of our Group companies/affiliates in Japan, Atmix Corporation (Japan/manufacturing), to recycle metal parts from IT equipment, such as printers and PCs, recovered in the Kanbayashi

Plant (Japan/non-manufacturing). Part of the recycled materials will be used as materials for watch parts at Epson (Fig. 3). Another feature of this system is that the recovered metals are transported by rail, which produces less CO₂ than transport by truck.

Fig. 3 New Recycling System at Atmix



Pursuing Both Legal Compliance and Customer Satisfaction

Takao Sekizawa,
product recovery system designer
architect, Epson Direct



Epson Direct was entrusted with the role of recovering home-use PCs for Epson and I was given the responsibility of building the entire recovery system. It proved to have a much broader scope than simply accepting used products, involving various other tasks, such as attaching a Recycle Mark to new products sold to certain customers. Recovery of used PCs is a legal requirement, but we decided to design the workflow so that we could build a long-term relationship with customers who bring in the PCs. That way, we believe we can heighten customer satisfaction, increase sales and add value in various other ways. That is my main focus for future projects, as well.

Consumables recovery/recycling

U.S.

Epson's sales affiliate in the U.S. has formed a partnership with FundingFactory (FF) which provides a program for raising funds through the recovery/recycling of consumables.

Through this program, schools and other organizations are awarded points based on the volume of used consumables they collect. The points can later be redeemed for prizes.

Collected consumables are processed appropriately by the Epson affiliate.

Japan

Printer consumables, such as ink cartridges, are collected at recovery boxes installed in shops across the nation. For toner cartridges, we provide a toll-free number for direct recovery. The number of recovery boxes reached 2,582 as of March 31, 2004, an increase of 277 from the previous year. As a result of publicity campaigns in newspapers, magazines, our website and flyers packaged with products, we have seen a year-on-year increase in recovery rates

of 1.7% to 9.3% for ink cartridges, and 4.9% to 61.5% for toner cartridges. Graph 1 shows the recycling rates of these two consumables.

To request collection of consumables in Japan, please visit:
<http://www.i-love-epson.co.jp/products/toner/>
(in Japanese only)

Taiwan

Epson operates a recovery/recycling system for ink and toner cartridges in Taiwan. We also set up a system using a toll-free number and a website to accept collection requests directly from

customers to facilitate on-the-spot collection.

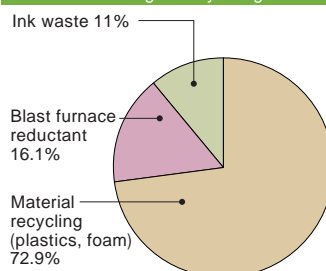
To request collection of consumables in Taiwan, please visit:
<http://www.epson.com.tw/imaging/Consumable/recycle.asp> (in Chinese only)



Recovery box for ink cartridges (Japan)

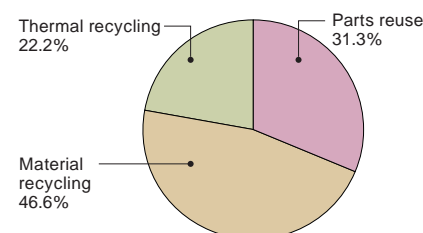
Graph 1 Recycling of Consumables

Ink cartridge recycling breakdown



Toner cartridge recycling breakdown

Cartridge for LP-8400 (A3 monochrome)



Preventing Global Warming

The Epson Group is aiming at an absolute reduction in global warming substance emissions of 60% in FY2010 (based on FY1997, consolidated globally). To achieve this ambitious goal, we are cutting energy use to reduce CO₂ emissions, as well as cutting emissions of non-CO₂ substances that contribute to global warming.

Reduction of CO₂ emissions by cutting energy use

Reduction of non-CO₂ global warming substances

FY2003 Objectives

- Reduction in total consumption (crude oil equivalent)
 - Japan: 5% reduction (based on FY2002)
 - Overseas: Lower than the FY2002 level
- Operation divisions consolidated energy savings
 - 7% of FY2002 energy use (including the 1.3% energy savings in FY2002)
- Qualitative targets
 - Improved management 90 points
 - Facilities 80 points
 - Production equipment 40 points
- 35% reduction in emissions of global warming substances (based on FY1997)

Results

- Reduction in total consumption (crude oil equivalent)
 - Japan: 3.4% reduction (based on FY2002)
 - Overseas: 2.0% increase (based on FY2002)
- Operation divisions consolidated energy savings
 - 6.5% of FY2002 energy use (including the 1.3% energy savings in FY2002)
- Qualitative targets
 - Improved management 91.1 points
 - Facilities 82.6 points
 - Production equipment 46.1 points
- 49.5% reduction in emissions of global warming substances (based on FY1997)

FY2003 Activity Digest

Emissions of global warming substances

In FY2003, the absolute quantity of global warming substance emissions was 827,000 t-CO₂, up 3.8% from FY1997, due to an increase in production volumes of electronic devices such as semiconductors and LCDs. Emissions per unit of sales were 58.5 t-CO₂ per 100 million yen, down 22.1% from FY1997 (Graph 1).

Energy use in Japan decreased 3.4% (from FY2002), failing to meet our target of a 5% reduction. Overseas, energy use increased 2.0%, also failing to meet the target of achieving a level lower than the FY2002 level. Global energy use on a consolidated basis decreased by 1.9% (Graph 2).

Promoting energy-saving efforts for production equipment

Energy-saving activities in FY2003 have focused on energy savings for production equipment and innovations in the production processes. At manufacturing sites around the world, we identified sources of energy loss for production equipment, measured these losses and presented them in a way that the amount could be easily visualized so that action could be taken. As a result, energy savings (crude oil equivalent of the effects of energy-saving measures) amounted to 6.5% of FY2002 use on a global consolidated basis, 6.3% in Japan and 7.0% overseas. Energy savings overseas have met the target of 7.0% (Graph 3).

Future measures

Our approach for reducing Groupwide energy consumption is through implementing energy-saving measures in each region we operate in, as well as ongoing process innovation in electronic device production. More research on the Kyoto Mechanism (the Kyoto Protocol mechanism for CO₂ emissions trading) will be conducted, as well as on measures for enhancing awareness and morale among employees through the introduction of internal emissions trading.

Our approach to helping prevent global warming

Reduction of CO₂ emissions is the best-known measure for the prevention of global warming. The Kyoto Protocol, however, designates five additional substances as contributors to global warming: nitrous oxide (N₂O), methane (CH₄), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). Because CO₂ emissions derive largely from the use of energy (purchased power, kerosene, fuel oil, etc.), CO₂ reduction basically calls for less energy use. Other substances also require urgent attention because of their impact on global warming. For example, the global warming effect of a type of PFC gas, C₂F₆, is 11,900 times higher than that of CO₂. SF₆ is 22,200 times higher. PFCs and SF₆ are used in the Group for cleaning and etching processes in semiconductor and LCD manufacturing.

The Group is therefore committed to reducing both CO₂ emissions, through energy-saving measures, and emissions of other global warming substances. Energy use and emissions of global warming substances other than CO₂ are both converted to a CO₂ emissions equivalent (10,000 t-CO₂). The total of these two, defined as the total global warming substances emissions, is subject to an ambitious 60% reduction in absolute quantity by FY2010 (based on FY1997, global consolidated).

Energy-saving measures

At the Epson Group, we have four approaches to implementing energy-saving measures to assure that we use only the necessary amount, at the necessary time, in the necessary place. These four approaches are:

1. Maintenance and improvement of management
 2. Cutting energy use in basic facilities and buildings at plants
 3. Cutting energy use through production equipment and process innovations
 4. Introduction of new types of energy.
- For 1 through 3 above, we employ our own qualitative targets, using a

132-item checklist to assess how close we are to achieving our targets.

Each promotional organization is responsible for self-ratings on a scale of 1 to 5. The department in charge of supervising environmental activities at the Head Office reviews the results and discloses the status of qualitative target achievements in each promotional organization to improve environmental efforts.

Production equipment-related measures

Among the four approaches to implementing energy savings, in FY2003 we focused on cutting energy use through production equipment and process innovations, and emphasized energy consumption measurement that could be "easily visualized." We measured each component's energy consumption and corresponding production volume over the same period to understand the energy use during production and when idle. Through this, we measured idle-time energy consumption and attempted to identify areas of improvement to minimize it.

Malaysia

Epson Precision (Johor) Sdn. Bhd. (Malaysia/manufacturing) achieved a 22.4% reduction in electricity use. Through an analysis of the production

volume versus the energy consumption, the power consumption of cleaning machines used for manufacturing watch parts was cut by stopping the machines when the machines were not cleaning (were on standby).

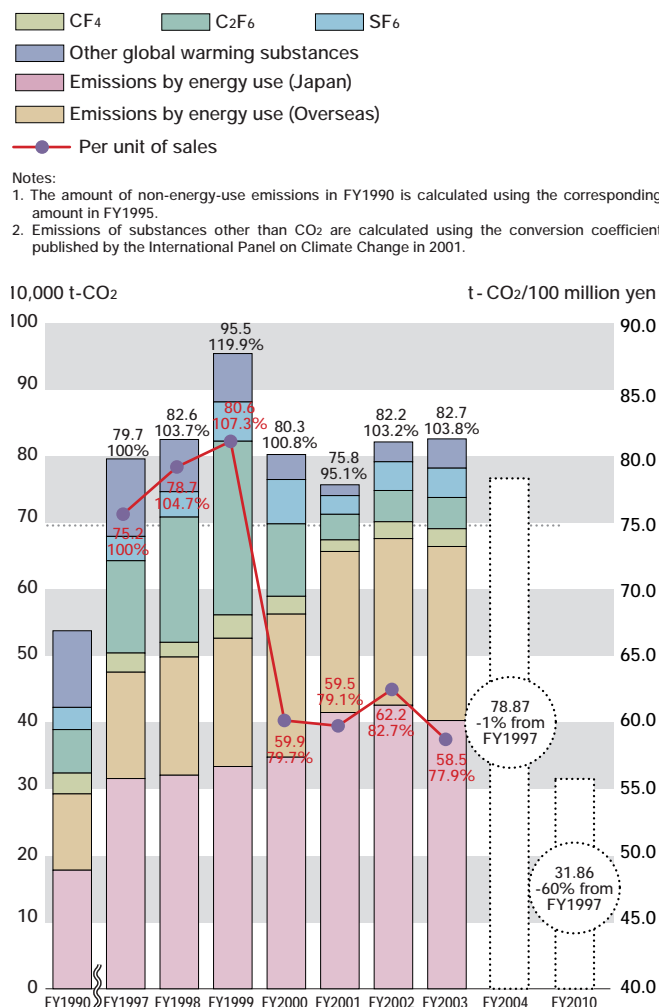
China

Epson Engineering (Shenzhen) Ltd. (China/manufacturing) monitored the operation of plastic injection molding machines used for manufacturing printer parts. Shortening the cycle time (time required to make one part) to raise efficiency, as well as shutting off the machine's power after a production run, helped achieve a 14% reduction in power consumption was achieved.

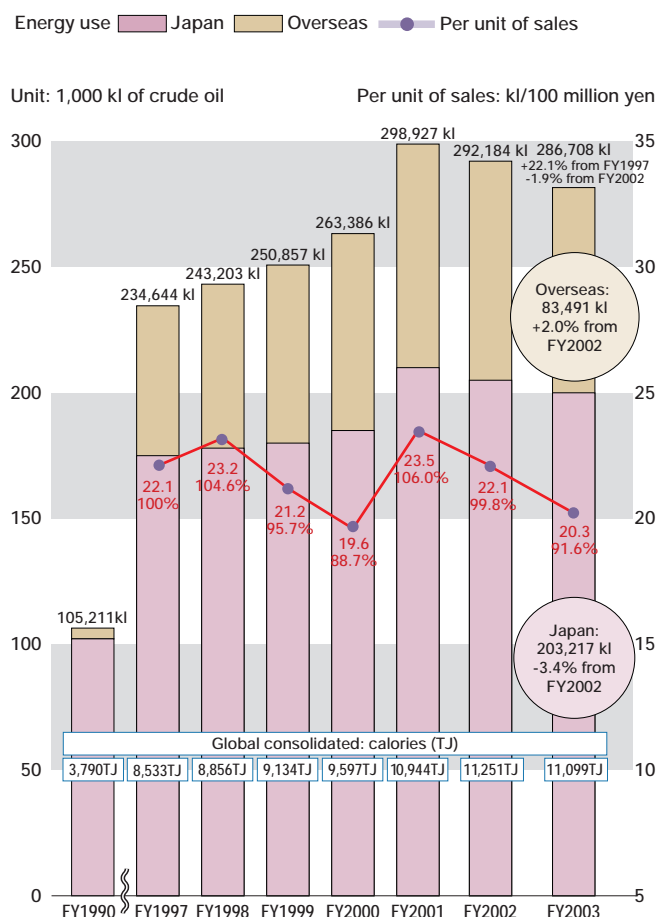
Tohoku Epson (Japan/manufacturing)

Tohoku Epson has built a system that enables real-time monitoring of produc-

Graph 1 Total Global Warming Substance Emissions/ Emissions Per Unit of Sales (Consolidated)



Graph 2 Energy Use/Use Per Unit of Sales (Consolidated)



tion volume and power consumption for manufacturing equipment (Energy Savings Navi). This system, which identifies non-production-related power consumption, is being used to further identify areas where power consumption can be cut.



Energy Savings Navi developed by Tohoku Epson

Process innovations in electronic device manufacturing

The biggest consumers of energy among all Epson businesses are the semiconductor, LCD and certain electronic device manufacturing operations. We are therefore actively pursuing process innovations in these areas to achieve the FY2010 target.

Epson's process innovation is epitomized by the concept of the Scaleable Minimum Fab — the use of

compact and standardized clean rooms, equipped with one minimum-facility production line per room for flexible production. Unlike the clean rooms at large device plants that require an enormous amount of energy to build and operate, minimum fabs can be flexibly added or dropped to accommodate changes in production demands.

We believe that three gradual reforms and innovations can make the Scaleable Minimum Fab concept happen: 1. Major streamlining of the production process (elimination of all replaceable processes, improvement of equipment performance and introduction of new technology); 2. Innovations in flow patterns (the way substrates are processed/transported); and 3. Innovations in basic facilities that supply electricity, purified water, air and gas (Fig. 1).

Currently, a TFT panel plant is being constructed in Chitose, Hokkaido, with special attention being paid to streamlining production processes. The aim is to double the energy efficiency of the new plant compared with existing plants.

COLUMN Aiming at a 30% reduction in production equipment power consumption

Narindra Mohan Kumar, leader of energy-saving activity promotion, Epson Precision (Johor) Sdn. Bhd. (Malaysia/manufacturing)



Narindra Mohan Kumar, Suihaimi Muslim, Zulkarnaen Ismon (left to right)

The water-cleaning machine is the single most important piece of equipment in the watch-external cutting process.

A special committee worked together with production staff to cut the power consumption of the cleaning machine during idle periods (when the machine was operating, but not cleaning). We controlled the operation of the cleaning machine using sensors installed on the conveyors that feed the machine, to detect the trays that carry the parts to be cleaned. One cleaning cycle lasts seven minutes and two conveyors are simultaneously working during a cycle. When the sensors on a conveyor no longer detects any trays, the cleaning machine automatically stops.

As a result of introducing this system, we were able to reduce monthly power consumption by 22.4%. Our goal is to improve the process and achieve a 30% reduction.

Graph 3 Energy Savings (Consolidated)

Unit: 1,000 kl of crude oil

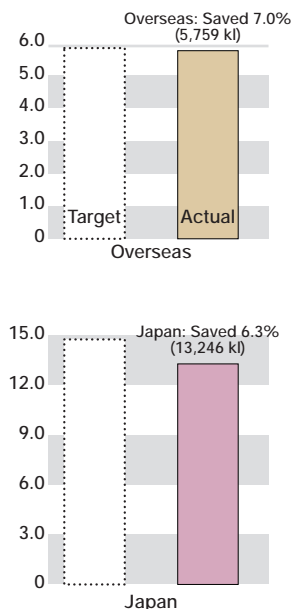
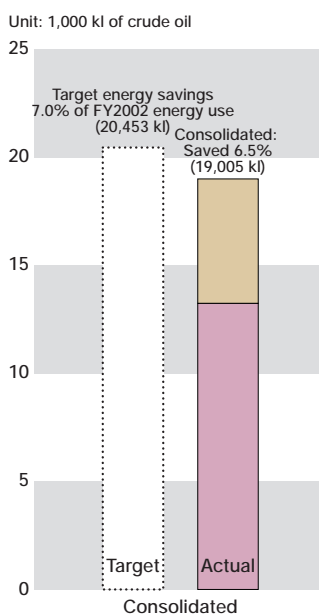


Fig. 1 Scaleable Minimum Fab

	2003	2005	2010
Total no. of processes	Approx. 300 processes		Approx. 80 processes
Major streamlining of the production process		<ul style="list-style-type: none"> Eliminate replaceable processes Enhance equipment performance 	<ul style="list-style-type: none"> Introduce new technology
Innovations in flow patterns	Inefficient — because single and batch processing/transport coexist, time is lost between processes.	Batch processing eliminated: Lot transport between processes still in place.	Efficient — lot transport is eliminated, single processing/transport is carried out, with no time lost between processes.
Innovations in basic facilities supplying electricity, purified water, air and gas	Building with a huge clean room Utilities Production line Clean room		Compact facility suitable for a compact production line Utilities Production line (unit) Building with regular air conditioning
Energy use		Approx. 40% energy reduction	Approx. 84% reduction

Introducing new energy sources

Along with efforts to cut energy consumption, we are introducing new sources of energy in our global operations (Table. 1).

In FY2003, the Ina Plant (Japan/manufacturing) introduced two 250 kW molten-carbonate fuel cells (MCFC) supplied by First Energy Service Co., Ltd. (FESCO), a new energy services company. FESCO leases and manages MCFCs; we contracted with the company to receive electricity and waste heat steam from the two fuel cells.

The MCFCs are manufactured by Fuel Cell Energy, Inc. of the U.S. and offer 47% to 50% power generation efficiency and are easy to maintain. They are regarded as next-generation fuel cells.

With the introduction of the MCFCs, the Ina Plant achieved approximately 30% energy savings and about a 50% cut in CO₂ emissions, compared to conventional power generation (commercial electricity and fuel-fired boiler).

Table 1 Introduction of New Energy Sources

Type	Location	Details
Solar power generation	Ina Plant (Japan/manufacturing)	Max. power generation 50 kW
	Head Office (Japan/manufacturing)	Max. power generation 10 kW
Fuel cell (Cogeneration)	Toyoshina Plant (Japan/manufacturing)	Self-generation system, together with a cogeneration system that uses waste heat for clean room air conditioning. Introduced two units with max. capacity of 200 kW.
	Ina Plant (Japan/manufacturing)	Introduced two liquefied natural gas (LNG) fuel cell units with max. capacity of 200 kW.
Gas turbine (Cogeneration)	Sakata Plant (Japan/manufacturing)	Kerosene-powered, with one of the largest capacities for a semiconductor plant in Japan: 36,000 kW.
	Suwa Minami Plant (Japan/manufacturing)	Introduced unit using kerosene as fuel with capacity of 7,200 kW*.
Snow air-conditioning	Sapporo Software Center (Japan/non-manufacturing)	The system stores 140 m ³ of snow during the winter, which drives the air conditioning in summer using a heat exchanger to extract energy.
Green Power Certification System (Wind power)	Seiko Epson Corporation	Japan Natural Energy Co., Ltd. provides wind power; by purchasing Green Power Certification we are recognized for replacing part of our power supply with wind power (equivalent to 2,000,000 kWh/year).
Green energy (Wind, hydro and solar power)	Epson Deutschland GmbH (Germany/non-manufacturing)	Contract with power companies to receive renewable energy that does not produce CO ₂ , such as wind, hydro and solar power.
Clean Wind Program (Wind power)	Epson Portland Inc. (U.S./manufacturing)	Purchase wind energy covering 10% of total energy use from a wind power company.

*Starting April 2004, LNG is used as a fuel.

Reduction in global warming substance emissions

The Epson Group works to reduce global warming substances other than CO₂, such as PFCs and SF₆, in two ways: by decomposing the gases and by slashing their use. This dual approach has yielded good results since FY2000. In FY2003, a 49.5% reduction or 162,000 t-CO₂ (based on FY1997) was achieved, surpassing the target of a 35% reduction from FY1997.

The reduction is attributed to improvements in gas use and abatement processes.

Reduction by decomposition

Reduction is optimized by employing either thermal or plasma abatement, depending on the type and usage of the substance.

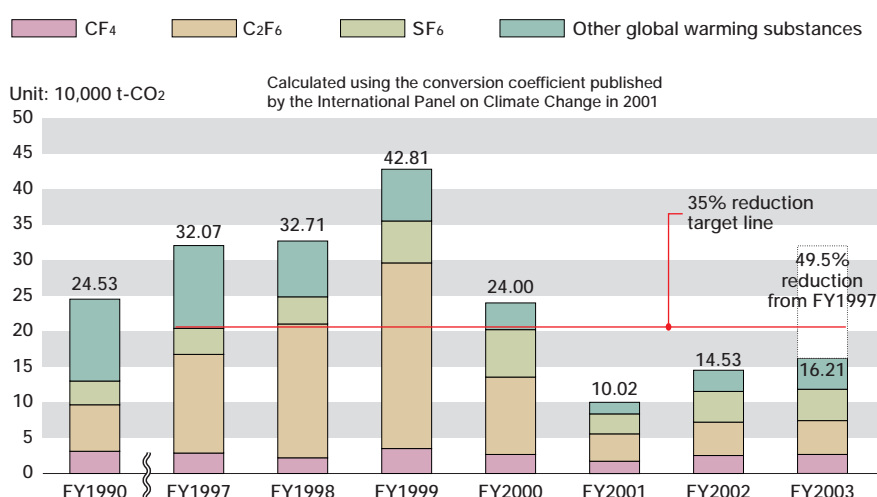
Reduction of consumption

We devised a simple measurement method, dubbed the Epson Method, to measure the emissions of PFC gases

used in semiconductor manufacturing as part of our efforts to reduce their consumption. We are sharing this method through our website in Japanese and English so that other companies committed to reducing emissions of PFC gases can use it.

Epson Method
http://www.epson.co.jp/e/community/environmental_method.htm

Graph 4 Total Global Warming Substance Emissions (Excluding CO₂)



Zero Emissions

The Epson Group has been making vigorous efforts to recycle all business waste and reduce total waste generation since 1997. In FY2002, we began waste reduction initiatives to further reduce waste sent to landfills.

