

Sustainability Report 2006

April 2005 - March 2006



Technological innovation and the spirit of trust, sincerity, creativity and challenge; Epson has grown by providing values born from these concepts, and continues to grow as a company that surprises and moves people. At Epson, this is what sustainability is all about.

1942

Daiwa Kogyo Ltd. founded, commenced the manufacture of watches.



1964

Responsible for equipment development and time-keeping for the Tokyo Olympics, as a member of the Seiko Group.



1968

Introduced the EP-101, an advanced, lightweight mini-printer with low power consumption.



1969

Introduced the Seiko Quartz Astron 35SQ, the world's first analog quartz watch.



1985

Changed company name to Seiko Epson Corporation.



1994

Introduced the MJ-700V2C, the world's first 720 dpi color inkjet printer.



2005

Established "Exceed Your Vision" as a global tagline.

EPSON
EXCEED YOUR VISION

This tagline expresses the potential Epson offers customers to create something that exceeds their vision. We strive to offer products and services which exceed your expectations.

Editorial Policy

■ Reference Guidelines

- Environment Reporting Guidelines (2003) of the Ministry of the Environment
- GRI Sustainability Reporting Guidelines (2002) of the Global Reporting Initiative (GRI)

 Corresponding Guidelines
<http://www.epson.co.jp/e/community/sr/>

■ Period Covered

April 2005 to March 2006
*Contains information on some activities after March 2006.

■ Scope of Report


Seiko Epson Corporation and its 107 related companies (applicable subsidiaries with more than a 50% investment.)

This report on environmental performance covers Seiko Epson Corporation, 20 group companies/affiliates in Japan, and 42 overseas companies that have acquired ISO 14001 certification and in which Seiko Epson has greater than 50% ownership.

*Epson in the body of the text refers to Seiko Epson Group, and "our company" refers to Seiko Epson Corporation.

*Because the environmental burden produced depends on the nature of the activity of any given business organization (manufacturing, sales, services), the business category and location (region or country) has been indicated.

■ Icons used in the text

 Additional information is available on the "Sustainability Report 2006" page of the Seiko Epson website at <http://www.epson.co.jp/e/community/sr/>



This indicates a related article within this Sustainability Report.

■ Publishing History

Since publishing our Environmental Report in 1999, the report has been published every August. In 2003 the report was re-titled Sustainability Report and a social report was added.

■ Next Scheduled Publication

August 2007

Sustainability Report 2006

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Epson Annual Reports

Each year Epson publishes two reports on its complete corporate activities, an Annual Report (AR) and a Sustainability Report (SR). The AR and SR contain the following content:

AR2006 – Corporate vision, review of operations, financial statements (published July 2006)

SR2006 – Report on environmental and social performance

Corporate governance, compliance, and risk management are discussed in both reports.

[Inquires about the Sustainability Report 2006]
Trust-based Management Department, Seiko Epson Corporation,
3-3-5 Owa, Suwa-shi, Nagano-ken 392-8502 Japan

[Inquires about the Annual Report 2006]
IR Promotion Department, Seiko Epson Corporation,

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

Life with Epson, Life with Color

Creating ease of use

We listen to our customers and apply universal design in our product development to provide easy-to-use products.

P17-

Contributing more than products and services

Our employees communicate with and contribute to society in ways that are not confined to manufacturing.

P31-

Considering the global environment

We develop and manufacture environmentally-conscious products based on our principles of low energy consumption, low resource use, and elimination of harmful substances.

P37-



At Epson, we aim to give form and life to the many things that are important to you: the thoughts you want to convey, the memories you want to keep, and the ways you want to express your imagination.

At the heart of all our products and technologies, including our printers, personal computers, projectors, projection TVs, semiconductors, liquid crystal displays, and electronic devices such as crystal oscillators, is our desire to create still and moving images that make a lasting impression.

Our ongoing commitment to innovating new technologies continues to bring inspiration and color to each new day.

Message from Management

Returning to the fundamentals of trust, sincerity, creativity and challenge, everyone in our group will work together to promote CSR trust-based management – Creativity and Challenge 1000.



A Return to Basics

Epson's management philosophy provides the framework that helps us remain a progressive company trusted throughout the world, and we place trust-based management at the heart of all we do. Recently, there has been a growing worldwide awareness of the importance of CSR (Corporate Social Responsibility), and we believe the key to fulfilling our responsibilities in this respect is through the practice of trust-based management.