Level 1
100% recycling of waste

Level 2
Reduction of total waste generation

Level 2
More sophisticated recycling

FY2003 Objectives

- Total waste generation
 - Japan: 14,000 tons
 - Overseas manufacturing Group companies/affiliates: 19,000 tons (10% reduction in generation per unit of sales from FY2001, consolidated basis)
 - Reduction of waste sent to landfills for final disposal
 - Japan: 5% reduction from FY2001 (absolute quantity)*
 - Overseas: Establish benchmark
- *Quantity calculated upon achieving Zero Emissions Level 1

Results

- Total waste generation
 - Japan: 19,591 tons
 - Overseas manufacturing Group companies/affiliates: 22,263 tons
- Reduction of waste sent to landfills for final disposal
 - Japan: 200% increase from FY2001
 - Overseas: Established benchmark

FY2003 Activity Digest

Achieved Zero Emissions Level 1 worldwide

The Group's domestic business sites, Group companies/affiliates and overseas manufacturing Group companies/affiliates have all achieved Zero Emissions Level 1.

Toward more sophisticated recycling

Having achieved Level 1, we are shifting our focus to Level 2, while maintaining the Level 1 status. Highlights of FY2003 results include development of closed recycling technology at the Sakata Plant (Japan/manufacturing) to produce high-purity fluorite from hydrofluoric acid-containing wastewater (generated in the semiconductor etching process), which can then be used to produce more hydrofluoric acid for the etching process.

Future measures

Despite all our efforts, we failed to meet the target of reducing total waste generation (amount disposed of and amount recycled) to the 1997 level of 14,000 tons because of an increase in production volume and subsequent rise in total waste generation. As a result, total waste generation in Japan amounted to 19,591 tons, up 0.6% from the previous year, while overseas total waste generation came to 22,263 tons, down 1.9% from the previous year. We will make further efforts to reduce the creation of waste through Level 2 activities.

Dual-level Zero Emissions activities

The Epson Group's Zero Emissions initiatives are divided into Level 1 and Level 2.

Level 1: Route all waste into a recycling channel

Level 1 seeks 100% recycling of business waste (excluding general waste) and therefore aims at routing all waste into a recycling channel. After in-house sorting (crushing and compressing), treatment of waste fluid and other processes, waste is sent to intermediate waste processing companies and recycling companies with specialized technologies.

Level 2: Reduce the creation of waste

Level 2 defines our mission for reducing the total volume of waste and achieving more sophisticated recycling. We do this mainly by minimizing the input of resources into the manufacturing process, together with rethinking the manufacturing process and improving internal reuse of materials.

For unavoidable waste, we are seeking more sophisticated recycling processes to utilize it fully, such as material recycling (recycling into materials close to raw materials).

Definition of terms

- Total waste generation: Total amount of all business waste
- Amount recycled: Amount of waste routed into the recycling channel
- Amount disposed of: Amount of waste that was not routed into the recycling channel (including combustible general waste)
- Waste sent to landfills for final disposal: Estimated weight of waste not recycled and sent to landfills + estimated weight of residue generated in the recycling process and sent to landfills

Level 1 results

With 12 new overseas manufacturing Group companies/affiliates achieving Level 1 status in FY2003 (Table 1), all business sites worldwide became certified as Level 1 sites. This includes 19 business sites and 9 Group companies/affiliates in Japan. We will maintain the Level 1 status at all main business sites and work toward upgrading them to Level 2. Table 2 shows the recycling process at Level 1-certified sites.

Level 2 activity results

As a result of Level 2 activity (reducing total waste generation), total waste generation amounted to 19,591 tons in Japan, up 0.6% from the previous year due to a rise in production volume, and 22,263 tons overseas, down 1.9%. In both cases, we failed to meet our targets (Graphs 1 and 2).

Waste sent to landfills in Japan was estimated at 751 tons (Graph 1).

To meet our goal of reducing total waste generation in Japan and overseas, we will continue promoting Level 2 activities, as well as incorporating technology to minimize the generation of waste.

Level 1 activities: China and the Americas

Recycling ink effluent

Tianjin Epson Co., Ltd. (China/manufacturing) worked with a recycling company to establish a recycling route for ink effluent generated by the ink cartridge manufacturing process.

Some of the ink effluent sent for processing to the recycling company from Tianjin Epson is treated as wastewater, turned into sludge and used as material for roadbeds. Other types of ink effluent are used as an alternative for material mixing water at a cement factory, while the residue after the material is incinerated is used as a raw material for cement. These efforts have enabled Tianjin Epson to recycle 160 tons of ink effluent per year.

Table 1 Zero Emissions Level 1 Status (No. of sites)

	FY2000	FY2001	FY2002	FY2003	Participating sites
Seiko Epson Corporation business sites in Japan	2	17	0	—	19/19*
Group companies/affiliates in Japan	1	3	5	—	9/9
Overseas manufacturing Group companies/affiliates	3	2	5	12	22/22

*Fujimi Plant, which had not been meeting Level 1 certification requirements since the second half of FY2002 due to a halt in sludge recycling, resumed recycling in March 2004.

Table 2 Recycling Process at Level 1-Certified Sites

Category	Recycled waste	Application	Recycling process
Sludge	Wastewater treatment sludge	Metal recovery	Recovered by mining company, residue used as roadbed material
Waste oil	Developer	Reuse	Vapor recycling by third party; reused in-house
	Machine oil	Fuel additive	Used as furnace fuel by third party
Plastics	Polystyrene foams	Recycled material	Volume reduced by intermediate waste processing company; recycled as plastic products
	Metal/plastic composite materials	After sorting, recovered or smelted	Combustible waste (including metal/plastic composite) thermally decomposed. Gas from decomposition used as furnace fuel. Residue after decomposition sent to metal recovery or used as roadbed material.
	Sheet/solid/sponge plastics	Fuel additive, blast furnace reductant	Recycled into solid fuel by intermediate waste processing company; used as fuel by third party, or as blast furnace reductant by steel-makers.
Wood scraps	Pallets, desks, etc.	Fuel additive	Used as fuel by third party
Metals	Iron scraps	Recycled metal	Recycled by recycling company
Paper	Used paper, cardboard, magazines, paper containers, mixed paper	Recycled paper material	Recycled by paper company
Glass	Fluorescent tubes, mercury lamps	Recovery of mercury, metal, glass	Decomposed by mining company and recycled

Fig. 1 Zero Emissions Activities

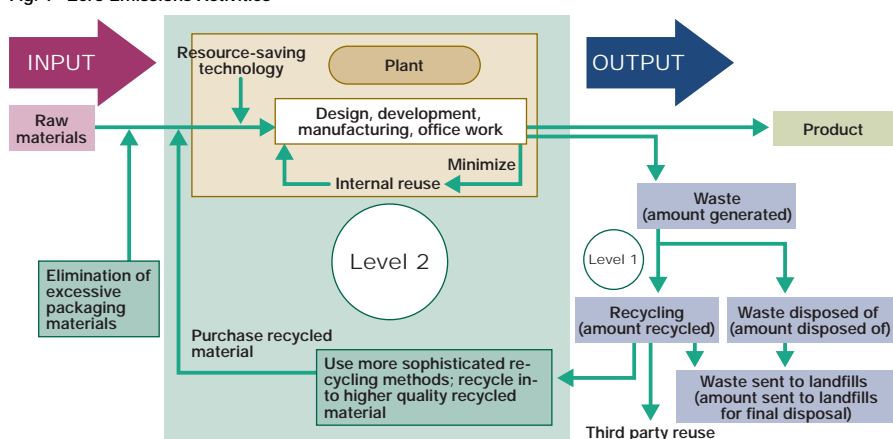


Fig. 2 Tianjin Epson's Recycling of Ink Effluent



Recycling scrap paper and ink

Epson El Paso, Inc. (U.S./manufacturing) and Epson de Juarez, S.A. de C.V. (Mexico/manufacturing) have been offering newsletter printing services that use scrap paper and ink to 22 local environmental organizations.

These two companies are also internally recycling scrap paper as thermal insulating material, which has proved highly effective and later earned public recognition. The companies are also making various other creative contributions to local communities, such as providing finely shredded scrap paper to pet shops as bedding for cats and dogs.



Recycling scrap paper as bedding for pet shops

Level 2 activity: Japan

Closed recycling of waste hydrofluoric acid

At the Sakata semiconductor plant (Japan/manufacturing), we spent two years on research before establishing the semiconductor industry's first closed system for recycling hydrofluoric acid.

Hydrofluoric acid is used in etching silicon oxide films. Normally, waste hydrofluoric acid is reused as dilute hydrofluoric acid or turned into fluorite (calcium fluoride or CaF_2) through a chemical reaction with calcium carbonate. The fluorite is then used to generate hydrofluoric acid.

By improving the management of the process for generating fluorite from waste hydrofluoric acid, the new system consistently generates high-purity (93%) fluorite and turns it back into hydrofluoric acid for reuse in manufacturing (closed recycling).

Besides reducing the annual generation of low-purity fluorite waste by approximately 80 tons, this new technology also helps reduce the amount of fluorite extracted from the ground as raw material for hydrofluoric acid production.

COLUMN Zero Emissions activities that draw local government attention

Ren Yue, leader of Zero Emissions activities, Suzhou Epson Co., Ltd. (China/manufacturing)

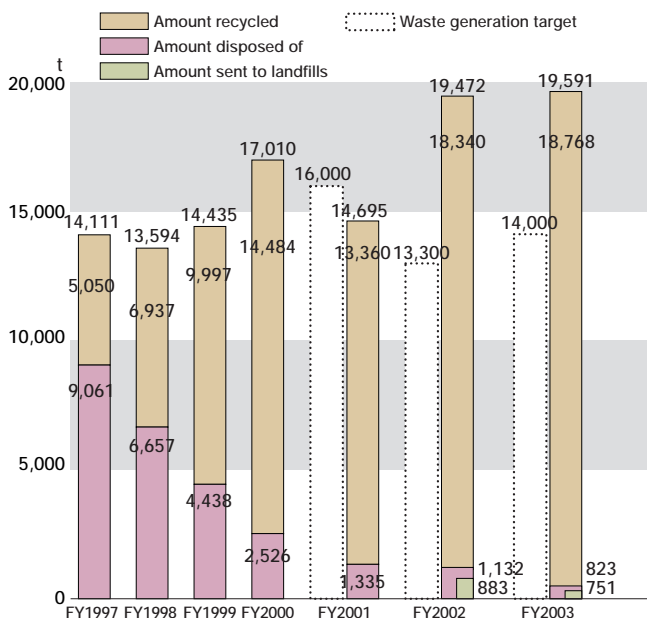


In our FY2003 business plan, one of our main goals for the year was certifying for Zero Emissions Level 1. As a result, total waste generation decreased by about 600 tons from the previous year, to 3,800 tons.

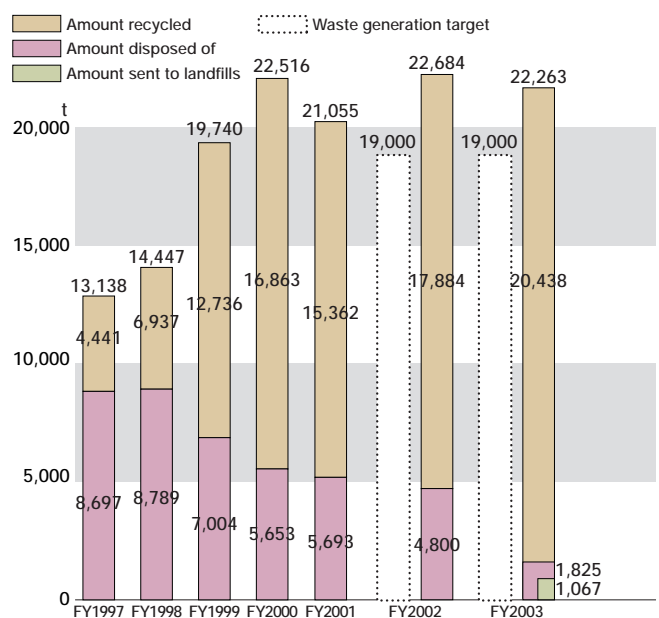
Working together with Suzhou New District Environment Service Center, we expanded the chemical treatment facility for organic effluent and achieved Zero Emissions Level 1 by reducing organic effluent by 100 tons/month and general waste to less than 50 grams/day.

Local authorities showed a great interest in our Zero Emissions activities. The deputy mayor of Suzhou City and the deputy director of the Jiangsu Province Environmental Protection Bureau visited the company and commended our efforts. We will work together to seek Level 2 certification and contribute to local environmental conservation, while we pursue our slogan "Green Epson, Healthy Every Day."

Graph 1 Waste Generation in Japan



Graph 2 Waste Generation Overseas



Integrated Management of Chemical Substances

Mindful that the use of any chemical substance is inherently risky, we set strict, independent guidelines and practice chemical management with acute awareness of future risks to assure the proper use of chemicals. In FY2003, we established Regulations for Integrated Management of Chemical Substances to carry out stricter management of chemical substances for the entire Epson Group.

Sound management of chemical substances in compliance with legislation

Independent management/reduction initiatives by each operations division

Disclosure of PRTR data

FY2003 Objectives

- Promote chemical substance management in each promotional organization (reduction/complete elimination) using their own targets

Results

- Promotional organization self-imposed reduction targets: Achieved 52 out of 69 targets

FY2003 Activity Digest

New regulations for stricter management

We reestablished Regulations for Integrated Management of Chemical Substances to upgrade our management system to the level where chemical substances are comprehensively managed together with pollution, waste and legislation requirements.

Groupwide reduction and elimination efforts

Business sites in Japan were successful in eliminating nine prohibited substances, while overseas sites achieved elimination of eight, failing to replace the use of beryllium sulfate in FY2003. For this substance, we will monitor the quality of items that are using substitute materials and seek complete elimination in FY2004. For emissions of global warming substances, which are also managed Groupwide, we were able to achieve the FY2003 targets despite a slight increase from the previous year in use and emissions, resulting from an increase in the production volume of electronic devices (see p. 38).

Independent management initiatives by promotional organizations

Each organization is responsible for taking the initiative to assess the risks of chemical substances and setting targets and timeframes for reducing their use. In FY2003, there were 69 reduction targets independently set by promotional organizations, 52 (75%) of which were met.

Communicating with local communities

Three business sites held meetings with local community representatives to exchange information on risks associated with chemical substances.

Future measures

We began application trials of the E-Chem chemical data management system at overseas Group companies/affiliates. In FY2004, we are looking at global deployment of the IT-based chemical management system.

New regulations for chemical substance management

Management of chemical substances calls for an understanding of how these substances affect us from a variety of perspectives, including safety, health and the environment. It is therefore important that they are managed from every aspect — procurement, use, storage, content in products, equipment management, disposal and discharge/emissions.

In FY2003, the Epson Group established the Regulations for Integrated Management of Chemical Substances to define the framework of our chemical substance management and carry out sound and integrated management, including compliance with legislation (Fig. 1). Internal regulations and standards were revised/reorganized, and their relationship to legislation was defined.

In the future, we plan to operate the Regulations for Integrated Management of Chemical Substances under ISO 14001 to achieve more efficient operations Groupwide and continual improvement of chemical substance management.

Our approach to reducing the use of chemical substances

The Epson Group closely studies the status of all chemicals used in the production process and practices hazard assessment. We also set rules and regulations restricting chemical use, in which prohibitions and reduction guidelines are clearly stated.

Following the progress we made in Groupwide elimination of prohibited chemical substances, substances targeted for prohibition and global warming substances (see p. 38), each promotional organization (operations division and Group companies/affiliates) is independently carrying out risk assessment and reduction initiatives by setting its own targets and timeframes.

This is an outline of the reduction activities:

1. List all chemical substances in use using the E-Chem chemical data management system, and check the annual quantities of use.

- Based on the Chemical Substance Hazard Evaluation Guidelines, calculate hazard and risk points (Table 1) for the list of substances and decide which are subject to management by operations divisions.
- Based on the above calculation, set targets and a timeframe for systematic reduction to assure continual improvement.

Chemical substance hazard points indicate the danger a substance may pose to the environment, over a wide area and on a long-term basis. Points are attached to the chemical substances subject to evaluation corresponding to the seriousness of the hazard.

Independent management activities

The surface finish of printer mechanism parts has been changed from wet coating, which uses an organic solvent, to powder coating. In powder coating, paints are sprayed directly onto the surface without releasing chemical substances into the air. With this method, use of toluene, xylene, methyl ethyl ketone and other organic solvents was completely eliminated. We plan to introduce the method to more manufacturing sites, as it proved to be not only environmentally friendly but also cost effective and of higher precision.

Fig. 1 Regulations for Integrated Management of Chemical Substances

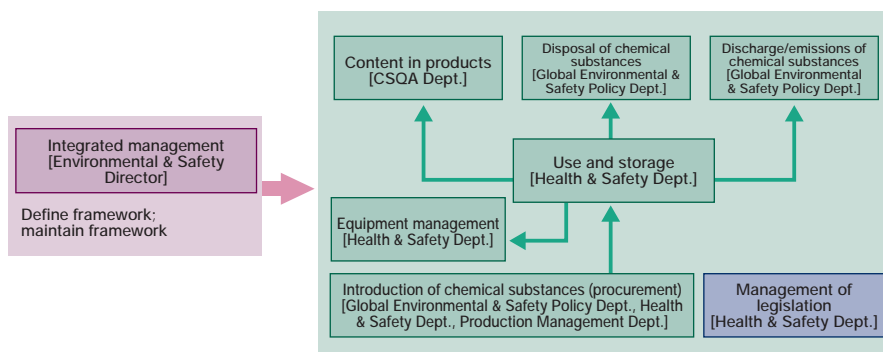
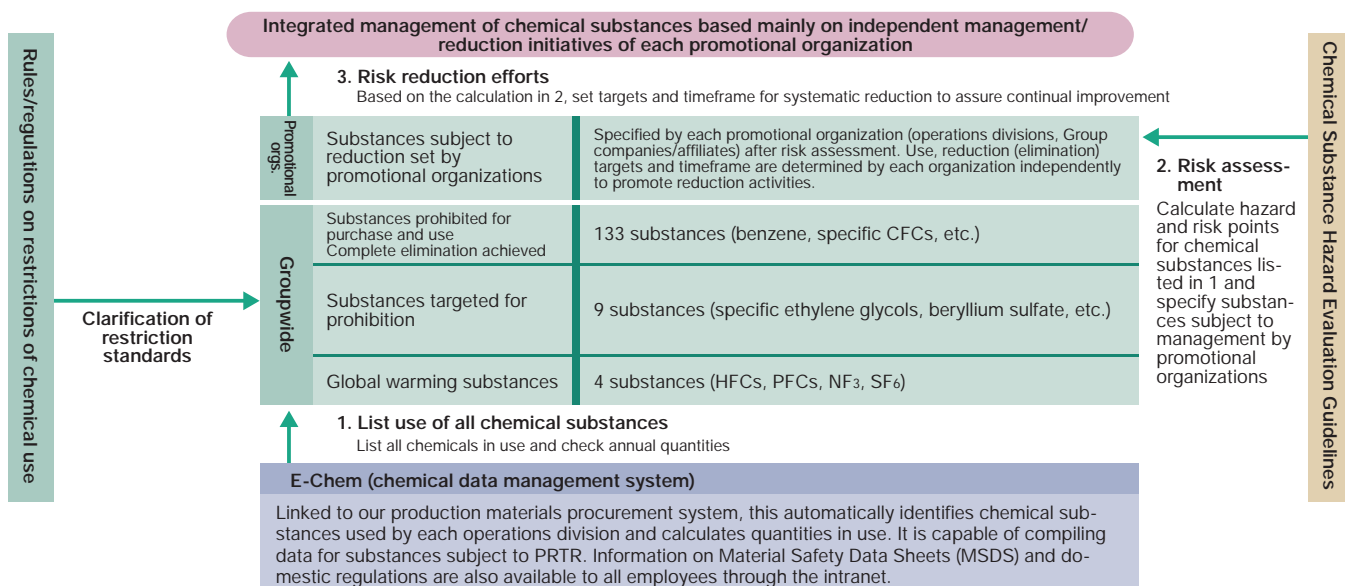


Table 1 Chemical Substance Hazard Categories

Major classification	Secondary classification	Minor classification	Laws, regulations, etc.
Environment	Global environment	Ozone layer	Meeting of the Parties to the Montreal Protocol on Ozone Depleting Substances: Appendix
		Global warming	PFCs Global Warming Potential published by IPCC in 1995
	Air quality	Hazardous substances	Substances subject to Clean Air Law
		Odorous substances	Odor Control Law enforcement ordinance
	Water quality	Volatile solvents	Definition of VOC in EPA 905/271-001 Guide
		Water quality	Water Pollution Control Law
Health	Substance toxicity	Specific substances	Law Concerning the Examination and Regulation of Manufacture etc. of Chemical Substances enforcement ordinance
		Poisonous and deleterious substances	Poisonous and Deleterious Substances Control Law
		Carcinogenicity	Carcinogenicity Classification of International Agency for Research on Cancer (IARC)
		Proliferous toxicity (harmful to reproductive organs)	Category Classification of EU Directives (Council Directive 67/54/EEC)
	Occupational health	Endocrine disruptors	SPEED 98, list of 67 suspected endocrine disruptors, Ministry of the Environment
		Production prohibited	Industrial Safety and Health Law, Industrial Safety and Health Law enforcement ordinance
		Specific chemical substances	Industrial Safety and Health Law, Ordinance on the Prevention of Hazards Due to Specific Chemical Substances
		Organic solvents	Industrial Safety and Health Law, Ordinance on the Prevention of Organic Solvent Poisoning
Hazard	Inflammability	Inflammability	Japanese Fire Service Law
	Explosiveness	Explosiveness	High Pressure Gas Control Law
Others	European regulations		Chemical substances subject to EU Directives
	PRTR		Substances subject to PRTR

Fig. 2 Our Approach to Chemical Substance Reduction



Disclosure of PRTR data

Prior to the enactment of Japan's Pollutant Release and Transfer Register (PRTR)* Law in 2001, we introduced PRTR in 1998.

Table 2 shows the results for FY2003. We submitted a performance report to the government and are using the data to improve our control over substance discharge/emissions.

*Pollutant Release and Transfer Register (PRTR)
Under the PRTR system, the government discloses the information on chemical substances collected by companies to encourage reduction efforts by the parties involved and to reduce the overall environmental risks.

Chemical substance risk communications

The Head Office, the Toyoshina Plant and the Fujimi Plant (Japan/manufacturing) conducted rehearsals for risk communications (information exchange) with local communities regarding risks associated with chemical substances. Based on the rehearsals, risk communication meetings were held with local residents.



Communicating with local communities (Head Office)

COLUMN Communication conveying transparency at Epson

Fumihiko Hayashi Risk Communications Manager



Coexistence with the community is the basis of our operation as a corporate citizen of a local community. The Fujimi and Suwa Minami Plants released environmental site reports and explained our environmental efforts to local authorities. We also invited local representatives to the plants and briefed them on our business, our environmental efforts and our disaster prevention measures. We also had the opportunity to listen to these representatives of the local community, who assured us that the community residents have confidence in us and a real sense of security. We want to keep our lines of communication open with them, so that we can continue to be a trusted, transparent company that fosters a sense of security in the communities we operate in.

Table 2 FY2003 PRTR Data — Combined figures from reporting sites

354 substances subject to the PRTR Law Unit: kg

Substance No.	Chemical substance	Cas No.	Amount used	Amount emitted/discharged				Amount transferred		Consumed	Eliminated	Recycled
				Released into atmosphere	Released into public water system	Released into soil	Sent to landfills	Transferred to sewer system	Transferred as waste			
16	2-aminoethanol	141-43-5	307,069	4,054				10,219	273,317		19,478	
24	n-alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	Group	27,868						27,707	161		
25	Antimony and its compounds	Group	392						255	137		
27	Isophorone diisocyanate	4098-71-9	21,474	8					125	21,342		
30	Bisphenol A type epoxy resin (liquid)	25068-38-6	726	1				4	548	164	9	
40	Ethylbenzene	100-41-4	806	39					385		382	
43	Ethylene glycol	107-21-1	25,905	15					1,778	24,110	1	
63	Xylene	1330-20-7	182,881	368					6,659	175,136	718	
64	Silver and its water-soluble compounds	Group	158							158		
67	Cresol	1319-77-3	1,789	2				11	1,760		16	
68	Chromium and chromium (III) compounds	Group	359,114					1	1,361	313,483	683	43,586
69	Chromium (VI) compounds	Group	872	2	1			4	829		37	
100	Cobalt and its compounds	Group	11,089						136	10,627		327
172	N, N-dimethyl formamide	68-12-2	39,908	218					39,254		437	
224	1,3,5-trimethylbenzene	108-67-8	2,318	6					2,312			
227	Toluene	108-88-3	451	26					82	129	213	
230	Lead and its compounds	Group	541						244	297		
231	Nickel	7440-02-0	243,370		4				371	232,686		10,308
232	Nickel compounds	Group	11,837		523				1,192	10,122		
260	Catechol	120-80-9	20,435	13					18,650		1,773	
266	Phenol	108-95-2	27,634	2,748					21,983		2,903	
270	Di-n-butyl phthalate	84-74-2	667						62	605		
283	Hydrogen fluoride and its water-soluble salts	Group	126,405	233	4,775			5,186	14,515		101,696	
304	Boron and its compounds	Group	827						152	542	122	11
309	Poly (oxyethylene) nonylphenyl ether	9016-45-9	5,198						53	5,145		
311	Manganese and its compounds	Group	10,809		11				22	6,281		4,496
341	Methylenebis (4, 1-cyclohexylene) diisocyanate	5124-30-1	21,474	8					125	21,342		
346	Molybdenum and its compounds	Group	21,027		5				61	20,245		716
Total			1,473,044	7,740	5,319	0	0	15,426	413,935	842,713	128,468	59,444

Notes: 1. Amounts over 100 kg are listed. 2. Blank entries = 0

Reducing the Environmental Burden of Transportation

The Epson Group is dedicated to reducing emissions of CO₂ and air pollutants at the product distribution stage. Switching to low-impact transportation is one example of our efforts.

Modal shifts

Introduction of low-emission, company-owned cars

Switching to lower-impact transportation

We have been working hard to reduce the environmental burden imposed by emissions of CO₂ and air pollutants from automobile transportation. Our efforts include increasing the use of trains, ships and other low-impact methods (modal shifts) and partially switching to cooperative transportation.

Modal shifts were introduced in 1999. We have been using rail transport between Matsumoto and Sapporo, Osaka and Sapporo, and Tokyo and Sapporo. Transportation of products manufactured overseas is now being shifted from air to sea transport.

As a result, a 12% modal shift from air to sea transport (reduction in air transport from FY2002) was achieved in FY2003, equivalent to a reduction of 51,280 tons of CO₂ emissions. This is despite a 7% increase in international transport reflecting a rise in sales in FY2003.

The Group has been building a data collection system to accurately quantify the environmental burden from transportation. Through this we plan to improve transport efficiency still further and thus reduce our environmental impact.

Using rail for waste transport

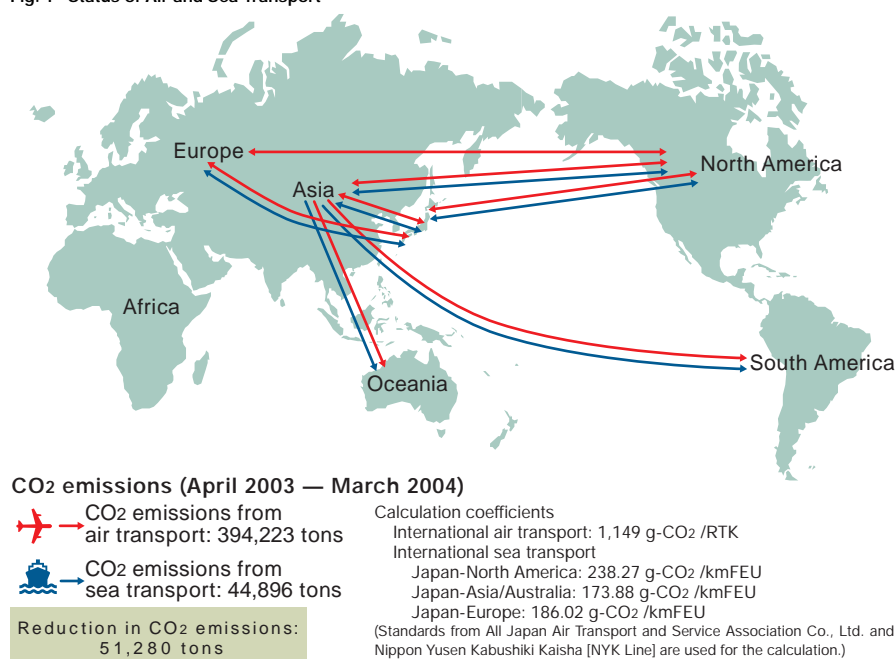
We are also promoting rail transport of waste plastics and iron scrap. The Kanbayashi Plant (Japan/non-manufacturing) shifted transport of waste plastics from trucks to rail in FY2003, in

addition to rail transport of metal scrap between Minami Matsumoto and Hachinohe. The use of rail contributed to reducing CO₂ emissions by 70 tons/year compared to conventional trucking methods.



Loading waste plastic into a JR cargo container that is transportable on a truck

Fig. 1 Status of Air and Sea Transport



Environmental efforts aimed at company-owned cars

Seiko Epson Corporation and Epson Sales (Japan/non-manufacturing) own a total of 201 vehicles. We have been campaigning to turn off the engines when the vehicles are stopped to reduce environmental impact. We have also been requesting our customers and vendors to do the same.

To enhance our efforts, we are currently changing to hybrid and low fuel consumption/emission cars. These vehicles are included in our green procurement guidelines for general purchases as requirements for future purchases.

Seiko Epson Corporation has purchased 11 hybrid vehicles (two are buses) and 15 low fuel consumption/emission cars, while Epson Sales has introduced 32 low fuel consumption/emission cars.

Office Locations and Factory Management

At the Epson Group, we decide on where to build our plants only after extensively re-searching the local characteristics of potential sites. Once a plant is built, we operate it with the utmost care for the local environment, while ensuring a stable supply of utilities for plant operations and a safe work environment for our employees.

Optimum global site selection

Plant operations with low impact on the local environment

Stable utilities supply

Safe workplace

In-depth research for strategic site selection

The Epson Group operates internationally. We choose locations for our manufacturing and sales sites after comprehensive analysis of a variety of factors, assuring that they are stra-

tegitally and optimally located to complement each other in their contributions to overall operations. The factors include infrastructure conditions, workforce availability, security, cost, environment, incentives and other local characteristics.

Thorough assessment before construction

Prior to designing a plant, we conduct extensive studies to assess its probable impact on the surrounding community, resource and energy-saving performance, and necessary safety and disaster prevention measures. Plants are designed and built based on the results of these assessments.

Improving plant operation and maintenance

Basic facilities are planned and laid out according to operations and maintenance plans that will assure stable utilities supplies and plant operations. Protecting the environment in the local community is a precondition. To ensure this, we follow all related laws and regulations, in addition to meeting our own, stricter standards for air and water quality, and noise levels.

Fig.1 Plant Operation

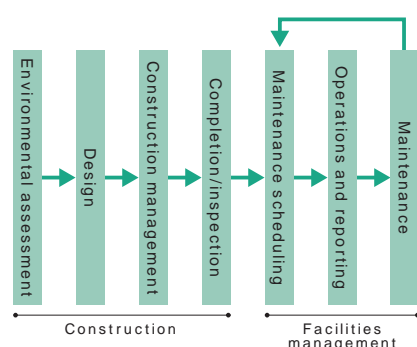


Table 1 Plant Site Selection and Building Guidelines

Item	Guideline
1. Select production method, including distribution and procurement	Enhance effective use of management resources, streamlining of distribution, etc. a. Direct connection to the market - production in location of consumption (mainly information equipment) b. Distribution in multi-markets - concentrated production (mainly electronic devices and small parts) c. Middle-cost production: between a. and b.
2. Set production mix ratio for each business site	Take measures for political turmoil, natural disasters and other risks → Set ratio for production volume for each product
3. Set workforce size	Take measures for political turmoil, natural disasters and other risks; improve management
4. Set number of main businesses	Establish system whereby operations divisions are responsible for plant operations and improving management → Keep number to three or less (imaging and information products, electronic devices, precision instruments)
5. Improve plant functions	Improve overseas sites to raise competitiveness, attain substantial globalization (localization) and establish a system whereby operations divisions are responsible for plant operations
6. Review basic conditions for site selection	Review site selection conditions for plant premises and status of infrastructure, security and environment

Plant Construction

Environmental efforts in Germany

Epson Deutschland GmbH (Germany/non-manufacturing) built an eco-conscious office building that achieved a 40% reduction in energy use compared with the former building. Its features include using chilled water instead of chemical coolants for air conditioning; greening of the roof; growing plants over an area equivalent to the size of the pavement area; and building an underground parking lot to minimize pavement area.



Environmental efforts at the Chitose Plant

The Chitose Plant, scheduled to commence operation in fall 2004, is a TFT-LCD manufacturing plant being built in Vivi World, a land development of the Chitose Land Development Public Corporation. Adjacent to the plant are a spring from an underflow of Lake Shikotsu and the riverhead of the Vivi River (which flows into Lake Utonai, a designated wetland under the Ramsar Convention and home to a variety of waterfowl). To protect this special environment, Epson is taking much stricter measures than the already stringent existing guidelines to prevent any contamination of the area. Wastewater treatment is carefully managed and chemicals are strictly controlled to ensure that no chemicals are exposed to rain, which could cause their accidental release into the environment.

The following quadruple safeguard measures are in place: 1. Breakwaters are built at chemical agent supply

points; 2. A grease and water separator is installed at the final wastewater discharge point; 3. Sensors are installed to redirect wastewater into a 1,000-ton emergency tank in case of emergency; and 4. With permission, the public regulating reservoir is closed when necessary.

To minimize the water fed into the plant, rainwater is collected on the roof and used as cooling water for air conditioning. Natural gas is used for boilers and power generators to lower CO₂ emissions. PFC and other global warming gases are all thermally decomposed.

Zero Emissions is being practiced for waste generated from the construction of the plant, with the cooperation of the construction companies.



Plant Operations

Management of wastewater treatment tanks

Tanks for treating wastewater are emptied and inspected on a regular basis to look for any deterioration, cracks, pinhole leaks and other failures. To maintain high treatment capabilities, the condition of the tanks after emptying and drying is visually checked for discoloration, stains and water penetration.



Building demolition

Along with compliance with the Law Concerning Recycling of Materials from Construction Work, Epson adheres strictly to its own internal guidelines when it demolishes buildings, carefully planning the work with specialists to treat/recycle the waste appropriately. When Epson Logistics (Japan/non-manufacturing) decided to move and subsequently demolish its office build-

ing, it identified all the anticipated environmental impact and established countermeasures prior to the move.

These included the use of low-noise heavy machinery and the use of water sprinkling to prevent dust pluming. Asbestos is treated in accordance with related laws and concrete contaminated with oil is burned to prevent further contamination.



Management of boilers

At Epson, boilers are used for heating, air conditioning and supplying hot water. Combustion in boilers is managed by maintaining constant steam pressure and water supplies, appropriate use of fuel oil and monitoring of exhaust gases. Use of low-sulfur fuels coupled with exhaust monitoring are used to control sulfur oxide and nitrogen oxide emissions. Inspection of fuel oil

tanks and monitoring of oil use are also conducted to prevent fuel oil leakage.



Greenery management

Each business site is continually and systematically promoting greening activities. Suzhou Epson Co., Ltd. (China/manufacturing) planted 340 camphor trees and made a path through the camphor trees using road-bed materials created from recycled LCD products. The project succeeded in raising environmental awareness among employees. Currently more than

40% of the plant premises is covered with greenery. Suzhou Epson plans to keep planting trees and other plants to make its site a "factory in a forest."



Measures Against Soil and Water Contamination

Since 1998, Epson has been voluntarily conducting soil and groundwater surveys, and has conducted cleanups following these guidelines: 1. Never allow the accidental release of contaminated groundwater outside the plant premises; 2. Take safe and effective measures for cleaning; and 3. Complete cleaning in the shortest period.

Prevention of accidental release of contaminated groundwater from the premises

Safe and effective cleaning measures

Early completion of cleaning

Our approach to soil and water cleaning

Epson selects cleaning methods that are the safest and most suitable for a site's soil and groundwater, and systematically conducts the cleanup.

At the Matsushima Plant (Japan/manufacturing), excavation work to remove soil contaminated with trichloroethylene was conducted between December 2002 and June 2003. Currently, the status is being monitored.

The Suwa Minami Plant (Japan/manufacturing) also carried out the removal of a section of contaminated soil.



Soil removal work at the Suwa Minami Plant

Soil surveys and cleanup of land to be sold or purchased

Epson conducts soil surveys on land we plan to sell or purchase using standards much stricter than those dictated by local legislation.

Although Japan's Soil and Contamination Control Law requires soil

surveys whenever plants that are using 25 specific substances subject to the Law terminate their operations, Epson carries out a soil survey for all 25 substances regardless of whether they have been used. We are currently conducting such surveys at three sites Epson is planning to close in Okaya, Nagano.

For land we were planning to purchase in Singapore, we did a survey compliant with both local and Japanese legislation.



Soil contamination survey in Singapore

Removal of buried objects

As Epson expanded its business, we repeatedly developed land and, in some cases, buried various objects at the sites. In FY2003, we conducted a survey on the hazards presented by these buried objects.

At the Fujimi Plant (Japan/manufacturing) and Matsushio Seiwa So (Japan/company housing), industrial waste had been left buried due to difficulties in finding an appropriate disposal company. We removed the waste completely, on the grounds that it may pose a potential risk, although no groundwater contamination was found.

Table 1 Average Value of Trichloroethylene Concentration in Groundwater (Regulation: below 0.03)

Unit: mg/l

Business site	Aug.1998	Jun.2000	Apr.2001	Apr.2002	Mar.2003	Mar.2004	Methods currently in use
Head Office	340	380	290	121	87	107	Permeable reactive barrier, pump-and-treat, soil gas absorption, monitoring
Shiojiri	3.3	0.81	0.39	4.5	4.4	3.5	Permeable reactive barrier, pump-and-treat, monitoring
Fujimi	0.77	3.5	2.6	0.96	0.86	0.89	Permeable reactive barrier, pump-and-treat, monitoring
Suwa Minami	2.4	3.2	2.2	0.61	1.07	0.51	Permeable reactive barrier, pump-and-treat, monitoring
Matsushima	11	9.7	6.5	4.2	Under construction	0.28	Monitoring
Epson Logistics Corp. Headquarters	0.25	0.25	0.22	0.21	0.25	0.22	Monitoring
Okaya	0.11	0.084	0.064	0.039	0.078	0.067	Pump-and-treat, monitoring
Murai	0.064	0.036	Completed	-	-	-	Monitoring
Toyoshina	0.054	Completed	-	-	-	-	Monitoring

Note: No monitoring was conducted at the Okaya 2nd Plant because the premises were returned to the local government.

Social Performance

The Epson Group is committed to our social responsibilities around the world and to candid communications with all our stakeholders. We strive to build relationships of trust, which underly all our business activities. This chapter outlines our approach to corporate ethics and social responsibility, as well as the specific activities in which we are engaged.



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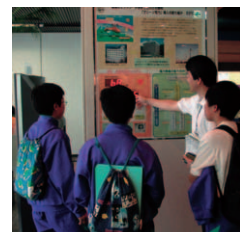
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These photographs capture Group member social performance activities in each region and the people met through the activities.

1. Save Our Dolphins Programme
2. Community cleanup
3. Volunteer firefighters competition
4. Vegetation studies
5. Epson internal "friendly match" sports event
6. Elementary school children
7. Community cleanup
8. Greening activities
9. Communication with junior high students

For Our Customers

At Epson, each employee is responsible for ensuring customer satisfaction (CS) by paying special attention to customer needs, in keeping with the Company's commitment to CS cited in our Management Philosophy. To define even more clearly our policy of giving top priority to quality assurance from the customer's point of view, we established a Quality Philosophy in 2002.

Quality assurance from the customer's point of view is our top priority

Achieving three kinds of CS: Security, delight, excitement

Meeting the exact needs of our customers without delay

Quality assurance from the customer's point of view is our top priority

Epson is committed to customer satisfaction, as cited in our Management Philosophy; each and every thing our employees do is done with the customer in mind. Our Quality Philosophy (see p. 2) was established in September 2002 to further promote this idea. It has now been translated into 14 languages and is shared Groupwide.

The Quality Philosophy clearly describes our approach to incorporating the customer's perspective into our approach to quality assurance. Epson's idea of "quality" goes beyond the individual product — it is a crystallization of all of our business activities.

From "feeling secure" to "feeling delighted and excited"

The Direction for CS/Quality Management was set in March 2003 to provide a concrete guide for each employee on how to put the Quality Philosophy into practice (Fig. 1).

We believe customers are at the heart of CS activities and they judge how well we perform in satisfying their needs and in pursuing quality assurance. CS is achieved when our customers are satisfied with our product or service, and "quality" encompasses the entire process required to make that happen.

Epson is determined to offer a different kind of CS: "CS from feeling secure," to satisfy our customers by ensuring the basic performance, safety, legal compliance and eco-consciousness of our prod-

ucts; "CS from feeling delighted," by considering the customer's potential needs and meeting them in advance; and "CS from feeling excited," by offering unexpected and pleasantly surprising experiences with our products and services.

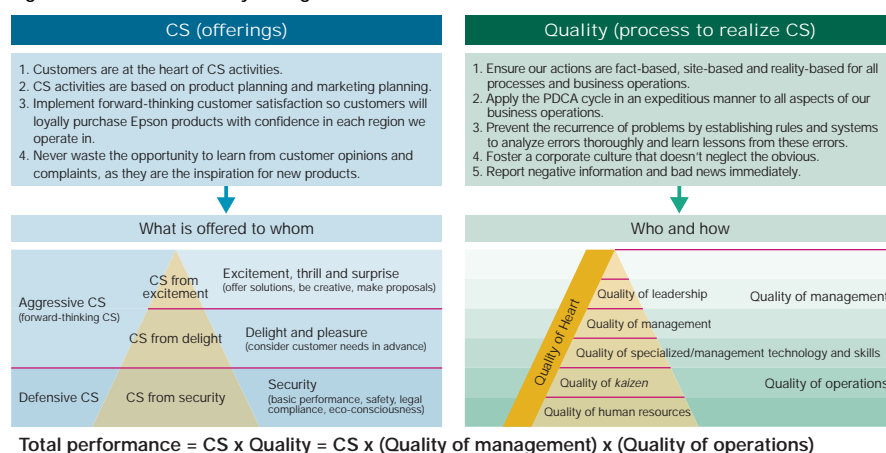
Supporting these three types of CS is an awareness or "Quality of Heart" that each of our employees possesses. We know that this awareness of the value each employee brings to customers by what they do, and their desire, effort and devotion to making improvements, is directly reflected in the quality of their work and ultimately the quality of our products and services. This includes every process involved in making a product at Epson — planning, design, manufacturing, procurement, marketing, sales, repair/support and customer call center operation.

Quality of Heart can be broken down into the qualities of leadership, management, technology and skills, various improvement measures and human resources. These different types of quality can be categorized into "quality of management" and "quality of operations." The total performance is not a simple sum of these two categories, but the product of the two, and thus has a much larger impact.

Based on our Quality Philosophy and Direction for CS/Quality Management, we created the following basic policies.

1. Improvement of product and service quality: Listen to the customer's voice without hesitation and offer three kinds of CS (security, delight, excitement).
2. Improvement of management quality: In addition to elevating management performance, build a structure to implement management plans and management review, based on management indices for customer satisfaction and value.
3. Improvement of operations quality: Improve operations quality by creating a mechanism to refine processes that yield favorable results, by identifying the interrelationships between operational processes.
4. Improvement of Quality of Heart: Improve Quality of Heart by heightening sensitivity, learning from best and worst practices, and fostering awareness for quality innovation and improvement.

Fig. 1 Direction of CS/Quality Management



Quality assurance system

From Epson's inception in 1942 when we started manufacturing watches, quality assurance activities have always been a part of our operations. In 1990, we began seeking ISO 9000 certification at business sites in Japan and overseas to create a quality assurance system compliant with international standards.

Currently, heads of operations divisions and Group companies/affiliates in Japan and overseas are showing strong leadership in quality management and quality assurance of products based on the Groupwide Quality Assurance Guidelines and Product Safety Management Guidelines.

To ensure the safety and eco-consciousness of products, Epson set Groupwide Epson Quality Standards (EQS) that are stricter than local safety guidelines and legislation. EQS also outlines standards for quality labels and user guides.

Should a quality assurance failure

occur for a product of ours that is on the market, we will disclose information immediately, recall the product and take additional measures based on our Product Safety Management Guidelines.

FY2003 product recalls

In FY2003, we recalled the following four products. The notification was made through newspapers and our website, and Epson replaced defective parts without charge (in Japan).