In September 2005, we held discussions with the various companies in our group to define and enact our principles of corporate behavior in nine areas including ethical behavior and respect for the law, protecting people, assets and information, generating value for customers, and respect for the natural environment.

It is my firm belief that we need to get back to the basics of our business. These principles of corporate behavior will put the basic practices of trust-based management that we have been carrying out into a more concrete form, creating the foundation for earning the enduring trust of all stakeholders. From here on, as we make these principles of corporate behavior the basis of our actions, we will continue to listen carefully to the voices of our stakeholders to gauge how closely our ideas of correct behavior match those of society, and we hope by continually reviewing our actions in this way to further build a more trusting relationship.

Our company is participating in the United Nations Global Compact, and we recognize that as a corporate citizen it is normal to deal with matters such as human rights, labor, the environment, and abolition of corruption that this compact puts forward as we strive to always act responsibly.

Epson's Responsibility and Awareness—Includes its Suppliers

As the world focuses its attention on the behavior of global corporations, CSR trust-based management must be applied to the entire supply chain.

During FY2005, in addition to the previous business requirements for our suppliers, we encouraged them to understand the concept of CSR Supply and incorporated requirements on the improvement of work environment and respect for human rights by developing activities that promote responsible behavior across the entire Epson supply chain. Especially in Asia, we are holding meetings to explain this approach to our suppliers and to educate CSR supply inspectors. Through these activities with our partner firms we hope to co-exist and prosper and continue to be a firm that is respected and trusted.

Realizing Economy by Pursuing Ecology

Today, protecting the earth's environment is an important element in realizing CSR trust-based management. Since our founding in 1942, Epson has been active in tackling environmental concerns, and we aim to continue to be a business leader on environmental issues.

In FY2006 we put in place our "Action 2010 General Environmental Policy," which covers the three important themes of preventing global warming, recycling and reducing the volume of resources used, and managing chemicals to decrease the environmental burden during the lifecycle of our products.

Here, we feel that ecology (programs to decrease environmental burdens) and economy (programs to cut costs) are directly linked, and the result is an improvement in our competitiveness. With this basic thinking, we have been pushing ahead at the management level with quantifying costs and environmental burdens. While building a system to obtain environmental information on chemical content and other aspects of all products and parts, we are also creating a system to provide environmental information on products in a timely manner.

In addition, we are putting our resources into the development of energy-saving products and creating a network to distribute products designed to be recycled.

Furthermore, as part of our responsibility as a manufacturer of products that use paper, we are supporting Shinshu University's reforestation project in China and forestation work by the Indonesian government. Programs of this kind that contribute to the society of a particular area, and an overall commitment to producing environmentally-conscious products, are important to environmental protection.

The Group Working as One

All the CSR trust-based management programs introduced here are put into practice by individuals in the 120 companies in our group. To earn the trust of all stakeholders and create value for our customers, it is important that all the individual employees of the various group companies throughout the world come together as one by sharing the same standards of judgment and values, starting with our management philosophy and principles of corporate behavior.

With "One Epson" as the motto of the whole group acting as one, we continue to spread the principles and actions of trust, sincerity, creativity, and challenge throughout the entire group. These principles and actions have been strenuously cultivated as Epson's common values since the company's establishment.

Respecting Individuality

While instilling these common values, I take very seriously the creation of a corporate climate where an individual employee of the group can fully demonstrate his or her abilities. For example, it may be that a person with a highly individualistic or idiosyncratic personality may be particularly innovative—but such a person might not be understood by others and could be neglected by the organization. I believe, however, that an organization that does not take notice of people like this will not be innovative.

I would like to create a dynamic corporate culture, where individual employees can work in a lively way and make full use of their abilities. This means going back to the basic principles of creativity and challenge, and I feel it is an important social responsibility of a corporation to take good care of its human resources.

"Creativity and Challenge 1000" —a New Leap Forward

In March, 2006, Epson announced a new mid-range business plan called "Creativity and Challenge 1000," which is now being implemented. Even as we acknowledge our recent disappointing performance and take note of the difficult climate we are operating in, we fully expect that our business will soon recover and begin to grow again. This new plan aims to promote management innovation by overhauling our business structure, and sets as its goal a consolidated ordinary profit of over 100 billion yen in FY2008.

To be certain of reaching this goal we will, as mentioned previously, strive to work together as a group, while respecting individuality as we follow the steps required to perform basic tasks well.