• GT-7200U Colorio scanner

AC adapters with incorrect Chinese labels were shipped with some scanners. There was no problem with function or safety, as it was a label mix-up.

• LP-8500/LP-8000 Series, LP-9000 Series, LP-9100PS, PP-430 Series monochrome laser printers

Abnormal heating near the image-fixing mechanism was observed in some

monochrome laser printers.

• PM-950C/PM-4000PX color inkjet printers

The pump unit in the printing head cleaning mechanism did not function properly and would prevent ink from flowing or cause faint printing, even after cleaning.

• dreamio EMP-TW200 home projectors

The color of the image would be distorted, even after a short period of use.

Customer's voice

The Group's sales companies around the world have call centers to listen to customer requests, questions, opinions, complaints and other feedback. Each center is also responsible for determining the degree of customer satisfaction and for understanding local needs.

• Information center

Epson Sales (Japan/non-manufacturing) handles approximately two million telephone inquiries from customers per year. Because 70% of these calls are for Colorio products, we decided to establish a dedicated line for that product line, with an automated voice guide to find out which model the caller owns, so that calls can be handled more efficiently.

• One-day repair system supporting repeat purchases

Epson Service (Japan/non-manufacturing) and Epson Direct (Japan/non-manufacturing) launched the one-day repair service (not including transportation lead-time) in 2001 to swiftly respond

to customer repair needs.

After a product is inspected and/or repaired, Epson Service includes a questionnaire with the product when it is returned. Epson Service's four sites have been receiving 7,000 responses per month. These responses are carefully analyzed and the results are published in monthly reports. The monthly reports are fed back to sales, design and manufacturing, and repair departments as a way to improve products and services. The results show that almost 90% of the respondents are satisfied with our products, a major improvement over a previous 60%.

Privacy protection

The Group's basic guidelines and standards for customer information protection are the basis of our strict privacy protection policy. Protection of privacy over the internet is also stringently managed through the Group's Electronic Information Ethics Guidelines and Electronic Information Leakage Prevention Guidelines.

Epson Service Information Oasis Corner

Epson Service has an area in its office called Information Oasis Corner, where typical weekly results of questionnaires are on display. The results are categorized into 0dissatisfied, 0somewhat dissatisfied, 0satisfied, and are open for anyone to view.



Customer responses displayed at Information Oasis Corner

High-Quality, User-Friendly Products for a Diverse Customer Base

We are developing and manufacturing high-quality, user-friendly products

Woman-friendly printer

Epson released the *Colorio me*: with the concept, "a printer that women choose themselves and use themselves." A project team of 13 women from different departments was formed to develop this product. The team conducted numerous surveys and discussions, resulting in a printer with a handle for easy transport, an easy connection to digital cameras, a pearl white exterior and other superior design/usability features.



Colorio me:



Members of the *Colorio me*: development team, Team 8, comment, "Our goal was a printer that offers what women want in a printer and we hope many women will use it."

Eyeglass lens designed with extra care for better vision

The SEIKO SUPER P-1, a unique bifocal



Epson's Universal Design Award-winning lens

lens designed and manufactured by Epson, utilizes a variation on backside progressive lens technology, which was previously considered impossible to realize, to drastically reduce distortion. A total of 756 million different designs are available to perfectly fit the wearer's lifestyle, purpose and required lens strength. It won the Good Design Award 2003 sponsored by the Japan Industrial Design Promotion Organization (JIDPO) and the Universal Design Award, a special award also sponsored by the JIDPO and given in recognition of human-friendly designs.



Kazutoshi Katoh, Optical Development Department, comments, "With the optimal vision offered by the SEIKO SUPER P-1 and the help of an experienced optician, you can have the ultimate eyeglass experience, like you're not wearing glasses at all."

Working with Our Customers to Protect the Environment

Epson promotes Zero Emissions activities with the help of our customers by eliminating waste generated by the customer

Environmental Delivery Pack

To eliminate waste generation by the customer in connection with our products, Epson is pursuing a Customer Zero Emissions policy. Epson Service, our repair service company, launched a service called Environmental Delivery Pack, packing repaired products in reusable e-Starpack boxes for delivery. The boxes, made of 100% recycled paper, do not require cushioning materials and are recovered when the delivery is made. They come in different sizes for transporting a wide range of products • from large laser printers to small digital cameras. In FY2003, some discount

electronics shops agreed to use the Environmental Delivery Pack for transporting repaired products.

Eco Mail

About 85% or 3,400 copies of the *Sustainability Report* were mailed through Eco Mail on a trial basis in FY2003. The open side of the report was sealed with removable tape, a removable address label was applied directly onto the cover and no envelope was used, achieving both waste reduction for the customer and resource savings. The method was designed and developed

by Tomei Engineering (JAPAN), while label printing and mailing was done by Yamato Transport Co., Ltd.'s distribution system sales office in Matsumoto (Japan). Although some recipients expressed concerns that the report might be damaged by rain or that the inserts might fall out, most of the readers were in favor of the method, commenting that the method is waste-free and any minor damage to the cover is negligible (it is difficult to deliver the report without some damage). We plan to mail as many of the 2004 reports as possible using this method.



e-Starpack earth-friendly packaging comes in a variety of sizes



Together with Our Business Partners

At the Epson Group, we strive to grow and prosper together with our business partners worldwide. That is why we make regulatory compliance a prerequisite for becoming our business partner and ask our suppliers of raw materials and parts to meet the same strict standards we apply to ourselves.

Practice fair trade

Exercise regulatory compliance

Foster partnership

the importance of compliance and fair trade in procurement. This education is to foster well-rounded buyers knowledgeable in procurement, production management, distribution and export management.

Establishing standards for evaluating suppliers

We have standards for evaluating suppliers that are shared companywide to ensure fair evaluations and to form solid partnerships.

Suppliers are evaluated for their management, QCD (quality, cost and delivery) and eco-consciousness (environmental efforts and eco-compliance of materials), and we ask those who perform below a certain level to make improvements. We are considering adding a compliance-related evaluation as well.

Our basic approach to procurement

The Epson Group values partnership with suppliers in each region we operate in and we foster relationships with them to prosper and grow together. We practice fair trade and compliance with legislation, and ask the same of our suppliers as a prerequisite for becoming our business partners.

When our overseas business sites do business with local suppliers, we comply with local legislation as well as corresponding Japanese laws and regulations. Eco-consciousness in procurement is another aspect of the business that we pay

special attention to (see p. 30).

Our basic approach to procurement is also expressed in the Procurement Activity Code of Conduct and guidelines for procurement activities, which set the baseline of procurement for the Head Office and the operations divisions (Fig. 1).

Compliance in procurement: in-house communication and education

The Procurement Management Compliance Committee ensures that procurement procedures comply with legislation. The Head Office's procurement division under the Committee collects information on domestic legislation trends by participating in public organization seminars and shares the information Groupwide/worldwide through Committee meetings and operations divisions' production manager meetings. We do this as part of a concerted effort to comply with legislation globally.

Moreover, we offer an opportunity for employees who are involved in procurement to learn about our basic approach to compliance and fair trade in procurement at new manager meetings, meetings of employees transferred overseas, seminars on production management and other occasions.

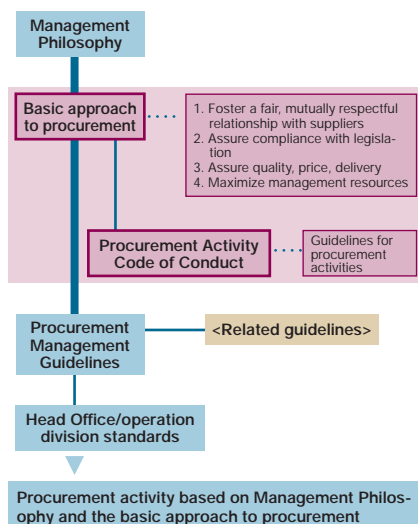
In our buyer training, we emphasize

Communicating with suppliers

On January 13, 2004, we invited suppliers to a New Year's suppliers meeting in Japan. The two-part meeting kicked off with a presentation by President Saburo Kusama on the direction of our business and procurement. In the latter part of the event, Epson executives had the opportunity to talk with suppliers in a relaxed atmosphere and strengthen our relationship with them.

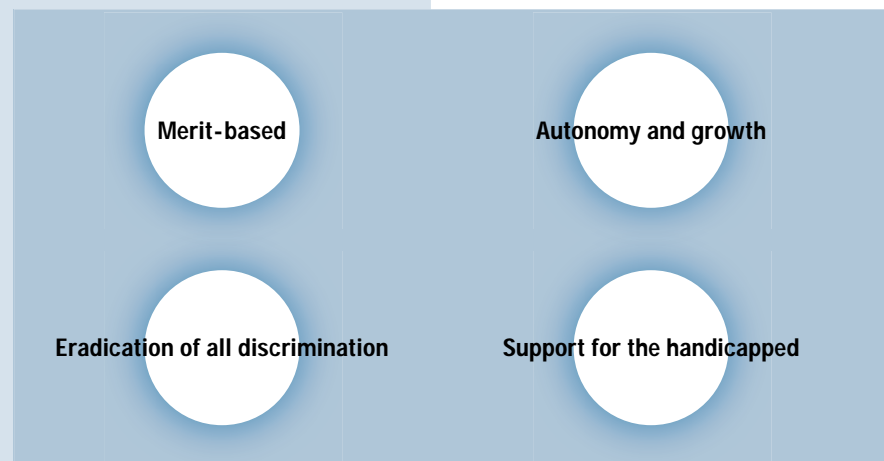


Fig. 1 Procurement Activity Scheme



Together with Our Employees — HR Policies and Working Conditions

Employees drive our business operations. To fully utilize the human resources society entrusts us with, the Epson Group uses a merit-based system that assesses individual achievement, encourages autonomy and growth, and strives to eradicate unfair labor practices and all types of discrimination worldwide.



Establishing our Human Resources Vision

Even in the first years of our business, when Epson mainly produced watches, we were acutely aware that without valuing people we would not be able to hire and keep a quality labor force, nor improve productivity. This was because securing a quality workforce was a must for producing high value-added products, such as watches. As we grew into a multi-

business, global corporation, our policy of valuing people remains the same.

We also value creativity and the spirit to take on challenges, as cited in our Management Philosophy. Driven by these values, Epson's proprietary technologies and innovative products propelled growth. We believe the commitment to work toward higher goals and the perseverance to attain them are what bring people to higher ground. That is why Epson gives a lot of

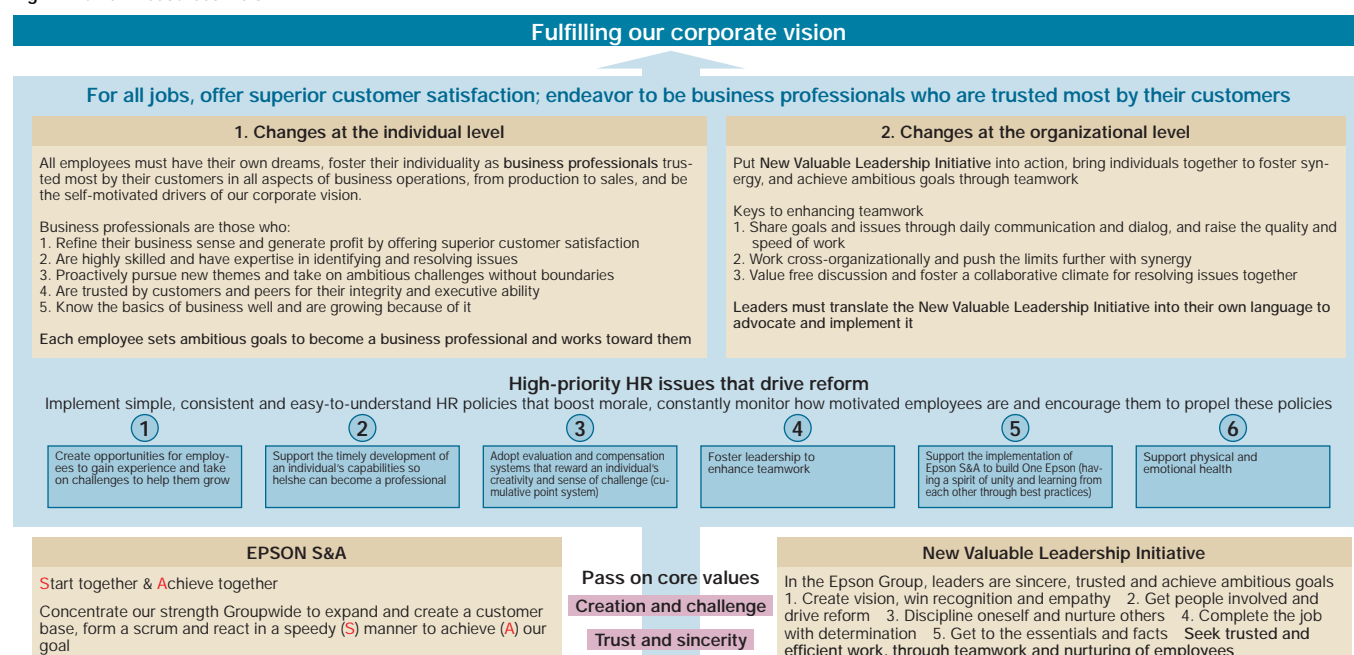
credit to those who voluntarily take on challenges. These values are part of our corporate culture Groupwide.

Our HR policies reflect these values as well. To take this idea further and to lead our employees and the Company to further growth, we established our Human Resources Vision in March 2004.

Changes at the individual level and changes at the organizational level are the key concepts driving the corporate vision we want to fulfill. By having simple and easy-to-understand HR policies, we believe we can boost morale and encourage individual growth. We do this because of our conviction that nurturing the individuality of each employee will eventually drive the growth of the company.

Supporting these ideas are the Group-wide activity guidelines, Epson S&A: Start Together & Achieve Together (guidelines for organizational collaboration) and New Valuable Leadership Initiative (guidelines for leaders who direct organizational activities). These guidelines direct the employees to respect individuality and teamwork, as cited in our Management Philosophy.

Fig. 1 Human Resources Vision



New salary system focusing on results and process

In 1987, we set rating standards for a merit-based evaluation system and introduced a corresponding salary system as an incentive for individual growth. Under this system, requirements and qualifications are defined for each grade of employment and the qualifications of employees are evaluated against these requirements. Upon introduction of this merit-based evaluation/salary system, we abolished existing age- and gender-linked systems.

Subsequently, we introduced the Objectives Management System in FY1997 and revised the salary system in FY2003. Under the Objectives Management System, objectives and themes are set for each employee based on higher-level policies/objectives. Evaluations are conducted with a focus on both accomplishments and the process behind them. We place great value on the fact that an employee takes on a challenge, even if the results are unfavorable, compared to those

who choose not to take on challenges at all.

After setting ambitious objectives corresponding to higher-level objectives for an employee and encouraging him/her to take on new challenges, recognition of the employee's growth is certain to boost morale. In setting these objectives, we are also encouraging them to communicate more extensively with their superiors, through which we can expect a greater level of solidarity between employees and their managers and a stimulation of communication within the company.

In-house open application and Job Challenge systems

We believe that difficult challenges compel people to grow, so our HR policies strongly support employees with a desire for self-actualization. We work hard to listen to their individual goals and to create a working environment that enhances their abilities. We promote personnel rotations as one incentive for employee growth. In 1990, we introduced an in-

house open application system* as another way to support career development. In FY2003, 69 employees applied for different positions using the system and 59 of them moved to new positions.

In FY2002, a Job Challenge System** was also introduced and in FY2003 five employees took advantage of the system.

*In-house open application

A department looking for personnel posts job descriptions and qualifications on the intranet. Interested applicants, with the permission of their superiors, apply to the HR department and undergo screening and interviews by the recruiting departments. Transfer decisions are made within six months of the application.

**Job Challenge System

Employees interested in changing their positions submit descriptions of their desired jobs, experience and expertise to the HR department, with the permission of their superiors. A list of the applicants is made available to management-level employees higher than department heads, and interviews are arranged if there are applicants they are interested in. Transfers are then arranged.

Elimination of all types of discrimination

Our HR policies reflect our desire to eliminate all types of discrimination (sex, education, age, ideology, beliefs, religion, nationality or race) and advocate this Groupwide.

Never allowing ourselves to be complacent about our present corporate culture and established systems, we strive to attain higher levels of compliance (banning of bribery, corruption, unfair competition and tax law violations) and human rights protection (elimination of discrimination and harassment, equal opportunities, protection of privacy, etc.) through our codes of conduct for employees and managers.

We also put in place the Compliance Hotline, a counseling service for sexual harassment issues, and the labor union's UNISTATION web-based service for resolving employee human rights issues.

Child labor, forced labor and other types of unfair labor practices are also targeted for complete elimination Groupwide and appropriate measures are taken in accordance with local legislation.

Equal opportunities

Another characteristic of our corporate culture is equality between the sexes in employment and evaluation; we began implementing equal opportunity employment ahead of other companies in Japan. This is attributed to our history of hiring women for the meticulous and detailed work involved in watch manufacturing.

Currently, women account for 19.1% of the Seiko Epson Corporation workforce, with 0.6% at the management level (Table 2).

Childcare and nursing assistance

Because we listen to the needs of our employees, we are always ahead of legislative moves to assist Japanese workers. The Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members, Including Child Care and Family Care Leave was introduced in 1992. But we introduced maternity/childcare leave in 1991 and nursing leave in 1990, allowing longer leave periods

than the law stipulated (maternity leave until the child's first birthday; nursing leave for up to 18 months).

Shorter working hours are also allowed until March of the child's third year, and for nursing, for a total of three years including the period of nursing leave. Employees can combine these with our flextime system or divide up the nursing leave. Employees can also apply for financial assistance for childcare and nursing services. Information on services and systems are available through the intranet.

Approximately 90 employees take childcare leave each year and 94% of them, on average, return to work. Nursing leave has been used by an average of four employees per year, with a 69% return to work rate.

Mentally and physically handicapped employees

Epson established Epson Mizube in 1984 to promote the employment and assignment of positions to the mentally and physically handicapped, and to create comfortable working environments. As of March 2004, 2.3% of our employees are handicapped, surpassing the legal requirement of 1.8%. The Japan Organization for Employment of the Elderly and Persons with Disabilities presented us with an award in FY2003 for our outstanding program.

Labor union

The activities of Epson's labor union are focused on employment security and improvement of working conditions. The aim of the union is to work together with management, rather than unilaterally making demands. Committees with different themes, such as the long working hours prevention committee and the welfare committee are formed and ad hoc discussions with management and workplace meetings are held to improve communication. Epson employs a union shop system.

Welfare

Epson boasts employee welfare benefits that are more generous than those required by law. Table 1 outlines our benefits for childcare, nursing, retirement, health, education, housing, transfers and business trips.

Table 1 Major Benefits

Category	Benefits
Childcare	Childcare leave, shorter working hours, discount coupons for home childcare services
Nursing	Nursing leave, shorter working hours, nursing coupons, assistance for nursing leave
Retirement	Retirement allowance, assistance for an asset-building pension scheme, pension fund (corporate pension), etc.
Health	Sick leave, in-company therapy (massage), medical leave, childbirth/childcare allowance, childbirth allowance, assistance for medical checkups, assistance for brain scans, etc.
Education	Assistance for national examinations, educational assistance for self-development, assistance for work-related distance education, assistance for self-organized training, assistance for outside training/seminars, educational loans
Housing	Company housing, singles apartments
Transfers	Company housing, singles apartments, transfer allowance, return transportation allowance, allowance for living separate from family, management fee for home left empty while on transfer, living allowance for cold regions, children's education assistance
Business trips	Daily allowance for domestic business trips, daily allowance for overseas business trips, allowance for overseas business trip preparation, vaccination allowance, use of company jet (between Nagano-Tohoku Epson)

Table 2 Seiko Epson Corporation Employee Breakdown (as of March 31, 2004)

Employee Gender Ratio		Management-Level Ratio*		Management-Level Gender Ratio**	
Males	80.9%	Management-level	11%	Males	99.4%
Females	19.1%	Non-management-level	89%	Females	0.6%

*Management-level employees include managers and above.

**Breakdown of management-level employees by gender.

Table 3 Employee Retention Rate Breakdown (as of March 31, 2004)

Average years at Epson (full-time employees, as of March 31, 2004)	16.8 years
FY2003 resignation rate (full-time employees)	2.9%

FY2003 reasons for resigning		
	Full-time employees	Contract workers
Retirement	152	8
Voluntary retirement	86	0
Voluntary resignation	157	27
Requested by company	1	5
	Total 396	Total 40

Table 4 FY2003 Total Number of New Hires

New graduates, full-time	125
Mid-career, full-time	55
Contract workers	12
	Total 192

Overseas examples

Overseas Group companies/affiliates are also working hard to offer a work environment that is better than that required by law. The following are some outstanding examples of their independent activities:

- Epson Portland Inc. (U.S./manufacturing)**
 - Promotion of an open-door policy**
 At Epson Portland, an open-door policy is in place to keep the line of communication open between employers and employees. At monthly all-employee meetings, employees are encouraged to ask questions. A suggestion box accepts inquiries and requests, which will be displayed on a bulletin board with the company's response. In some cases, the president responds directly to the inquiries/requests.
 - New employee orientation**
 To further improve the existing orientation for new hires, which was designed to help them understand the salary system and benefits, and to allow them to familiarize themselves with their new workplace, in FY2003, Epson Portland decided to have monthly meetings for new hires, so that they could get to know the representatives of each department.
- Epson Telford Ltd. (U.K./manufacturing)**
 - Benefits are more generous than required**
 For a husband attending to his wife who had a new baby, Epson Telford provides full payment for three days of the two-week paid leave (legally, payment of either 90% of his pay or 100 pounds per week, whichever is higher, is required). As a health benefit, the company pays 75% of his/her salary for up to two years if he/she has to miss work for longer than 13 weeks for health reasons (there is no legal requirement in such cases). For work-related illness, Epson provides full payment for 65 days (legally, payment of 66.15 pounds/week is required).
- Epson (U.K.) Ltd. (U.K./non-manufacturing)**
 - Complete elimination of all types of harassment**
 A handbook on harassment prevention is distributed companywide with the goal of completely eliminating all types of harassment. Also a system to settle harassment claims is in place for employees.
- Epson Taiwan Technology & Trading Ltd. (Taiwan/non-manufacturing)**
 - Benefits are more generous than required**
 Group insurance, housing loan assistance, contingent allowance, parking, physical examinations, pension, assistance for individual training and other benefits are available to employees.

Together with Our Employees – HR Development and Education

Our basic approach to human resources development and education is based on the ideas that work nurtures employees and that employees must make efforts to nurture themselves.