I hereby declare that Epson will continue to be a corporation that is trusted by stakeholders throughout the world, developing in harmony with society.

Please read our report and feel free to let us know your honest opinions.

Seiji Hanaoka
President and COO
Seiko Epson Corporation



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 Group-wide.)



Epson's management style is expressed in our management philosophy. It gives substance to our desire to be a progressive corporation that is trusted throughout the world, and it is consistently applied even when management conditions and social environments change.

In FY2005, elements of this management philosophy were reviewed in light of society's expectations, and refined and put into concrete form in the Principles of Corporate Behavior which were enacted in September 2005. Performing basic tasks well; the Principles of Corporate Behavior clearly indicate

what these basic tasks are to all employees, and are an important step in building a platform to realize trust-based management.

Also in FY2006, we started the mid-range business plan, Creativity and Challenge 1000. To ensure we reach this goal, all Epson members will work as one, fulfilling each policy and strategy.

Exceed Your Vision – Epson will continue to yield value that exceeds the expectations of its stakeholders.

Nine Principles of Corporate Behavior

In order for Epson to be trusted by all stakeholders* now and in the future, we will fulfill our social responsibilities and work independently based on the following principles that are deeply rooted in the trust-based management of our management philosophy.

*Stakeholders: All persons concerned (customers, stock holders and investors, local residents, business partners, NGOs/NPOs, employees etc.)

1. Acting ethically, building trust
2. Protecting people, assets, and information
3. Generating value for our customers
4. Creating safe, healthy, and fair workplaces
5. Fostering diverse values and teamwork
6. Co-creating trust with our business partners
7. Initiating honest dialog with our stakeholders
8. Prospering with the community
9. Preserving the natural environment

We at Epson are the subject of these principles.

This means that the principles grow directly from the corporation, and that each and every manager and employee of Epson should act according to these precepts.

 Principles of Corporate Behavior
<http://www.epson.co.jp/e/community/sr/>

The "Creativity and Challenge 1000" Mid-Range Business Plan

Main Points of the "Creativity and Challenge 1000" Mid-Range Business Plan



Epson Group Mid-Range Business Policies

1	Redefine and reinforce the business and product portfolios
2	Reorganize the device businesses
3	Streamline costs
4	Reform the governance system
5	Reform the corporate culture

Epson's Trust-Based Management

Basic stance of corporate governance

Epson's stance on corporate governance is embodied in its commitment to sustaining trust-based management. Along with its continuing efforts to improve corporate value, Epson has initiated a number of practices designed to reinforce management checks and balances and strengthen compliance to ensure highly transparent and sound management in the eyes of customers, shareholders, employees and other stakeholders.

Epson's auditing system is based around five statutory auditors. To ensure the independence of audits and increase transparency, three of the five members of the board of statutory auditors are external statutory auditors. To heighten audit effectiveness, statutory auditors attend sessions of the Corporate Strategy Council, the Corporate Management Meeting and important business meetings. Statutory auditors also regularly examine approvals by management as well as other important decision-making documents. In addition, by holding regular meetings with internal auditors, the independent public accountant and representative directors, the statutory auditors are able to directly assess the status of business operations. In April 2006, Epson conducted a review of its audit assistance staff system for the statutory auditors, resulting in the establishment of a new Audit Staff Office. This step has further clarified the independence of the statutory auditors, while enhancing the efficacy of the audits they conduct.

To ensure proper execution of its Creativity and Challenge 1000 mid-range business plan, Epson has also reassessed its management framework. To this end, while retaining the statutory auditor system the company has employed to date, Epson adopted a system of executive officers at its general meeting of shareholders in June 2006. Separating responsibility for decision-making and oversight from responsibility for operations permits Epson to pursue a business management style underpinned by faster decision-making. Accompanying these changes, Epson has reduced the number of directors from 17 to 10. Aside from promoting more vigorous debate at meetings of the board of directors, this change has led to a system better able to emphasize the checks required for conducting sound management. Directors' terms have also been reduced from two years to one, giving greater weight to yearly corporate performance, clarifying directors' accountability, and ensuring they can be better assessed on the results of the missions they have been assigned. While Epson currently has no outside directors, it is nonetheless investigating effective systems that employ such directors in a bid to further improve its corporate governance.