Work nurtures people

Self-nurturing

Our approach to HR development and education

Each employee conducts business and fulfills our Management Philosophy. To support them, we define organizational activities and leadership roles in Group-wide activity guidelines such as the Epson S&A and New Valuable Leadership Initiative. We have also established expectations for an Epson employee — someone who embodies the Management Philosophy and the Groupwide activity guidelines — as follows:

An Epson employee is expected to:

1. Attain high-level goals with perseverance and foster achievements in a speedy manner with a spirit of teamwork.
2. Possess a broad perspective and capabilities backed by highly specialized expertise, and be able to work effectively in the global arena.
3. Be a self-reliant individual who demonstrates creativity and takes on challenges.

To foster such employees, we announced our HR Development Philosophy in 1993.

HR Development Philosophy

Our basic approach is to support employees who have aspirations for self-actualization, to connect all the companies in the Group with people, and to nurture employees so that both corporate and individual objectives are met. The following is our philosophy for human resources development.

1. The Company positions human resources as an indispensable resource and aims to integrate employee aspirations for high-level achievements with the highest interests of the Company.
2. HR development is a very important instrument for materializing the Management Philosophy and business plans. It is the key to forming a good management cycle.
3. Each level of employee therefore assumes the following roles:
 - a. Executives, as drivers of HR development, must serve as role models for employees in all business activities and must work toward fulfillment of Company philosophies.
 - b. Management-level personnel must practice on-the-job training (OJT) systematically and continuously with a clear objective for the training. Nurturing of employees must be done principally on an individual basis in a comprehensive manner through the setting of detailed objectives, evaluation of results and acceptance of individual experiences of success. At the same time, management-level personnel must prepare their successors.
 - c. Employees should voluntarily pursue self-improvement.
 - d. Departments in charge of education must promote HR development through off-the-job training, as well as OJT.

Educational system revised

Following the establishment of the Human Resource Vision (see p. 54), we revised the employment level-based educational programs. To foster business professionals (those who have high-level expertise and business sense) cited in the Vision, we defined four themes for employee education expressed as the 4C's – customer centeredness, communications, cost consciousness and compliance. Knowledge and skills to be acquired by the employees are categorized under these 4C's and are to be shared Group-wide. We also placed support for various self-educational activities under one umbrella, support for self-reliance and self-activation, to further promote the efforts.

For future leaders who will be directing overseas Group companies/affiliates, we hold annual global leader seminars to share the Group's managerial policies and values (Epson Value). We also offer assistance to some companies to foster leadership. Starting in FY2004, we plan to hold workshops for all Group members to disseminate Epson Value and practice it together. Through this, we are working toward becoming One Epson and building a foundation as an organization that continues to offer great value to our customers.

Fig. 1 Employee Education

Groupwide compulsory programs according to qualifications				Groupwide training by employment level	Operations division training	Individual training	Support training for self-reliance and self-activation	Support training for the workplace
Career development	Management	Objectives management	4C					
Compulsory programs for all employees				Courses one must take according to his/her specialty	Courses taken by operations divisions	Courses taken by sections	Support for motivational and self-understanding training	Support for work-related problem-solving
Executive	Seiko Epson Corporation executive seminar			Customer centeredness • Marketing • CS, etc.				
Counselor								
General manager	Seminar for new general managers, deputy general managers, and senior managers	"Illuminating" activity II		Communications • Presentation • Negotiation • Listening • Coaching • Language, etc.				
Deputy general manager		Departmental head 360-degree seminar						
Senior manager								
Manager	Middle-age employee seminar	New manager assistance program		Cost consciousness • Finance/accounting, etc.	Each operations division Head Office	Each section Each technology	Distance learning National examinations	Reinforcement of organizational strength using an organizational diagnostic tool
Associate manager	New associate manager seminar			Compliance • Epson Value • Work regulations • Compliance with legislation, etc.			Self-organized training Tie-up with language schools	Upgrading objectives management Utilization of job and action standards Myers-Briggs Type Indicator (MBTI) course for understanding oneself and others
E-class								
D-class								
C-class	C-class seminar							
B-class	Mid-career seminar							
A-class	New employee follow-up seminar							
New employees	New employee seminar: group seminar + manufacturing experience + Lake Suwa walk							KI introductory course on attaining goals

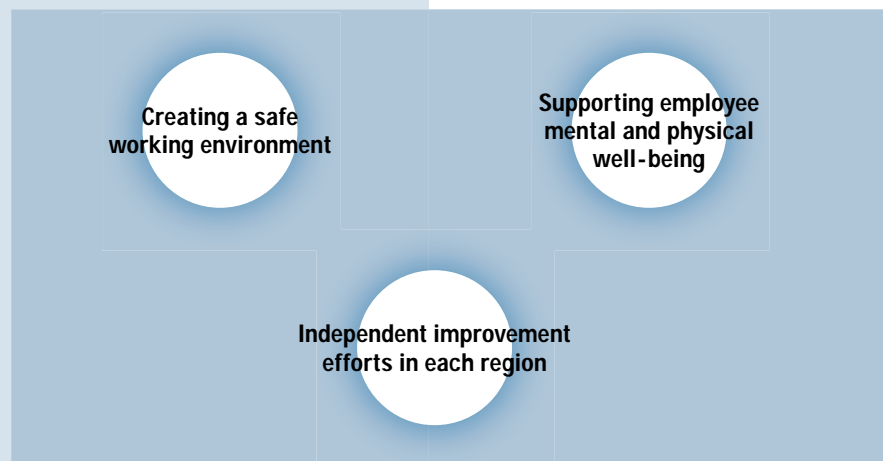
Compulsory

High-priority

Optional

Together with Our Employees – Occupational Safety and Health

Epson established the Safety and Health Philosophy and New Epson Safety and Health Program (NESP), our occupational safety and health management system, to create a safe and healthy working environment for our employees.



Our approach to occupational health and safety

Since FY2000, Epson has been operating its own occupational health and safety management program, NESP. At overseas Group companies/affiliates, independent occupational safety and health programs are in place.

In April 2003, we revised our Epson Group Safety and Health Philosophy (established 2001). We also added manage-

ment of physical/mental health to the basic policies of NESP and made NESP more comprehensive to improve the working environment (Fig. 1).

The NESP management system is a three-phase system aimed at ensuring health and safety in daily operations. These are: 1. Health and safety education for employees; 2. Identification of hazardous factors and their risks through risk assessment; and 3. Continuous improve-

ments under the Plan-Do-Check-Action (PDCA) cycle.

In FY2003, all Group companies/affiliates in Japan and manufacturing companies overseas entered the final stage of NESP. In this stage, each company independently carries out activities to further improve the situation, with the support of the Safety and Health Promotion Department (implementation of measures, development of tools and setting of standards). The Department also assesses their activities on an ongoing basis.

Our NESP activities received certification as an Occupational Safety and Health Management System (OSHMS) from the Japan Industrial Safety and Health Association (JISHA) in May 2003, which is granted based on the Ministry of Health, Labor and Welfare guidelines.

Under the leadership of the President and the Safety and Health Manager (Executive Vice President), we are making sure that NESP is operated in compliance with related legislation and with Group-wide guidelines, such as the Safety & Health guidelines. We also have a contract with the labor union regarding assurance of employee occupational safety and health, and we hold a monthly meeting to discuss related issues with the union.

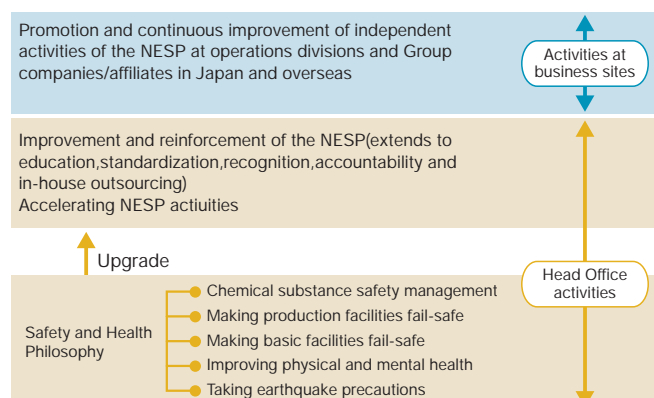
The Epson Group Safety and Health Philosophy

The Epson Group established basic NESP policies with the conviction that a solid foundation of business activities is established through the creation of a safe and healthy working environment for, and improvements in the health of, our employees around the world. NESP became a reliable system for each region and country and continues to prove effective.

Epson Group NESP Policies

1. Achieve continuous improvement under the Plan-Do-Check-Action (PDCA) cycle through NESP activities involving all employees and promoting effective communication.
2. Foster an environment that motivates employees and maximizes their potential by promoting mental and physical health through three-party cooperation of the labor union, management and health insurance organization. Our basic approach is to encourage employees to make their own efforts to be healthy and stay healthy.
3. Systematically implement employee education and raise awareness of occupational safety and health.
4. Identify and assess potentially dangerous or hazardous factors, and prevent accidents and damage from disasters from happening. Thoroughly investigate the actual cause of an accident or disaster to prevent the recurrence of similar accidents or similar damage.
5. Conduct regular reviews on measures to prevent fire, damage from earthquakes and other natural disasters. Also conduct regular drills for rescue activities, disaster damage prevention and reconstruction activities. Verify the effectiveness of these measures and continually improve them.
6. Ensure the safety and health of our employees by observing related laws, such as the Industrial Safety and Health Law, as well as internal regulations and standards.
7. Invest appropriate managerial resources into occupational safety and health activities and continually seek effective improvements.

Fig. 1 New Epson Safety & Health Program Concept



Accident-free and disaster-free workplace (occupational safety and health activities)

In FY2003, as NESP activities steadily progressed Groupwide, the Safety and Health Promotion Department moved on to upgrading activities overall, through assessing (auditing) activities at business sites and Group companies/affiliates, collecting their best practices and applying them Groupwide.

Following the occurrence of gas tank explosions, plant fires and other incidents in Japan, the President ordered all sites in Japan and overseas to conduct comprehensive safety inspections in the fall of 2003. We also formed teams of experts for safety/health, facilities/equipment/buildings, fire/disaster prevention and chemical substance control to conduct thorough inspections to confirm each area was safe.

In FY2004, we will be implementing comprehensive occupational safety and health activities based on the NESP General Policy of Action07.

Emphasized in the policy are the prohibition of hazardous chemical substances and the removal of any hazards from facilities, as well as measures to eliminate human error. We are setting standards and making improvements that are designed to prevent human error, rule violation and other human behaviors that lead to disasters. Through these efforts, we are fostering a corporate culture that will prevent accidents and disasters from occurring.

In FY2003, we held seminars for management-level personnel at all business sites in Japan regarding these human factors.

Graph 1 shows the frequency ratio of occupational accidents, which is the number of casualties from occupational accidents that caused more than one day of work loss per million total working hours.

Improving employee physical and mental health

Employees are an extremely valuable resource, so their physical and mental health deserve the utmost attention. At Epson, industrial physicians lead Companywide health management in concert with nurses and therapists under the Safety and Health Promotion Department.

In FY2003, Epson set Healthy Epson21, a mid-range plan for corporate health management on which our activities throughout the year are based.

Under Healthy Epson21, programs such as regular spring health checkups, physical fitness checkups, vaccinations and programs to prevent lifestyle-related diseases are implemented. A health promotion committee organizes events and campaigns to encourage employees to exercise more, maintain a healthy diet and stop smoking.

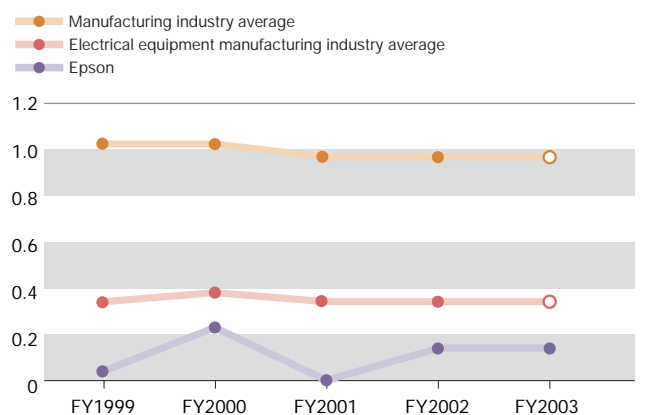
Another focus is ensuring the mental health of the employees. We have full-time therapists at our counseling office

who also make rounds to business sites to help employees with emotional problems. On our intranet, we provide mental health-related information on a page called "mental and physical health" with a self-checkup service. Training is also provided so that management-level employees can spot emotional problems their employees may be having, listen to them and deal with them promptly at an early stage. In FY2003, therapists met with 1,300 employees in Japan for consultation. About 3% of all Epson employees visited the counseling office, half of them going for such symptoms as chronic fatigue.

Measures against SARS

In the wake of the SARS outbreak in China and other parts of the world in FY2003, anti-SARS measures were taken for 80,000 employees worldwide. Masks, disinfectants and soaps were sent from Japan to regions short of these preventive supplies. We also dispatched industrial physicians to Shenzhen to give physical examinations. As a result, no Epson employee contracted SARS.

Graph 1 Trends in Occupational Accident Frequency



The frequency ratio of occupational accidents is the number of casualties from occupational accidents that caused more than one day of work loss per million total working hours

$$\text{Frequency ratio of occupational accidents} = \frac{\text{Number of casualties that caused more than one day of work loss}}{\text{Total working hours}} \times 1,000,000$$

Global NESP Activities

The Group's safety and health assurance activities are led by the manufacturing Group companies/affiliates.

Various tools used in other countries



Corporate Citizenship

Corporations are supported by and grow together with society. It is our mission as a good corporate citizen to contribute to the building of a healthy and prosperous society. In this way, the Epson Group actively serves its many local communities in Japan and overseas through a variety of activities.

Community-based activities around the world

Promote and support employee participation

Contribute activities that have special character

Focus on communication with society

Social activities in local communities

The Epson Group focuses on community-based activities in the countries in which we operate, and on returning the technology and expertise that has built our business back to society.

In March 2004, we established the Corporate Citizenship Philosophy and the Corporate Citizenship Activity Policy, reflecting our Management Philosophy of supporting corporate citizenship activities Groupwide.

Corporate Citizenship Philosophy

The Epson Group strives to be a good corporate citizen and to be a company that coexists well with society. Members of the Group companies/affiliates, as members of local communities, also work hard toward the creation of a better society through various support activities from which society benefits.

Corporate Citizenship Activity Policy

We set the following policies, basing them on the Corporate Citizenship Philosophy, and practice them Groupwide.

1. Promote community-based activities that contribute to society in high-priority fields

The high-priority fields are given below. Only activities that meet the needs of a particular country or region are launched.

a. Education for young people; b. Arts and culture; c. Participation and support for community activities; d. Environmental conservation activities; and e. Social welfare activities.

2. Promote and support employee participation in society, as private citizens

Foster a corporate culture that encourages members of the Group companies/affiliates to voluntarily and actively participate in activities that contribute to society, as members of society.

a. Participate in local events and local volunteer activities; b. Understand the problems associated with volunteer activities and take measures to improve them; c. Donate blood and participate in donation activities; and d. Participate in cleanup activities of local communities, rivers and parks.

3. Contribute activities that have special character

Activities and operations should be planned in a creative manner. We promote self-organized programs and other activities that are unique in character.

a. Tree-planting and other environmental conservation activities; b. Dispatching lecturers to schools and giving seminars; c. Activities that contribute to society performed in conjunction with our labor unions and employee groups; d. Collaboration with reliable outside organizations (NPOs and others); e. Opening of facilities, donation of resources, etc.

4. Focus on communication with society

Establish two-way communication between our company and society to make activities that contribute to society known in each region.

a. Communicate company philosophy, policy and activity status through our website and various reports; b. Publicize volunteer information in-house; c. Recognize volunteer activities, introduce volunteer training, etc.

Education for Young People

Scholarships for young people

• Epson Korea Co., Ltd. (EKL)

The Korean Epson Young People's Educational Foundation, established in March 1999 and funded by EKL, has been providing 40 million won annually in scholarships to 20 junior high, 20 high school and 21 vocational school students.



Scholarship award ceremony

• Epson International Educational Foundation

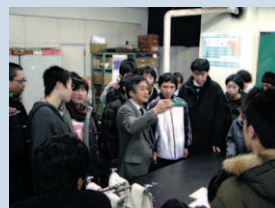
Epson established this foundation in 1997 to contribute to supporting the development of Asian countries and to foster friendships with them. The foundation's activities include granting scholarships to students from areas in Asia where Epson has major operations. We do so as a small way of showing our gratitude to the many countries in Asia that we operate in.



Ceremony for designating scholarship recipients

Super Science High School (SSH) Program

Suwa Seiryō High School in Suwa City, Nagano Prefecture, where Epson's Head Office is located, was designated as an SSH in FY2002 by Japan's Ministry of Education, Culture, Sports, Science and Technology. Epson is responsible for operating the program and sending lecturers to special events. Through these activities we convey the fun and excitement of R&D and manufacturing to high school students. Also, our aim is to help students learn how to think for themselves. The program is considered very interesting and appreciated by students and teachers alike.



Classroom scene

Youth charity concert

Epson Taiwan Technology & Trading Ltd. (ETT)

In March 2004, ETT held the 2004 Epson Charity Concert, inviting 600 young people who have lost their homes or are living in poverty to have the opportunity to enjoy a classical music concert.



Scene from the concert

Educational assistance at local schools

Epson El Paso, Inc. (EEI)/Epson de Juarez, S.A. de C.V. (EDJ)

EEI/EDJ supported the FY2003 Junior Achievement Industrial Sponsor activities to help young students with their education. Our employees visited schools to teach about the environment, business and ISO.



Classroom scene

Construction of elementary schools in Cambodia

Seiko Epson Labor Union

With the help of the Shanti Volunteer Association, the Seiko Epson Labor Union has been supporting a project to build elementary schools in Cambodia since FY2002. In December 2003, ceremonies to celebrate the completion of the second school and groundbreaking of the third school were held.



New elementary school built in Cambodia

Other major activities in the education of young people

Epson Service Corporation (Japan)

At the request of the Nagano Prefectural government, Epson has been accepting trainees from technical high schools in Nagano since FY2001.

Fujian Epson Start Electronic Co., Ltd. (China)

Gave basic lectures on printers and donated printers to local vocational school students and teachers.

Epson America, Inc. (U.S.)

Donated the Epson Stylus Pro 5500, a professional-use inkjet printer that uses durable ink, to 10 junior high and vocational schools in Long Beach.

Shanghai Epson Electronics Co., Ltd. (China)

Donated Epson products to the Japanese School of Shanghai.

Epson

Participated in an international exchange event between high schools in Nagano Prefecture and its sister prefecture, Savoie Prefecture in France.



Scene from the presentation ceremony

World's largest photo collage

Epson Singapore Pte. Ltd. (ESP)

With the help of a volunteer association in Singapore and donations from the Singaporean public, ESP created a 17 m x 8 m photo collage, which was listed in the *Guinness Book of World Records*. Portraits of 16,800 smiling citizens who donated more than 10 Singapore dollars were printed using the Epson Stylus Photo 2100 and made into a photo collage in the shape of Singapore.



The world's largest photo collage

Arts and culture

Donation to Saito Kinen Festival Matsumoto

Seiko Epson Corporation has been sponsoring the Saito Kinen Orchestra since 1989 and became one of the main sponsors of the Saito Kinen Foundation in 1992. We also co-sponsor the annual Saito Kinen Festival Matsumoto, held in Nagano Prefecture.



Concert scene

Presentation of PiezoGraph mural of Higashiyama Kaii's painting

Epson created a PiezoGraph mural of one of Higashiyama Kaii's best-known paintings, *Sei-el*, and presented it to the Higashiyama Kaii Gallery of Nagano Prefecture's Shinano Art Museum. The 85.6 cm x 42.2 cm painting was expanded to a 230 cm x 913 cm mural. It was the first time a PiezoGraph mural of this size was included in the regular exhibition of a museum.

Other major art and cultural activities

Epson

Epson co-sponsored the 2003 Icograda CONGRESS NAGOYA-JAPAN and provided projectors and other equipment, as well as a printing service for poster entries.

Epson

Epson sponsored a PiezoGraph show of painter Taizi Harada.

Epson Portugal-Informatica, S.A. (Portugal)

The company co-sponsored Door to Paradise — Manikarnika Ghat, a photo exhibition of India's holy lands, and co-published a book of photos of the exhibition. All photographs were printed on Epson printers.

Participation and support for community activities

1,200 visited an Epson plant Suwa Minami Plant (Japan)

The Suwa Minami Plant has been accepting visitors from local elementary schools, governments, universities and companies nationwide who are interested in our environmental and safety efforts. In FY2003, 1,200 visitors visited the plant, including many from overseas. The number of non-Japanese visitors is increasing.

The plant has also been accepting visits from families of employees for the last 12 years. Children have commented how relieved they were to see that their parents are working in such a nice plant.



Elementary school students listen to a presentation

Removal of mikania weeds Epson Hong Kong Ltd. (EHK)

EHK and Epson Precision (Hong Kong) Ltd. have been jointly participating in a local volunteer cleanup effort to remove mikania weeds. The mikania is a naturalized, prolific plant that kills trees by creeping over them.



Removing mikania weeds

Other major local community activities

Epson

Epson co-sponsored the 55th Lake Suwa Fireworks Display.

Epson

Epson co-sponsored Infiorata in Nagano.

Epson

Epson co-sponsored the Suwa Area Industrial Messe.

Epson has also taken part in community-based events and cleanups in different regions of the world to make a local contribution to these regions.

Environmental conservation activities

Energy-Saving Diagnoses

Since FY2000, we have conducted a program called Energy-Saving Diagnoses, sponsored by the Nagano Association for Conserving the Environment. We head a patrol team that we formed with other companies to conduct energy-savings consulting at local companies and hospitals free of charge. In FY2003, we conducted 11 diagnoses, bringing the total to 30.



Energy-saving patrol (Nagano Prefectural Government office)

Greening support for desertified areas in China

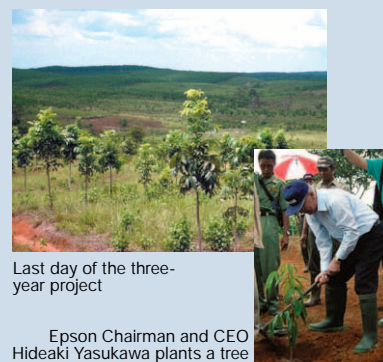
Epson began offering financial assistance to a research project of Shinshu University's Faculty of Agriculture on the greening of desertified land using a breeding-block method of seeding in FY2002. Epson (China) Co., Ltd. is also taking part in this project as a way to make a local contribution.