Epson also has an internal compliance system in place that is designed to prevent any potential legal or internal

regulatory violations within its operations. An internal audit section (audit office: 12 members) that reports directly to the president regularly audits operations, including those at Epson subsidiaries. The internal audit office evaluates the efficacy of governance processes, requests improvements where needed, and reports audit results to the president.

Epson has voluntarily established two committees responsible for the appointment and remuneration of directors. The Nominating Committee is responsible for setting nomination criteria and for selecting candidates. The Compensation Committee is charged with defining the parameters of the remuneration system and drafting policies governing directors' remuneration. These committees conduct extensive deliberations in their respective areas, ultimately presenting their conclusions for consideration by the board of directors.

Improving the Internal Control System

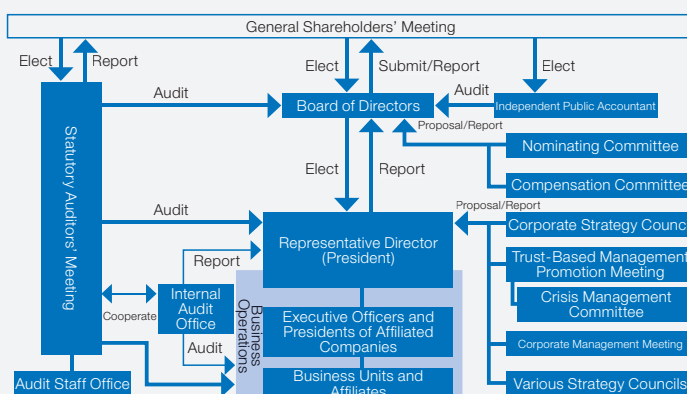
1. Business Execution System

Epson is developing an organization to further ensure the proper and efficient execution of business. The company has outlined lines of authority and accountability across the entire Group, drafting detailed regulations in this regard pertaining to each job description, the delegation of operational duties, and the management of affiliated companies. Affiliated companies in particular must receive prior approval from the parent company for certain actions, which they are then mandated to report. Affiliate actions meeting certain criteria will become agenda items for the parent company's board of directors, creating a system for carefully overseeing business operations.

At least once every three months, those responsible for business operations must report to the board of directors on the following items:

- Current business performance and the performance outlook
- Risk management
- Important matters concerning business operations

● Fig. 1 Diagram of Epson's Internal Control System



2. Safeguarding and Management of Work-Related Information

The safeguarding and management of business information is carried out in accordance with company regulations regarding document management, management approval, contract management and other relevant regulations. These and other documents are readily available for review by Epson directors and statutory auditors.

3. Compliance

Epson has drafted fundamental regulations that delineate its basic stance on compliance and also has a well-defined compliance structure. As further proof of its commitment to implementing trust-based management, Epson has established principles of corporate conduct, as well as a code of conduct for employees based on these principles. The president bears ultimate accountability for ensuring overall compliance at Epson, with executives (directors) in each consolidated business and operating field responsible for compliance-based management in their respective domains.

As part of its organization for promoting compliance, Epson has set up a variety of compliance counseling options, including an in-house compliance hotline for compliance-related counseling and reporting possible violations. Web-based seminars for employees are also one of Epson's in-house compliance education tools. A deliberative body for discussing compliance-related matters, under the supervision of the president, has also been established. Full-time statutory auditors are among the body's members, providing a system that enables auditors to confirm the status of Epson's compliance program. Furthermore, the president regularly reports to the board of directors on compliance-related issues, formulating appropriate measures as needed.

4. Risk Management

Epson has outlined fundamental regulations that form the basis of its system for risk management. These are accompanied by a well-defined risk management framework and detailed risk management procedures. Overall responsibility for risk management lies with the president, with executives each accountable for risk management in their respective consolidated business area or operational field.

A deliberative body has also been established under the president for discussing risk management issues. When major issues arise, the president is able to lead the entire company in mounting a swift first response, in line with Epson's predefined crisis management program. The president regularly reports to the board of directors risk management, formulating appropriate measures as needed.

5. Audit System

Statutory auditors, guided by company regulations concerning auditors and audit procedures, are authorized to demand hearings from directors and other key personnel whenever such are deemed necessary in the execution of their audit duties.

Statutory auditors are authorized to attend sessions of the Corporate Strategy Council, the Corporate Management Meeting and other important business meetings. Statutory auditors are thus in a position to conduct their audits with the same level of information as directors. Epson's statutory auditors also regularly review important documents regarding management decision-making.