Scene from a research experiment

Greening initiative in Kalimantan, Indonesia (completion of three-year program)

Epson donated trees to this tree-planting project to restore the rain forest, with P.T. Indonesia Epson Industry (IEI) as its partner. Started in November 2000, the three-year program was completed in FY2003. In March 2004, Epson Chairman and CEO Hideaki Yasukawa visited the site to plant a commemorative tree celebrating the program's completion. Epson plans to continue supporting the project until the trees grow taller, providing equipment for removing bottom weeds and additional support as required to keep the trees healthy.



Last day of the three-year project

Epson Chairman and CEO Hideaki Yasukawa plants a tree

Recovery/recycling of discarded electronic equipment Epson Portland Inc. (EPI)

Epson designated April as the month to consider energy savings and the earth, because Earth Day is celebrated each year on April 22. In FY2003, EPI collected 18.4 tons worth of unwanted electronic equipment from local communities as an Earth Day event. Most of the collected equipment was donated to a technical school specializing in recycling technology. Used computers are repaired and upgraded by the students of this school as part of their curriculum and then sent to other local schools.



An EPI employee collects used electronic equipment

Other major environmental conservation activities

Po Shen Industrial Factory (China)

Sixty employees took part in tree-planting activities at Lian Hua Shan Park in Shenzhen.

Epson Taiwan Technology & Trading Ltd. (Taiwan)

The company's 160 employees participated in tree-planting activities in Taipei.

Tianjin Epson Co., Ltd. (China)

The company collected used batteries from homes.

Seiko Epson Corporation Korea Office (Korea)

The company held its third outdoor painting event to foster environmental awareness among elementary school students.

Epson Italia S.p.A. (Italy)

The company has been supporting Epson Meteo Centro, an NPO, since 1989 and making a contribution to the analysis of global climate change.

Suzhou Epson Co., Ltd. (China)

The company has been carrying out tree-planting and cleaning at a park in Suzhou.

Social welfare activities

Long-term assistance to a local school

Epson Chile S.A. (Chile)

Since 1985, when Epson Chile donated a personal computer to Escuela Ensenada, a local school, the company has been offering support to the school.

The school is located in a poor district in a rural area. Students are not able to pay their tuition nor move on to higher education.

The company is supporting the school by building classrooms, dining halls and toilets, as well as donating scanners and printers. It has established a scholarship program, so that the students can continue their education. To thank the company, the school was renamed Escuela Epson Ensenada.



Elementary school under construction



Elementary school students

Measures against SARS

Epson (China) Co., Ltd. (ECC)

In May 2003, ECC, on behalf of the entire Epson Group, donated 200,000 yuan worth of relief equipment (six color laser printers and three projectors) and 800,000 yuan in financial assistance to China's Ministry of Health to support its fight against SARS.

The company also collected donations for an 11-year-old girl who lost her parents and a grandmother to SARS and was infected herself. Fifty-thousand yuan was also collected to purchase education insurance for the girl.



Making donations

Epson Taiwan Technology & Trading Ltd. (ETT)

In April and May 2003, ETT donated masks and protective gear to the government of Taipei to support preventive measures against SARS.



Relief supplies donated to the City of Taipei

Seiko clocks are donated on a visit to a local orphanage

Epson Precision (Johor) Sdn. Bhd. (EPJ, Malaysia)

EPJ visited a local orphanage in Johor Baru with Rotary Club representatives and donated 10 Seiko clocks. EPJ staff also had a great time visiting and playing with the orphans. Through this activity, EPJ was able to practice its goal of "Sowing the Seeds of Love."



Visit to a local orphanage

Helping out at blood donor clinic

Epson Portugal-Informatica, S.A. (EPO)

Thirty employees of EPO participated in a blood donor clinic sponsored by Instituto Portugues do Sangue (IPS).

EPO also helped with the blood donation campaign by putting up posters and sending campaign mail to companies in the community, which resulted in many companies taking part in the clinic.



Employees donating blood

Suzhou Epson Co., Ltd. (SZE, China)

To cope with the shortage of blood for transfusion in Suzhou, SZE held a two-day blood donation campaign in July 2003 and 350 employees donated blood.

SZE has been consistently holding blood donation campaigns since China adopted the Blood Donation Law (free-of-charge donation) in 2000 and so far 1,300 members have donated blood.



An employee donating blood

Other major social welfare activities

Epson Hong Kong Ltd. (China)

To express gratitude to the medical personnel on the front line in the battle against SARS, the company held an All Coz' of You! charity campaign, in which it created a large poster calendar with snapshots of smiling city residents and presented it to various medical institutions.

Suwa Minami Plant (Japan)

The plant took in trainees from Suwa's school for the handicapped.

Communications Activities

We communicate with our stakeholders around the world guided by the utmost respect for individuals and local cultures. Behind this is our commitment to be a progressive company, trusted throughout the world, as expressed in our Management Philosophy.

Respect for individuals and local cultures

Trusted throughout the world

Accurate and candid reporting

Our approach to communications

Public relations, advertisements and other types of corporate communications are vital tools in communicating with our stakeholders. The Epson Group is committed to the use of these tools cross-culturally and in a way that is valued by people around the world. To further refine our communications, we established global standards in July 1998 based on such fundamental policies as respect for individuality and cultural differences, high morality, high standards of perception and judgment for global communications, and proactiveness.

At Epson, personal information on customers is heavily protected, because we make protection of privacy a top priority. Epson Sales (Japan/non-manufacturing) and Epson Direct (Japan/non-manufacturing), which often handle personal customer information, are also committed to protecting privacy, as is enumerated in the privacy policies on their respective websites.

Social performance report

We publish a variety of reports to show our accountability to our diverse stakeholders.

Our business operations activities and financial status are reported in financial statements, summarized business results and operating statement, which are required by law and related regulations. The *Annual Report* (Japanese and English) and business operations reports are published as part of our voluntary disclosure of information. For environmental and social performance, we publish the *Sustainability Report* (Japanese, English and Chinese) and site reports.

Starting in 2004, we will clearly define the role of each report and consolidate all information for disclosure in the *Annual Report* and the *Sustainability Report*.

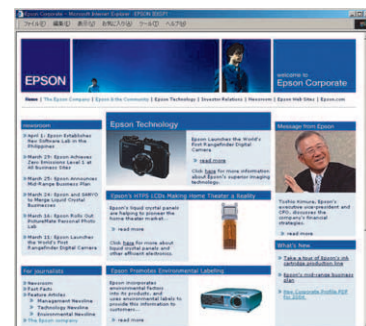


Site environmental reports

Websites and intranet

The Epson website and the Epson Global website serve as a portal to the sites of our Group companies/affiliates around the world. Their sites provide information on products and services, as well as information on their environmental efforts and ISO 14001 certification status.

For better communication with a global audience, we renewed our English site in August 2003 to improve information accessibility and usability. Epson's listing on the First Section of Tokyo Stock Exchange also prompted us to make more data available in the investor relations section. Additional information related to social and environmental performance has also been made available.



English version of the Epson website

Epson website:

<http://www.epson.co.jp/>

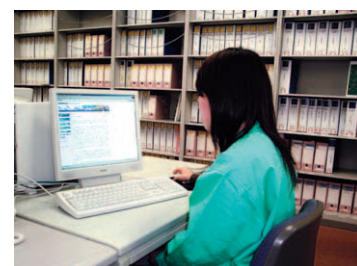
Epson website (English):

<http://www.epson.co.jp/e/>

Epson global website:

<http://www.epson.com/>

Our intranet, one of our main tools for internal communications, provides a series of executive messages, work regulations and standards, information on benefits, as well as other information for use in daily operations. With content created both in Japanese and English, the intranet is available to employees around the world.



An employee viewing an Epson intranet page

Advertising and commercials

We have been running a series of advertisements and commercials entitled Power of Imaging since August 2003. They focus on the universal theme of bonds between people. This theme was chosen to express the bond in people's hearts that is formed through the digital imaging that Epson provides.

Our Power of Imaging series also includes advertisements on *Tsuyo-ink* and its supporting technology, and about our environmental efforts.



The Power of Imaging series advertisements for technology (left) and environment (right)

Communication space

Epson operates the epSITE Epson Imaging Gallery in Shinjuku, Tokyo. Galleries have also been opened in Singapore (August 2003), Beijing (November 2003) and Shanghai (December 2003).

On display in the epSITE galleries are digital prints of artists' photographs printed on Epson printers. At epSITE, digital artists mingle and exchange opinions and visitors enjoy first-class photographs in a relaxed atmosphere. We plan to keep improving the quality of the galleries so that they serve the community as a place to experience Epson's digital imaging technology and to be touched by creative works.



epSITE Beijing

Product catalogs

It is important for us to communicate product environmental information to customers who are considering purchasing our products. We have included an environmental page in printer catalogs to help customers understand their environmental performance and the recovery/recycling systems. On the same page, we also request their cooperation in recycling.

We also list contacts for questions, consultation and repairs, and provide information that helps customers use the products more effectively.



Product catalogs

Trade shows and seminars

In February 2003, Epson Hong Kong Ltd. (Hong Kong/non-manufacturing) sponsored the Epson Green Carnival environmental trade show organized by the Green Council to support education of children on the environment. The company not only set up a booth to share Epson's environmental education, its philosophy and its initiatives, but also participated in the short courses that were available. The highlight of the trade show was a tournament of eco-friendly robots in which more than 20,000 students, teachers and their families participated.

Epson was also part of the Eco-Products 2003 trade show (Japan) in December 2003. Epson featured a display of products, as well as a demonstration of Epson printers. Pantomime was used to demonstrate their capabilities and environmental design.

Epson holds numerous seminars to share information on its environmental efforts and expertise, and to deepen communication with our stakeholders.

Epson Taiwan Technology & Trading Ltd. (Taiwan/non-manufacturing) held the 2003 Green Design Seminar in October 2003 with the goal of raising the competitiveness of Taiwanese IT products by enhancing their eco-consciousness. Epson's environmental efforts were communicated through various displays and lectures. Technical experts, designers and production managers asked many questions during the Q&A session.



The 2003 Green Design Seminar in Taiwan

Financial results and business operations presentations

Epson has been diligently holding meetings to share its financial results, business forecasts and business policies with analysts and investors, in the belief that these efforts help maintain appropriate stock prices. In September 2003, we held a business briefing where we explained our core business, inkjet printers, while in March 2004, we had the opportunity to introduce our mid-range business plans. Environmental management was the topic at our December 2003 meeting with analysts, fund managers and socially responsible investing (SRI) rating agencies.

Community communications

The Epson Group organizes plant tours and presentations to help residents who live near our plants and offices to better understand our business and environmental efforts.

Tohoku Epson (Japan/manufacturing) had a plant tour in May 2003 and explained its efforts in detail using data on waste generation, recycling, and water and air quality.

In August 2003, the Hirooka Plant (Japan/manufacturing) sponsored a meeting with local residents to present its environmental report. Following a presentation of its business and a plant tour,

the results of FY2002 activities and the plans for FY2003 were discussed based on the 2003 site report released by the Imaging and Information Products Operations Division.

In July 2003, the Shimauchi Plant (Japan/manufacturing) also held an environmental report meeting based on its site report.



Environmental report meeting at the Hirooka Plant

Recognition

Tohatsu Evaluation and Certification Organization Co., Ltd. assigns environmental ratings to companies based on their last published environmental reports and on the information disclosed on their websites. Epson received a AA environmental rating from the company. Of the 449 companies that were rated, only one company was given a AAA rating for all seven rating categories, and four companies, including Epson, were given a AA rating.

In the Fourth Eco Brand Survey sponsored by Nikkei Business Publications, Inc., both businesspeople and consumers ranked Epson sixth in the list of corporations making good eco-efforts. The results surpassed the last survey, in which we ranked eighth and 17th, respectively.

Magazines, books and websites

A special edition of *Nikkei Personal Computing* published in November 2003 by Nikkei Business Publications, Inc. featured Epson's listing on the First

Section of the Tokyo Stock Exchange and the 20th anniversary of Epson Sales (Japan/non-manufacturing). The latest Epson products and technologies were introduced and helped readers understand our company management philosophy and the philosophy behind the making of our products.

The Epson Group was one of 10 global corporations featured in *Industry Genius: Inventions and People Protecting the Climate and Fragile Ozone Layer*, published by Greenleaf Publishing (U.K.) in June 2003. The book discusses the efforts of corporations that contribute to preserving the ozone layer. We were cited as the first company in the world to completely eliminate CFC gases from all products and production processes.

The United Nations Environment Programme featured eco-activities conducted during environment month at Epson Telford Ltd. (U.K./manufacturing) on its website, in the section on eco-activities in different countries.

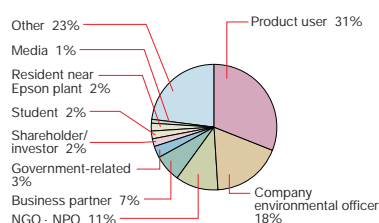
UNEP World Environmental Day 2004

http://www.unep.org/wed/2004/Around_the_World/index.asp

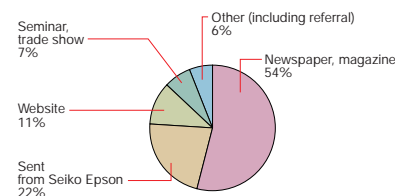
Sustainability Report 2003 Questionnaire Results

Valuable comments were sent to us by 117 respondents to the questionnaire at the back of our *Sustainability Report 2003*, issued in June 2003 (English version in August 2003). We are grateful for these contributions and reflected some of your suggestions in planning and editing the 2004 report. Here are the results and what we have done in response.

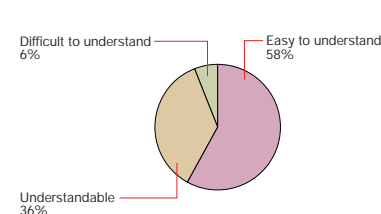
Q. What is your affiliation with/relationship to Epson?



Q. How did you learn about the report?



Q. What did you think of the report?



Suggestions from respondents and our responses

Overall, the presentation is rather flat. Please use different presentation approaches to communicate your management vision more clearly.

Feature stories on our approach to trust-based management (corporate governance and compliance) were added.

We prefer Eco Mail.

We introduced a simplified mailing method (envelope-free) to distribute the *Sustainability Report 2003*. Please see p. 52 for details.

Please use simpler expressions in the text. Make it easier for readers to get a summary of your activities.

We added the 2003 Activity Digest to the Eco-Products and Green Factories sections and listed highlights of the activities.



Questionnaire responses



Reference Data

Environmental Data by Location
Summary of Groupwide Environmental Data
ISO 14001 Certification List
Environmental Awards
Environmental & Social Activities Timeline

Environmental Data by Location

Location • Business activities	Address Telephone	Year operations began	Site Building sizes	Zoning	Energy Con- sumption (10,000 kWh)
Head Office • Headquarters, R&D	3-3-5 Owa, Suwa-shi, Nagano-ken 392-8502 Tel: +81-266-52-3131	1942	46,910.48m ² 57,459.96m ²	Semi-industrial	1,203
Hirooka Plant • Development, design and manufacturing of IT equipment	80 Hirookaharashinden, Shiojiri-shi, Nagano-ken 399-0785 Tel: +81-263-52-2552	1970	209,116.42m ² 108,027.85m ²	Industrial only (No. 6 building is industrial site)	4,249
Fujimi Plant • R&D, design and manufacturing of semiconductors	281 Fujimi, Fujimi-machi, Suwa-gun, Nagano-ken 399-0293 Tel: +81-266-61-1211	1980	247,335.97m ² 128,143.03m ²	Unspecified	13,013
Suwa Minami Plant • Development, design and manufacturing of parts; R&D of production technology	1010 Fujimi, Fujimi-machi, Suwa-gun, Nagano-ken 399-0295 Tel: +81-266-62-6622	1985	147,065.04m ² 87,309.32m ²	Unspecified	8,266
Shiojiri Plant • Development and manufacturing of watches	390 Shiojiri-cho, Shiojiri-shi, Nagano-ken 399-0796 Tel: +81-263-52-0620	1961	45,871.00m ² 23,421.41m ²	Semi-industrial	910
Matsumoto Minami Plant • Development and design of IT equipment	2070 Kotobuki Koaka, Matsumoto-shi, Nagano- ken 399-8702 Tel: +81-263-86-5353	1995	31,861.00m ² 16,300.72m ²	Unspecified	268
Ina Plant • Development, design and manufacturing of quartz devices	8548 Nakaminowa, Minowa-machi, Kamiina-gun, Nagano-ken 399-4696 Tel: +81-265-79-2481	1959	41,065.42m ² 27,302.27m ²	Semi-industrial	1,424
Murai Plant • Development of portable IT equipment	1059 Yoshikawa Murai-cho, Matsumoto-shi, Nagano-ken 399-8707 Tel: +81-263-58-3141	1963	34,235.58m ² 19,804.88m ²	Semi-industrial	256
Shimauchi Plant • Development and design of visual instruments	4897 Shimauchi, Matsumoto-shi, Nagano-ken 390-8640 Tel: +81-263-47-0500	1971	32,258.12m ² 18,805.46m ²	Unspecified	252
Toyoshina Plant • Development, design and manufacturing of LCD panels, modules	6925 Tazawa, Toyoshina-machi, Minamiazumi- gun, Nagano-ken 399-8285 Tel: +81-263-72-1447	1983	89,736.06m ² 77,529.85m ²	Industrial	8,353
Matsushima Plant • Development, design and manufacturing of eyeglass lenses and optical devices	8793 Nakaminowa, Minowa-machi, Kamiina-gun, Nagano-ken 399-4693 Tel: +81-265-79-8121	1980	41,311.31m ² 20,743.92m ²	Semi-industrial	2,267
Okaya Plant • Manufacturing of exterior parts of watches	2-1-43 Osachi Shibamiya, Okaya-shi, Nagano-ken 394-0083 Tel: +81-266-23-0888	1985	27,754.31m ² 17,914.50m ²	Semi-industrial	411
Takagi Plant *1 • Element development, transportation services for the Epson Group	8953 Shimosuwa-machi, Suwa-gun, Nagano-ken 393-0033 Tel: +81-266-27-8911	1956	26,999.53m ² 19,519.40m ²	Semi-industrial	245
Matsumoto Plant • Development of software, product design, sales and cleaning of antidust suit	2-4-14 Shiraita, Matsumoto-shi, Nagano-ken 390-0863 Tel: +81-263-36-1811	1976	14,463.39m ² 21,265.18m ²	Semi-industrial	171
Kanbayashi Plant • Printer repair	1563 Kanbayashi, Matsumoto-shi, Nagano-ken 390-1243 Tel: +81-263-58-6001	1973	20,695.56m ² 10,249.95m ²	Unspecified	75
Azusabashi Plant • Manufacturing of devices, application equipment	5209-1 Takibe, Toyoshina-machi, Minamiazumi- gun, Nagano-ken 399-8204 Tel: +81-263-72-7620	1976	8,192.10m ² 5,298.91m ²	Semi-industrial	143
Hino Office • Sales of electronic devices, IC design, development of software, etc.	OD Bldg. 421-8 Hino, Hino-shi, Tokyo 191-8501 Tel: +81-425-86-6226	1985	42,452.34m ² 32,990.88m ²	Semi-industrial	374
Tohoku Epson Corporation *2 • Manufacturing of semiconductors and printing heads	166-3 Jurizuka, Sakata-shi, Yamagata-ken 998-0194 Tel: +81-234-31-3131	1987	538,764.74m ² 133,077.58m ²	Industrial	20,758
Atmix Corporation Head Office Plant • Development, manufacturing and sales of metallic powders, metal injection molding parts and artificial crystals	4-44 Aza Kaigan, Kawaragi, Hachinohe-shi, Aomori-ken 039-1161 Tel: +81-178-73-2801	2000	13,076.30m ² 2,619.45m ²	Industrial	1,411
Atmix Corporation Suwa Plant *3 • Development, manufacturing and sales of metallic injection molding parts	1-18-12 Kogandori, Suwa-shi, Nagano-ken 392-0027 Tel: +81-266-52-8100	1989	4,992.70m ² 2,027.73m ²	Semi-industrial	381
Seiko Epson Contact Lens Corporation • Manufacturing of contact lenses and opti- cal devices	1545 Oaza Nakaminowa, Minowa-machi, Kamiina- gun, Nagano-ken 399-4601 Tel: +81-265-79-6623	1987	7,800.00m ² 3,520.00m ²	Unspecified	156
Seiko Lens Service Center Co., Ltd. • Manufacturing of eyeglass lenses	1-9-30 Setoguchi, Hirano-ku, Osaka 547-0034 Tel: +81-6-6703-7618	1965	1,750.00m ² 3,499.23m ²	Semi-industrial	628
Epson Logistics Corporation *1 • Transportation services for Epson Group	8953 Shimosuwa-machi, Suwa-gun, Nagano-ken 393-0033 Tel: +81-266-26-0561	1997	4,901.54m ² 6,922.64m ²	Semi-industrial	23
*4	2-1-18 Tsukama-cho, Okaya-shi, Nagano-ken	—			
Epson Mizube Corporation • Assembly and inspection of electronic equipment and precision instruments	1-18-12 Kogandori, Suwa-shi, Nagano-ken 392-0027 Tel: +81-266-58-8833	1984	4,992.70m ² 2,027.73m ²	Semi-industrial	7
Akita Orient Seimitsu Co., Ltd. • Manufacturing and assembly of printing heads, crystal oscillator, die and produc- tion equipment	1 Aza Dannoue, Iwasaki, Yuzawa-shi, Akita-ken 012-0801 Tel: +81-183-72-4111	1986	65,436.33m ² 16,600.96m ²	Industrial	1,937

Notes:

- Value: Maximum values measured are shown for every item.
Figures in red exceed legal standards.
Water quality data is based on plant wastewater measurements, except when there is a mixture of plant and domestic wastewaters, for which data represent mixed water.
- ND: Not detected

—: No restriction so no measurement performed

- *1 Epson Logistics moved to the Takagi Plant in February 2004
- *2 Includes data for the Sakata Plant
- *3 Injex Corporation began operations as Atmix Corporation's Suwa Plant in July 2003
- *4 Epson Logistics Corporation's data up to January 2004. For data from February 2004 onward, please refer to the data for the Takagi Plant.
- *5 PCB storage data are for June 2003.
- *6 Three units transferred to the Head Office in February 2004
- *7 Implemented measures using an improved abatement system.
- *8 Monitoring being conducted due to a violation of legal wastewater standards. Please visit our website for further details.

Waste		Water consumption (m ³)	Wastewater outlet	Water quality							Air				PCBs stored (No. of)	PRTR data
Total generation (t)	Amount sent to landfill (t)			PH	BOD (mg/l)	COD (mg/l)	SS (mg/l)	Min-eral oils (mg/l)	Animal, plant oils (mg/l)	Coliform group (No. of/cm ³)	Boiler (No. of)	NOx (cm ³ /m ³ N)	SOx (Nm ³ /h)	Soot and dust (g/m ³ N)		
372	7	267,414	Sewer	6.9-7.5	1.7	1.8	2.8	ND	ND	—	6	97	0.021	0.005	121	
5,256	28	509,267	Sewer	5.7-8.9	380	110	210	1.5	32 *7	—	14	110	0.06	0.008	2	
1,534	639	1,457,663	Sewer	6.8-7.7	90	33	51	0	4.3	—	7	89	0.34	0.007	5	
1,013	29	1,138,000	Sewer	6.2-7.6	200	21	37	ND	6.7	—	19	110	ND	0.011	0	
374	8	127,468	Sewer	7.3-8.5	110	—	73	ND	13	—	2	120	0.054	ND	116	
242	10	17,597	River	6.6-7.6	20	26	22	ND	1.7	200	2	43	0.029	ND	0	
360	2	206,614	River	6.8-7.2	5.1	4	5	ND	0.28	ND	4	90	0.93	ND	56	
91	1	40,984	Sewer	— *8	—	—	— *8	—	—	—	3	75	0.03	ND	24	
241	3	24,470	Sewer	6.7-8.8	110	—	36	ND	16	—	2	61	0.049	0.01	1	
3,534	6	1,281,288	River, Sewer	6.4-8.2	270	10	52	ND	2.8	27	22	85	0.071	0.018	0	
875	6	410,044	River, Sewer	7.3-8.0	22	5.6	2	ND	ND	18	4	76	0.071	0.008	0	
118	2	30,553	Sewer	6.8-7.6	69	—	38	ND	2.6	—	2	110	0.11	ND	0	
19	0	37,524	Sewer	6.1-9.0	57	—	88	—	23	—	1	82	0.033	0.0039	1	
71	0	36,926	Sewer	7.0-8.2	85	—	12	—	26	—	3	100	0.03	ND	1	
191	0	10,718	Sewer	6.4-8.4	220	36	100	ND	25	—	1	93	0.052	0.006	0	
84	2	6,732	Under-seepage	7.1-7.4	19	21	14	ND	2	2	2	64	0.023	0.009	0	
176	3	28,354	Sewer	—	—	—	—	—	—	—	—	—	—	—	14	
3,874	0	3,065,657	Water-front	7.5-7.8	14.9	6.3	3.1	ND	ND	28	11	100	0.26	0.003	0	
732	0	208,968	Water-front	6.8-7.3	—	1.7	8	0.5	ND	12	—	—	—	—	0	
59	0	8,553	Sewer	—	—	—	—	—	—	—	2	40	ND	ND	0	
46	1	13,064	Sewer	—	3.8	—	11	ND	—	—	—	—	—	—	0	
284	3	49,022	Sewer	6.2-7.6	138	—	285	1.4	4	—	—	—	—	—	0	
22	0	3,527	Sewer	7.2-8.3	—	—	—	ND	14	—	—	—	—	—	*6 3	
25	0	2,762	Sewer	—	—	—	—	—	—	—	—	—	—	—	0	
1,466	—	102,299	River	6.1-7.4	37	19	6.5	1.6	ND	—	4	58	0.11	0.0032	0	

Reference Data

Pollutant Release and Transfer Register (PRTR) Data by Location

354 PRTR substances subject to PRTR Law (Unit: kg)

Sub- stance No.	Chemical substance	Cas No.	Amount used (kg)	Amount emitted/discharged (kg)				Amount transferred (kg)		Consumed (kg)	Eliminated (kg)	Re- cycled (kg)
				Released to atmo- sphere	Released to public water system	Re- leased to soil	Sent to landfill	Trans- ferred to sewage	Transferred as waste			
•Head Office Contact: Tel. +81-266-52-3131												
266	Phenol	108-95-2	155								155	
283	Hydrogen fluoride and its water-soluble salts	Group	349					5			343	
•Hirooka Plant Contact: Tel. +81-263-52-2552												
30	Bisphenol A type epoxy resin (liquid)	25068-38-6	171						171			
43	Ethylene glycol	107-21-1	24,354						244	24,110		
231	Nickel	7440-02-0	2,066						81	307		1,677
283	Hydrogen fluoride and its water-soluble salts	Group	10,039					82	9,956			
309	Poly (oxyethylene) nonylphenyl ether	9016-45-9	5,198						53	5,145		
•Fujimi Plant Contact: Tel. +81-266-61-1211												
16	2-aminoethanol	141-43-5	72,434	327					71,404		703	
24	n-alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	Group	27,480						27,480			
40	Ethylbenzene	100-41-4	806	39					385		382	
43	Ethylene glycol	107-21-1	717	7					709		1	
63	Xylene	1330-20-7	6,488	310					6,108		70	
172	N, N- dimethyl formamide	68-12-2	1,268	63					1,077		128	
224	1,3,5- trimethylbenzene	108-67-8	2,318	6					2,312			
227	Toluene	108-88-3	271	2					71	129	69	
266	Phenol	108-95-2	27,479	2,748					21,983		2,748	
283	Hydrogen fluoride and its water-soluble salts	Group	35,793					3,435			32,359	
304	Boron and its compounds	Group	101						50		51	
•Suwa Minami Plant Contact: Tel. +81-266-62-6622												
16	2-aminoethanol	141-43-5	74,515	3,009				2,713	51,837		16,956	
63	Xylene	1330-20-7	175,181	45						175,136		
283	Hydrogen fluoride and its water-soluble salts	Group	31,372	8				1,547	13		29,804	
•Ina Plant Contact: Tel. +81-265-79-2481												
69	Chromium (VI) compounds	Group	152	2					151			
283	Hydrogen fluoride and its water-soluble salts	Group	4,951	25					4,035		891	
•Toyoshina Plant Contact: Tel. +81-263-72-1447												
16	2-aminoethanol	141-43-5	123,718	428				7,506	114,547		1,237	
30	Bisphenol A type epoxy resin (liquid)	25068-38-6	268	1				4	250	4	9	
67	Cresol	1319-77-3	1,789	2				11	1,760		16	
68	Chromium and chromium (III) compounds	Group	1,426					1	740	1	683	
69	Chromium (VI) compounds	Group	720		1			4	678		37	
283	Hydrogen fluoride and its water-soluble salts	Group	3,451	167				117			3,167	
•Matsushima Plant Contact: Tel. +81-265-79-8121												
24	n-alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	Group	388						227	161		
27	Isophorone diisocyanate	4098-71-9	21,474	8					125	21,342		
230	Lead and its compounds	Group	244						244			
341	Methylenebis (4, 1-cyclohexylene) diisocyanate	5124-30-1	21,474	8					125	21,342		
•Sakata Plant Contact: Tel. +81-234-31-3131												
16	2-aminoethanol	141-43-5	36,403	291					35,529		582	
43	Ethylene glycol	107-21-1	834	8					826			
63	Xylene	1330-20-7	1,067						523		544	
172	N, N- dimethyl formamide	68-12-2	38,640	155					38,176		309	
260	Catechol	120-80-9	20,435	13					18,650		1,773	
283	Hydrogen fluoride and its water-soluble salts	Group	39,923	200	4,591						35,132	
304	Boron and its compounds	Group	176						102	3	71	
•Okaya Plant Contact: Tel. +81-266-23-0888												
63	Xylene	1330-20-7	145	12					29		103	
227	Toluene	108-88-3	180	24					12		144	
•Tohoku Epson Corporation Contact: Tel. +81-234-31-3131												
25	Antimony and its compounds	Group	392						255	137		
30	Bisphenol A type epoxy resin (liquid)	25068-38-6	288						128	160		
64	Silver and its water-soluble compounds	Group	158								158	
230	Lead and its compounds	Group	297								297	
232	Nickel compounds	Group	11,837		523				1,192	10,122		
304	Boron and its compounds	Group	229								229	
•Atmix Corporation Hachinohe Plant Contact: Tel. +81-178-73-2801												
68	Chromium and chromium (III) compounds	Group	350,964							307,378		43,586
100	Cobalt and its compounds	Group	9,619							9,293		327
231	Nickel	7440-02-0	238,168		4					229,533		8,631
283	Hydrogen fluoride and its water-soluble salts	Group	527		17				510			
304	Boron and its compounds	Group	322							310		11
311	Manganese and its compounds	Group	10,572		11					6,065		4,496
346	Molybdenum and its compounds	Group	20,367		5					19,646		716
•Atmix Corporation Suwa Plant Contact: Tel. +81-266-52-8100												
68	Chromium and chromium (III) compounds	Group	6,724						621	6,104		
100	Cobalt and its compounds	Group	1,470						136	1,334		
231	Nickel	7440-02-0	3,135						289	2,846		
270	Di-n-butyl phthalate	84-74-2	667						62	605		
311	Manganese and its compounds	Group	238						22	216		
346	Molybdenum and its compounds	Group	660						61	599		
•Akita Orient Seimitsu Co., Ltd. Contact: Tel. +81-18-372-4111												
63	Xylene	1330-20-7	229						229			
69	Chromium (VI) compounds	Group	313						313			
283	Hvdrogen fluoride and its water-soluble salts	Group	14,775	97					14,678			

*Amounts over 100 kg are listed.

Summary of Groupwide Environmental Data

Energy					
•Energy Use (Unit: kl of crude oil)					
Japan	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002 (%)
Energy use	176,073	215,939	210,353	203,217	-3.4
(CO ₂ equivalent; unit: 10,000 t-CO ₂)	(31.6)	(41.5)	(42.6)	(40.3)	-5.4
Breakdown					
• Oil/gas	56,204	92,306	103,509	50,661	-51.1
• Electricity	119,869	123,633	106,844	152,555	42.8

CO₂ equivalent for FY1997-FY2001 calculated using Japanese Federation of Electric Power Companies coefficient

Overseas	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002 (%)
Energy use	58,572	82,987	81,831	83,491	2.0
(CO ₂ equivalent; unit: 10,000 t-CO ₂)	(16.0)	(24.2)	(25.1)	(26.2)	4.4
Breakdown					
• Oil/gas	4,888	6,977	9,459	9,527	0.7
• Electricity	53,684	76,010	72,372	73,964	2.2

Global Warming Substances					
•Global Warming Substance Emissions (Unit: 10,000 t-CO ₂)					
Japan	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
CF ₄	2.9	1.7	2.5	2.7	0.1
C ₂ F ₆	13.9	3.8	4.7	4.7	0.0
SF ₆	3.7	2.8	4.3	4.4	0.1
Liquid PFC (C ₆ F ₁₄)	9.2	0.6	1.6	2.9	1.3
Other (C ₄ F ₈ , CHF ₃ , etc.)	2.5	1.0	1.3	1.5	0.1
Total	32.1	10.0	14.5	16.2	1.7

•Overseas = 0

Hazardous Chemical Substances					
•Hazardous Chemical Substance Use (Targeted for prohibition; unit: tons)					
Japan	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
HCFC-225	19.2	0.0	0.0	0.0	0.0
Cellosolve	73.4	8.1	3.4	0.0	-3.4
Methylene chloride	91.4	0.0	0.0	0.0	0.0
Beryllium sulfate	0.0036	0.00015	0.0	0.0	0.0
Other	3.0	0.2	0.0	0.0	0.0
Total	187.0	8.4	3.4	0.0	-3.4

Completely eliminated in Japan in FY2003

Overseas	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
HCFC-225	—	0.0	0.0	0.0	0.0
Cellosolve	—	0.9	0.0	0.0	0.0
Methylene chloride	—	0.0	0.0	0.0	0.0
Beryllium sulfate	—	0.0058	0.0003	0.0062	0.006
Other	—	0.0	0.018	0.000	-0.018
Total	—	0.9	0.018	0.006	-0.012

Overseas, we are technologically able to eliminate completely, except for beryllium sulfate

Water					
•Water Use (Unit: 1,000m ³)					
Japan	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
	7607	8408	8808	8983	175
Overseas	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
	—	—	3850	3479	-371

Industrial Waste					
•Total Waste Generation (Unit: tons)					
Japan	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
Total amount	14,111	14,695	19,472	19,591	119

•Waste Disposed of (Unit: tons)					
Japan	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
Industrial waste					
Sludge	1,865	743	877	638	-239
Oil waste	997	12	0	0	0
Acid	382	41	0	0	0
Alkali	509	84	0	0	0
Plastics	2,242	60	14	0	-14
Wood scraps	90	3	2	0	-2
Metals	243	3	0	0	0
Glass and ceramics	298	7	1	0	-1
Other	58	13	3	0	-3
General waste					
Combustible waste	1,480	241	168	140	-28
Plastics	223	9	0	0	0
Incombustible waste	263	4	0	0	0
Other	411	115	68	45	-23
Total	9,061	1,335	1,132	823	-309

•Waste Recycled (Unit: tons)					
Japan	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
Industrial waste					
Sludge	2,010	2,902	3,891	3,460	-431
Oil waste	793	2,579	3,433	3,656	223
Acid	0	564	749	822	73
Alkali	0	895	1,900	2,259	358
Plastics	499	2,401	3,139	3,237	99
Wood scraps	73	140	156	197	41
Metals	213	1,630	2,307	2,207	-100
Glass and ceramics	1	176	172	196	24
Other	27	55	700	613	-87
General waste					
Confidential documents	303	456	511	527	16
Used paper, magazines, newspaper, cardboard, etc.	828	1,208	1,026	1,213	186
Plastics	45	1	0	13	13
Metal scraps	258	0	0	1	1
Raw refuse	0	76	102	104	2
Other	-	277	253	264	11
Total	5,050	13,360	18,340	18,768	428

Amount of valuable resources in FY2003: 922 tons

•Amount Sent to Landfill (Unit: tons)				
Japan	FY2002	FY2003	Increase/ decrease over FY2002	
Amount sent to landfill (assessed from FY2002)	890	751	-139	

•Total Waste Generation (Unit: tons)					
Overseas	FY1997 (base year)	FY2001	FY2002	FY2003	Increase/ decrease over FY2002
Total amount	—	21,055	22,683	22,263	-420

•Waste Disposed Of (Unit: tons)					
Overseas	FY2001	FY2002	FY2003	Increase/ decrease over FY2002	
Industrial waste					
Sludge	—	442	447	4	
Oil waste	—	3,646	777	-2,870	
Acid	—	9	12	3	
Alkali	—	0	1	1	
Plastics	—	127	17	-110	
Wood scraps	—	17	0	-17	
Metals	—	3	7	5	
Glass and ceramics	—	43	23	-20	
Other	—	34	34	0	
General waste					
Combustible waste	—	432	435	3	
Raw refuse	—	47	72	26	
Total	5,693	4,800	1,825	-2,976	

Breakdown is recorded from FY2002

•Waste Recycled (Unit: tons)					
Overseas	FY2001	FY2002	FY2003	Increase/ decrease over FY2002	
Industrial waste					
Sludge	—	639	799	160	
Oil	—	1,849	4,015	2,166	
Acid	—	98	92	-6	
Alkali	—	72	2	-70	
Plastics	—	2,490	2,921	431	
Wood scraps	—	756	883	127	
Metals	—	6,097	4,550	-1,547	
Glass and ceramics	—	461	434	-27	
Other	—	1,452	502	-949	
General waste					
Confidential documents, used paper, magazines, newspaper, cardboard, etc.	—	3,561	5,181	1,620	
Raw refuse	—	409	1,059	650	
Total	15,362	17,883	20,438	2,555	

Amount of valuable resources in FY2003: 11,052 tons

•Amount Sent to Landfill (Unit: tons)				
Overseas	FY2002	FY2003	Increase/ decrease over FY2002	
Amount sent to landfill (assessed from FY2003)		1,067	—	

ISO 14001 Certification List

Certified operations		Date of certification	Certifying organization
Japan			
Manufacturing industry	BS Operations Division	1996.12.26	JQA
	Imaging and Information Products Operations Division	1997.2.26	JQA
	Optical Products Operations Division	1997.7.19	BVQI
	Semiconductor Operations Division	1997.9.27	BVQI
	MD/TFT Operations Division *1	1997.11.1	BVQI
	Quartz Device Operations Division	1997.11.7	BVQI
	Watch Operations Division	1998.1.11	BVQI
	Visual Instruments Operations Division	1998.1.19	BVQI
	Head Office *3	1999.4.3	BVQI
	[FA Equipment Division] *2	N	Consolidated into Head Office
	Group companies/affiliates		
	Seiko Lens Service Center Co., Ltd.	1998.4.13	BVQI
	Tohoku Epson Corporation	1998.4.18	BVQI
	Seiko Epson Contact Lens Corporation	1998.12.29	BVQI
	[Injex Corporation] *4	2000.3.20	Renamed Atmix Corporation Suwa Plant
	Epson Mizube Corporation	2000.4.21	BVQI
	Akita Orient Seimitsu Co., Ltd.	2001.3.11	BVQI
	Atmix Corporation *5	2004.3.31	BVQI
	Hino Office	2001.2.11	BVQI
Non-manufacturing industry	Group companies/affiliates		
	Epson Service Corporation *3	1999.1.15	BVQI
	Epson Sales Japan Corporation	1999.4.8	BVQI
	Epson OA Supply Corporation	1999.12.22	BVQI
	Epson Logistics Corporation *3	2000.2.26	BVQI
	A.I. Soft, Inc.	2000.11.26	BVQI
	Epson Software Development Laboratory, Inc.	2000.12.23	BVQI
	Epson Direct Corporation	2001.2.15	BVQI
	Overseas		
	Asia/Oceania		
Manufacturing industry	P.T. Epson Batam	1997.11.25	BVQI
	Singapore Epson Industrial Pte. Ltd.	1999.1.12	SGS/BVQI
	P.T. Indonesia Epson Industry	1999.3.26	BVQI
	Epson Precision (Johor) Sdn. Bhd.	1999.3.26	BVQI
	Po Shen Industrial Factory	1999.4.22	SSCC
	Epson Precision (Malaysia) Sdn. Bhd.	1999.4.29	SIRIM
	Suzhou Epson Co., Ltd.	1999.6.28	CCEMS
	Tianjin Epson Co., Ltd.	1999.8.8	Chinese Research Academy of Environmental Sciences

Notes:

*1 Display Operations Division reorganized into TFT Operations Division and MD Operations Division on April 1, 2004.

*2 Consolidated with the Head Office in December, 2002.

*3 Manufacturing/non-manufacturing categorization changed in FY2003.

*4 Injex Corporation and Atmix Corporation merged in July, 2003, with Injex becoming Atmix's Suwa Plant.

*5 Following an extended assessment of Atmix's Suwa Plant in March 2004, Atmix Corporation's Head Office Plant was certified as Atmix Corporation.

Certified operations		Date of certification	Certifying organization
Manufacturing industry	Epson Precision (Philippines) Inc.	2000.2.21	T+V
	Fu Shun Industrial Factory	2000.3.26	SZEC
	Epson Engineering (Shenzhen) Ltd.	2000.4.19	SZEC
	E&G Hong Kong Ltd. / E&G Electronic (Shenzhen) Ltd.	2000.6.26	CCEMS
	Shanghai Epson Magnetics Co., Ltd.	2000.7.2	EIQA
	Fujian Epson Start Electronic Co., Ltd.	2001.2.20	CEPREI
	Europe		
	Epson Telford Ltd.	1995.11.28	Lloyd's
	Americas		
	Epson Portland Inc.	1998.6.9	UL
	Epson El Paso, Inc. /Epson de Juarez, S.A. de C.V.	1999.3.11	PJR
	Epson Paulista Limitada	2000.2.2	ABS
	Asia/Oceania		
	Epson Precision (Hong Kong) Ltd. *3	1999.9.27	BVQI
	Epson Taiwan Technology & Trading Ltd.	1999.10.5	DNV
	Epson Hong Kong Ltd.	2000.2.17	BVQI
	Epson Singapore Pte. Ltd.	2000.3.1	PSB
	Shanghai Epson Electronics Co., Ltd.	2000.9.11	CCEMS
	Epson (China) Co., Ltd. /Seiko Epson Corp. Beijing Representative Office	2000.9.25	CCEMS
	Epson (Shanghai) Information Equipment Co., Ltd.	2000.9.5	CCEMS
	Beijing Epson Electronics Co., Ltd.	2000.9.25	CCEMS
	Epson Korea Co., Ltd.	2000.9.30	BVQI
Non-manufacturing industry	Seiko Epson Corporation Korea Office	2001.3.22	BVQI
	Epson Trading (Malaysia) Sdn. Bhd.	2001.3.31	International Ltd.
	Epson Australia Pty. Ltd.	2001.5.25	QAS
	Epson (Beijing) Technology Service Co., Ltd.	2001.11.4	CCCI
	Europe		
	Epson Engineering Europe S.A.	1999.12.10	BVQI
	Epson Europe B.V.	2001.3.20	BVQI
	¥ Epson Europe Electronics GmbH		
	¥ Epson Portugal-Informatica, S.A.		
	¥ Epson Italia S.p.A.		
	¥ Epson Iberica, S.A.		
	¥ Epson France S.A.		
	¥ Epson Deutschland GmbH		
	¥ Epson (U.K.) Ltd.		
	Americas		
	Epson America, Inc.	2000.11.10	QMI/NSF-ISR
	Epson Electronics America, Inc.	2001.3.7	BVQI
	Epson Research and Development, Inc.	2001.3.8	BVQI

Environmental Awards

Major awards listed below

Date	Recognition	Sponsor	Recipient
April 2003	Ecology Division Prize • 2003 Nikkei BP Technology Awards	Nikkei Business Publications, Inc.	Seiko Epson Corp. for inkjet technology applicable to organic EL plasma display and semiconductor circuit wiring
April 2003	Gold • Printer and Scanner Category, SuperBrand Awards [Photo 1]	Reader's Digest Asia	Epson Hong Kong Ltd.
April 2003	Gold • Printer and Scanner Category, SuperBrand Awards	Reader's Digest Asia	Epson Singapore Pte. Ltd.
April 2003	4th Environment for Tomorrow Award [Photo 2]	Asahi Shimbun	Seiko Epson Corp.
June 2003	First Economic Cycle Model Unit Environmentally Friendly Enterprise Award	Tianjin Environmental Protection Bureau	Tianjin Epson Co., Ltd.
June 2003	Best Supplier Award - Philips Supplier Day	Philips Japan Ltd.	Seiko Epson Corp.
June 2003	Third Prize - 6th Green Reporting Awards [Photo 3]	Toyo Keizai Inc., Green Reporting Forum	Seiko Epson Corp.
June 2003	Class A Enterprise in Environmental Conduct, Fuzhou City, Fujian Province	Fuzhou Environmental Protection Bureau	Fujian Epson Start Electronic Co., Ltd.
August 2003	First Prize - Electronic Manual Category • Japan Manual Contest 2003	Japan Technical Communicators Association	EPSON PM-740C Printer Setup Guide
August 2003	Third Prize - Industrial Equipment Category • Japan Manual Contest 2003	Japan Technical Communicators Association	EPSON PPPS-I User's Guide
August 2003	0Simple Is Best0 Final Judging Committee Special Award • Japan Manual Contest 2003	Japan Technical Communicators Association	EPSON PM-740C Printer Setup Guide
August 2003	Texas Forest Service Grant	Texas State Government	Epson El Paso, Inc./Epson de Juarez, S.A. de C.V.
August 2003	Champion standing, Quality Control Circle Convention in Malaysia	National Productivity Corp.	Epson Precision (Johor) Sdn. Bhd.
September 2003	Employment of Persons with Disabilities Good Practice Award (Hearing Impaired) [Photo 4]	Japan Organization for Employment of the Elderly and Persons with Disabilities (JEED)	Epson Mizube Corp.
October 2003	Product Design Category • Good Design Awards 2003	Japan Industrial Design Promotion Organization	0Seiko Fun Click0 close-range optical lens
October 2003	Universal Design Award, Product Design Category Special Award • Good Design Awards 2003	Japan Industrial Design Promotion Organization	SEIKO SUPER P-1 custom-made back surface progressive lens
November 2003	Award for 0Eco-conscious production process and electric/electronic equipment design0 • EcoHitech Award 2003 [Photo 5]	EcoQuali Consortium	Epson Italia S.p.A.
November 2003	Green Enterprise • Shenzhen Green Enterprise Certification [Photo 6]	City of Shenzhen	(PLANT-1) Po Shen Industrial Factory, (PLANT-2) Po Shun Industrial Factory, Fu Shun Industrial Factory
November 2003	National Energy Foundation Energy Efficiency Accreditation [Photo 7]	National Energy Foundation	Epson Telford Ltd.
December 2003	Award for TPM Excellence, First Category • 2003 PM Award [Photo 8]	Japan Institute of Plant Maintenance	(PLANT-2) Po Shun Industrial Factory
December 2003	FY2002 Machinery & Engineering Category • JIQA (quality assurance award) [Photo 9]	Economic Planning Unit Johor	Epson Precision (Johor) Sdn. Bhd.
December 2003	Green Power Partner	U.S. Environmental Protection Agency	Epson Portland Inc.
January 2004	Excellence Prize (Global Environmental Forum Director Prize) • 7th Environmental Report Awards	Global Environmental Forum	Seiko Epson Corp.
January 2004	PROFEPA Green Banner Award	Mexican Environmental Ministry	Epson El Paso, Inc./Epson de Juarez, S.A. de C.V.
February 2004	Natural Resources and Energy Agency Director-General Award for Factory Energy Management Excellence (Heat Division)	Ministry of Economy, Trade and Industry	Tohoku Epson Corp.
February 2004	Chubu Bureau of Economy, Trade and Industry Director's Award for Factory Energy Management Excellence (Electric Division)	Ministry of Economy, Trade and Industry	Matsushima Plant, Seiko Epson Corp.
February 2004	The Energy Conservation Center Award of Excellence for Energy Conservation in a Factory, Building, or Office	Ministry of Economy, Trade and Industry	Fujimi Plant, Seiko Epson Corp.
February 2004	Tohoku Bureau of Economy, Trade and Industry Director's Award for Factory Energy Management Excellence	Tohoku Bureau of Economy, Trade and Industry	Akita Orient Seimitsu Co., Ltd.
February 2004	National Reforestation Program (Forest Recovery Activities)	National Mexican Army	Epson El Paso, Inc./Epson de Juarez, S.A. de C.V.
February 2004	Social Contribution Award • 2003 DIF Program	Mexican Federal Government	Epson El Paso, Inc./Epson de Juarez, S.A. de C.V.
April 2004	Environmental Ministry Award • 13th Global Environment Awards	Fujisankei Communications Group, The Japan Industrial Journal	Seiko Epson Corp.
May 2004	Third Prize - 7th Green Reporting Awards	Toyo Keizai Inc., Green Reporting Forum	Seiko Epson Corp.

President Kusama Receives 2003 Akira Inoue EHS Award










In December 2003, President Saburo Kusama received the 2003 Akira Inoue EHS Award. The award is presented annually by Semiconductor Equipment and Materials International (SEMI) to recognize individuals in industry and academia for outstanding environmental, health and safety achievements in the semiconductor industry.

The Akira Inoue EHS Award was created in 2000 in honor of the late Akira Inoue, past president of Tokyo Electron Ltd. Explaining the reasons that Kusama was selected, Stanley T. Myers, president and CEO of SEMI, said, "Under Mr. Kusama's leadership, Epson has made resource conservation and environmental protection a core value of the company's operations. Mr. Kusama has shown that environment, health and safety can be strengthened, while simultaneously growing the business and manufacturing innovative products. He embodies the spirit of Mr. Inoue's commitment to the environment and we are pleased to honor him with this award."



Environmental & Social Activities Timeline

Corporate History

1940s 1950s	1942 Yamato Kogyo established in Suwa City, Nagano 1956 Seiko Marvel watch developed 1959 Suwa Seikosha Co., Ltd. established	
1960s	1964 Named official timer for Olympic Games in Tokyo, used Crystal Chronometer 951 portable quartz clock and printing timer 1968 Launched manufacturing site in Singapore 1968 EP-101 miniature printer released 【Photo 1】 1969 Commercialized Seiko Quartz 35SQ analog quartz watch 【Photo 2】	 
1970s	1974 Launched manufacturing sites in Hong Kong, Malaysia 1975 Launched direct sales site in U.S. 1975 Epson brand established 1975 Commercialized Vista Plax eyeglasses lens 1976 Released 32 kHz tuning fork-type crystal oscillator	
1980s	1980 Launched manufacturing site in Taiwan 1980 MP-80 computer printer released 【Photo 3】 1983 Launched manufacturing site in France 1983 Developed pocket-size LCD color television 1983 Epson Sales Japan Corp. established 1985 Seiko Epson Corporation founded 1985 Launched manufacturing sites in China, U.S. 1987 Launched manufacturing sites in U.K., Mexico 1988 Commercialized world's first watch with self-winding generator	
1989 Management Philosophy announced	1990 Regional headquarters in Europe established 1990 Began world's first mass production of rare-earth magnets	
1990s	1991 Launched manufacturing site in Indonesia 1993 Developed world's smallest robot, Monsieur, listed in <i>Guinness Book of World Records</i> 【Photo 4】 1994 Launched manufacturing site in Philippines	
	1994 Environmental Policy announced 1994 MJ-700V2C color inkjet printer (Epson Stylus Color) released globally 【Photo 5】 1994 ELP-3000 compact LCD projector developed 1996 Launched manufacturing site in Brazil 1998 Regional headquarters in China established 1998 Epson Stylus Color 800 used on Space Shuttle Discovery	
1999 Revised Management Philosophy		
1999 Revised Environmental Policy	1999 World's lowest energy-consuming GPS card developed	
2000s	2000 MC-9000 large-format printer (Stylus Pro9500) released 【Photo 6】 2001 PM-950C photo Machjet printer with world's highest resolution (2880 dpi) released 2001 New technology for digital camera printing unveiled: PRINT Image Matching	
	2002 Quality Philosophy announced 2002 50-inch rear projection monitor ELP-RM50W1 released 【Photo 7】 2002 PM-4000PX using next-generation PX ink technology released 2002 Next-generation high-definition Crystal Fine LCD for mobile devices developed 2003 Bluetooth-compatible Monsieur II-P micro-robot developed 2003 Seiko Epson Corporation listed on First Section of Tokyo Stock Exchange 2004 Epson and SANYO Electric Co., Ltd. reached agreement to merge LCD businesses	

Environmental Activities

1940s-1950s

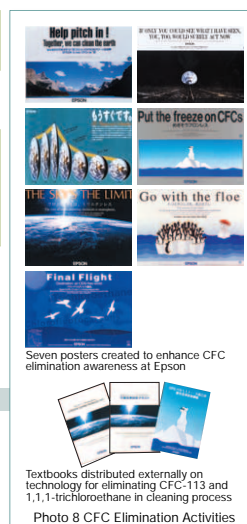
- Thorough wastewater processing conducted before drainage to Lake Suwa

1960s

- Activities to improve occupational health and safety implemented

1970s-1980s

- Introduced closed system for hazardous substances in wastewater processing in 1973
- Set stricter standards for contamination/pollution than government laws and regulations
- Introduced energy- and resource-saving facilities



1988 Environmental benchmark year

- 1988 Established CFC Phase-out Center
- 1988 Announced CFC-free policy, began CFC-free initiatives **【Photo 8】**
- 1991 CFC Phase-out Center reorganized as Environmental Affairs Office
- 1992 Began activities for complete elimination of 1,1,1-trichloroethane
- 1992 Established special committee for production of eco-products
- 1992 Completed elimination of specific CFCs from cleaning processes in domestic production
- 1993 Completed elimination of specific CFCs from all cleaning processes globally
- 1993 Achieved complete elimination of 1,1,1-trichloroethane
- 1993 Began activities for complete elimination of three chlorine-based organic solvents (trichloroethylene, methylene chloride and tetrachloroethylene)
- 1995 Environmental Affairs Office reorganized as Global Environmental Policy Office
- 1995 Began recovery/recycling in Japan of used toner cartridges

1997 Introduced new cogeneration system

1998 Second environmental benchmark year

- 1998 Established General Environmental Policy
- 1998 Group designated environmentally hazardous chemical substances and began elimination activities
- 1998 Established Epson Recycling Center, demo plant for used products in Japan
- 1998 Launched six cross-divisional expert committees (environmental products, green procurement, product recycling, energy savings, zero emissions and chemical substance control)
- 1998 Groundwater contamination studies begun at all business sites in Japan
- 1998 Began Groupwide green procurement
- 1999 Completed elimination of three chlorine-based organic solvents
- 1999 Began Groupwide Zero Emissions Level 1 activities
- 1999 Lead-Free Promotion Committee added to expert committees
- 1999 Began activities to eliminate lead from soldering
- 1999 Began recovery/recycling of printer ink cartridges in Japan
- 1999 Groundwater contamination levels and cleanup policies announced for each plant; began cleanup activities
- 1999 Began recovery/recycling of used products in Europe
- 2001 Major manufacturing/non-manufacturing sites in Japan/overseas obtained ISO 14001 certification
- 2001 Implemented Epson Ecology Label program
- 2001 Accidental release of oxidizing agent outside of premises occurred at Shiojiri Plant during groundwater purification process
- 2001 Operations divisions implemented reduction process for chemical substances based on Chemical Substance Hazard Evaluation Guidelines
- 2001 Began recovery/recycling of used products in Taiwan
- 2001 State-of-the-art energy-saving plant built in Toyoshina Plant
- 2001 Epson Portland Inc. (U.S.A.) received Green Permit for its green management system
- 2002 Global Environmental Policy Office and Safety Promotion Department merged to become Global Environmental & Safety Policy Office
- 2002 Imposed stricter restrictions on use of chemical substances in products
- 2002 Epson El Paso Inc. (U.S.A.) and Epson de Juarez, S.A. de C.V. (Mexico) obtained Green Industry Certification **【Photo 9】**
- 2002 19 plants in Japan achieved Zero Emissions Level 1
- 2003 Epson Service Corporation introduced environmental delivery package at all sites and began full-scale Customer Zero Emissions activities
- 2003 Began recovery/recycling of used products in U.S.
- 2003 Seven expert committees reorganized into Environmental Products Committee and Green Factory Committee
- 2004 Acquired EcoLeaf ecology label's System Certification, first in the projector industry
- 2004 12 overseas manufacturing plants achieved Zero Emissions Level 1

Social Activities

1963 Set Occupational Health and Safety Committee regulations

1983 Established Mizube Sagyosho (current Epson Mizube Corp.) to promote employment of disabled

1990 Introduced nursing leave system
1990 Set rating standards for merit-based evaluation/salary system
1990 Introduced personnel rotation system, dubbed in-house open application
1990 Established Epson Foundation (Hong Kong)
1991 Epson Telford Ltd. (U.K.) became first in Group to obtain ISO 9000s certification

1991 Introduced childcare leave system
1991 Opened counseling office

1992 Established Saito Kinen Foundation in Japan (Epson is a leading contributor)
1992 Computer Peripherals Operations Division (currently System Device Operations Division) obtained Epson's first ISO 9000s certification in Japan

1993 Set HR Development Philosophy
1993 Introduced volunteer leave and rehabilitation leave for disabled

1997 Established Epson International Educational Foundation (Japan)

1998 Set global communications standards

1999 Established Korean Epson Young People's Educational Foundation (Korea)
1999 Established Epson Iberia Foundation (Spain)
1999 Issued first *Environmental Report* **【Photo 10】**

2000 Began three-year tree-planting program in Kalimantan, Indonesia
2001 Groupwide code of conduct released for all employees in Japan

2001 Groupwide Safety and Health Philosophy announced
2001 New Epson Safety Program (NESP) began

2002 Introduced career development Job Challenge System

2003 Obtained Occupational Safety and Health Management System (OSHMS) certification from Japan Industrial Safety and Health Association (JISHA)
2003 Issued *Sustainability Report 2003*, combining overviews of environmental and social activities **【Photo 11】**
2003 New Valuable Leadership Initiative established
2004 Corporate Citizenship Activity Policy established



Photo 10 1999



2000



2001



2002



Photo 11 2003



2004

Recognition and Awards

Names of awards/organizations are the names at the time.

Category

- : Business site expansion
- : Technology, product development, products
- : Environmental management
- : Elimination of CFCs, chlorine-based organic solvents
- : Eco-products, recycling
- : Production process
- : Soil and groundwater purification
- : HR, employment, ethics
- : Corporation citizenship
- : Foundations
- : Quality control
- : Occupational health and safety
- : Environmental reports and other reports



Photo 12

1991 Seiko Epson Corp.: Mecenat Award, 1st Japan Mecenat Award from Association for Corporate Support of the Arts

1992 Seiko Epson Corp.: Corporate Award, Stratospheric Ozone Protection Award from U.S. Environmental Protection Agency **【Photo 12】**

1993 Seiko Epson Corp.: Japan Industrial Journal Award, 2nd Global Environment Awards from Japan Industrial Journal **【Photo 13】**



Photo 13

1995 Epson Precision (Hong Kong) Ltd., Epson Hong Kong Ltd.: Corporate Award, Stratospheric Ozone Protection Award from U.S. Environmental Protection Agency

1997 Epson Portland Inc. (U.S.): Corporate Award, Stratospheric Ozone Protection Award from U.S. Environmental Protection Agency

1998 Seiko Epson Corp.: Minister of International Trade and Industry Award, 1st Ozone Layer Protection Award from Nikkan Kogyo Shimbun Ltd.

1999 Seiko Epson Corp.: Women and Minors Office Award, for corporations promoting equal employment, from Japan's Labor Ministry



Photo 14

2000 Seiko Epson Corp.: Japanese Labor Minister's Award of Excellence, Family-Friendly Corporation Award

2000 Seiko Epson Corp.: Japan Association for Employment of Persons with Disabilities Award

2000 Seiko Epson Corp.: FY2000 Human Resource Development Excellence Award from Japan Management Association

2000 Epson America Inc.: National Philanthropy Day Award for continued charity efforts

2001 Seiko Epson Corp.: Chairman's Award from Japan Industrial Safety and Health Association

2001 Seiko Epson Corp.: Minister of Economy, Trade and Industry Award, 10th Global Environment Awards from Japan Industrial Journal **【Photo 14】**

2001 Seiko Epson Corp.: Top award in Corporate Category and Environment Minister Award, Green Purchasing Grand Prize from Green Purchasing Network, supported by Japanese Ministry of Environment

2001 Seiko Epson Corp.: First Prize, 4th Green Reporting Award from Toyo Keizai Inc. **【Photo 15】**

2001 Seiko Epson Corp. Imaging & Information Products Operations Division: Winner in Large Business Division, Japan Quality Award from Japan Productivity Center for Socio-Economic Development **【Photo 16】**

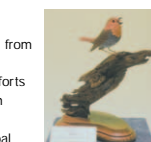


Photo 15

2002 Seiko Epson Corp.: 3rd Prize, 5th Green Reporting Awards from Toyo Keizai Inc.

2002 Seiko Epson Corp.: Corporate Innovation Recognition Award from U.S. Institute of Electrical and Electronics Engineers



Photo 16

2003 Seiko Epson Corp.: Excellence Prize, Environmental Report Awards from Global Environmental Forum, supported by Japanese Ministry of Environment

2003 Seiko Epson Corp.: 4th Environment for Tomorrow Award from Asahi Shimbun

2003 Seiko Epson Corp.: 3rd Prize, 6th Green Reporting Awards from Toyo Keizai Inc.

2004 Seiko Epson Corp.: President received 2003 Akira Inoue EHS Award from Semiconductor Equipment and Materials International (SEMI)

2004 Seiko Epson Corp.: Environmental Ministry Award, 13th Global Environment Awards from Japan Industrial Journal

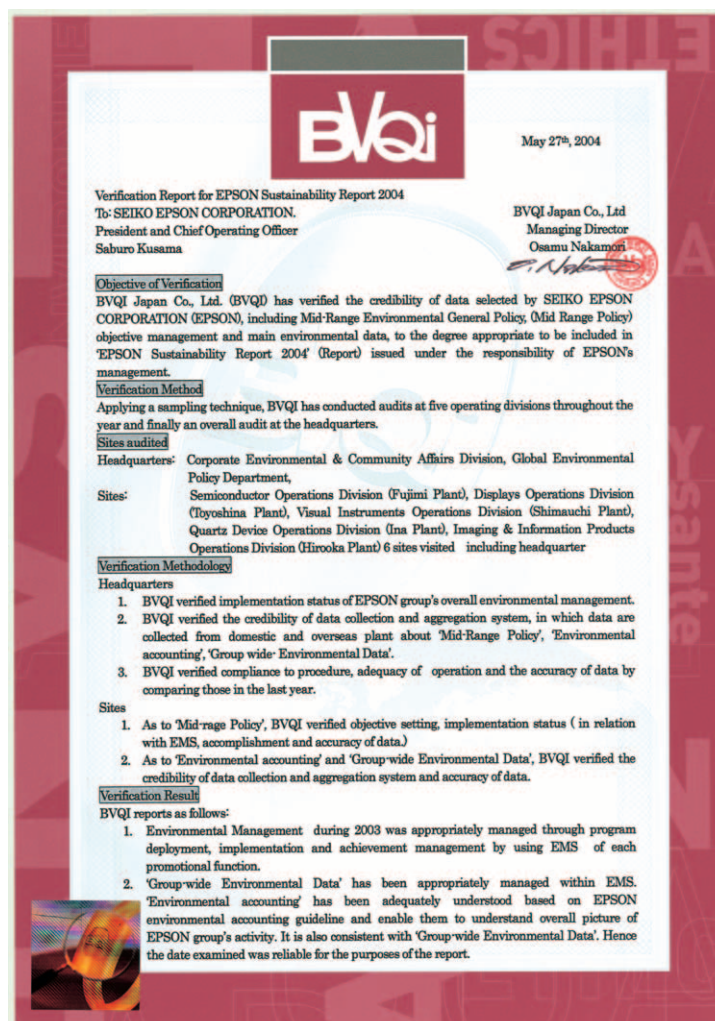
Independent Verification of Environmental Activities

BVQI conducted an independent verification of the Epson Group's environmental activities to ensure credibility and transparency of information disclosure and to provide results that can be used for further improvement of environmental management.

We requested that BVQI verify the credibility of our disclosed environmental accounting information and major environmental data, and the legitimacy of our environmental management (from the setting of objectives to actual deployment, in terms of progress measurement, and regarding the environmental management system and its accomplishments). Its comments will be incorporated into our efforts to enhance our future environmental activities and our sustainable business management.

For the year under review, we broadened the scope of verification to five business sites, focusing on the connection between environmental management and the activities of each promotional organization, together with the major environmental data of the promotional organizations and the Head Office.

A summary of BVQI's report and comments are presented in this section, to share with our stakeholders the results of the credibility verification and a third-party view of the Group's environmental management. We will present a follow-up report in the next issue of our *Sustainability Report*.



Reference View

Verification conducted at the five promotional functions made it possible for BVQI to conduct higher-quality verification as compared to last year. BVQI has concluded the following:

1. Good points

1) Positive responsive attitude to environmental issues
It was common to control quality (Q), cost (C), delivery (D), in the past. EPSON included (E), environment as part of Q, Q+E in the broad sense of quality. EPSON controls Q+E/C/D by wiping out old the mind set. For example, EPSON obtained the first "eco leaf" system certificate in the projector industry. Positively budgeted by research and development to achieve total amount energy reduction in 2010 and set Mid-term plan (Action 07 Mid-term Policy) newly started from the year 2004 etc. These actions are highly evaluated.

2) Response to issue raised in 2003

Three out of four issues raised in the 2003 report has been positively responded.

- Use of internal audit: objective was explained in senior manager meeting to improve by each promotional function.
- Communication with overseas plant; EPSON organized global and south East Asia region environmental meeting to exchange ideas and technical issues.
- Linkage of data collection and aggregation system; It was improved by modification of performance data system of environmental activity, and establishment of data collection system for energy conservation measures.
- Response to comment and request from customer; It is not sufficient to utilize them for the business

development although it is responded individually.

2. Issue

- 1) Mid-term Policy has been discussed and determined at the across-the-board environmental committee, and approved by the top management. Its progress has been reported to and managed by executive review by each promotional function. However, the evaluation of the result of the action taken by each promotional function and its usage are insufficient.
- 2) EPSON experienced deviation from the regulatory figure. Therefore, it is highly recommended to setup adequate self-control limit and reinforce control to avoid these from happening again.
- 3) BVQI has visited domestic sites only focusing main plant to verify data. It is, however recommended to cover overseas sites.

Corresponding Guidelines

Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2002) Corresponding Indicators

1. Vision and Strategy	
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Notes:

- This list is compiled based on our interpretation of the GRI guidelines
- The information collected was insufficient for reporting in the sections with a dash (—)
- *URL: <http://www.globalreporting.org/guidelines/2002/contents.asp>

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Co-Existence with Nature

About the design of our logo:

Epson's ecological spirit is rooted in our desire to co-exist with nature. The fish, flower and water in this logo represent the animals, plants and resources found in our natural environment.

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