Epson has established and assigned specialized personnel to an Audit Staff Office to assist the statutory auditors in their duties. The board of statutory auditors is consulted regarding transfer and evaluation for personnel assigned to this office. Statutory auditors also hold regular discussions with the internal audit office and independent public accountant in their commitment to enhancing the efficacy of their audits. In addition, by holding regular meetings with representative directors, the statutory auditors are able to directly assess the status of business operations.

Security

Epson protects the security of people and corporate assets (financial, material, intellectual, brand, data etc.) by carrying out careful management. We are also very sensitive to the rights of other parties concerning their assets and information. We have established internal security rules and have applied ourselves around the world to the task of ensuring corporate assets are not open to risk from outside the Company, and that we ourselves do not put them at risk.

With regard to establishing information security, we set out our Safe Management of Information Property Policy in July 2005, and each individual within our group recognizes the vital importance of information property. Everyone shares the requirement to ensure that there are no leaks and that information must be protected from the risk of interception or disaster. We have therefore strengthened our effective compliance and risk management policies. Also, in Japan where the personal information protection law came into effect in 2005, our company demonstrated a pro-active approach to the legislation, carrying out 34 personal information protection education courses, and working to educate 200 administrators and 600 supervisors.

In addition, we performed an internal audit using a PDCA cycle related to personal information protection, carrying out follow up corrective audits to deal with matters that were deemed necessary, and implemented continuous improvements of the compliance program.

Renewing the system for promoting CSR

At Epson we believe that the most important work for the management of our entire group is to practice CSR Trust-based management, and to this end we renewed the system to promote CSR in April 2006.

At the director level, a new Trust-based Management Promotion Committee was formed, to speed up decision-making and activities to promote CSR using a top down approach.

The Trust-based Management Promotion Section—responsible for CSR promotion—was incorporated into the Business Strategy Office related to the management of the entire business, effectively integrating business development and CSR promotion. Within the Trust-based Management Promotion Section, compliance, CSR, and environment sections were set up to carry forward the practice of trust-based management.

Further, we have continued to communicate in detail with group companies in other regions throughout the world to have them participate in the decision-making process.

CSR activity: toward the realization of Creativity and Challenge 1000

At Epson we believe CSR means putting trust-based management into practice. That is, we think this is a basic practice that everyone in Epson, from senior management through all 90,000 employees, should recognize and apply to their work.

The practical themes of our CSR programs are the nine pillars that form the Principles of Corporate Behavior (enacted in September 2005). We have a two-pronged advancement strategy for putting them into practice, basic protective programs (observance of laws and morals) that Epson

considers to be normal corporate behavior and pro-active initiatives (contributing to social development through business activities) (Fig. 1).

With this in mind, in FY2005, we placed new emphasis on the implementation of basic principles. This was realized with concrete actions such taking a major step forward in grappling with the reality and improvement of human rights and labor, commencing the globalization of CSR supplies, upgrading the former General Environmental Policy as part of the Action 2010 General Environmental Policy, and reforming our governance system (June 2006).

To further strengthen our efforts in CSR, we would all like to work as one to establish CSR programs under the Creativity and Challenge 1000 mid-range business plan.

Especially in FY2006 we are planning to continually and thoroughly strengthen observance of our legal and moral obligations globally, and reinforce all aspects of our management.

● Fig. 1 CSR Matrix

Principles of Corporate Behavior	
	1 Acting ethically, building trust 2 Protecting people, assets, and information 3 Generating value for our customers 4 Creating safe, healthy, and fair workplaces 5 Fostering diverse values and teamwork 6 Co-creating trust with our business partners 7 Initiating honest dialog with our stakeholders 8 Prospering with the community 9 Preserving the natural environment
Protective Compliance	
Pro-active Initiatives (delight, excitement) -Contributing to social development	



Peter David Pedersen
President,
E-Square Inc.

Spreading CSR in our daily activities

In February 2006, we invited Mr. Peter D. Pedersen, President of E-Square Inc., to talk with our Executive Vice President Toshio Kimura*¹ about what is required of a corporation from a CSR viewpoint. Mr. Pedersen spoke to us about this very important matter saying, "The environment surrounding business enterprises is constantly changing, so it is important to quickly and accurately understand the restrictions and barriers created by these changes."

We summarized the contents of this talk in the form of a booklet distributed to Epson employees, as well posting it on the company's internal information website. At the same time as we introduce the importance of CSR and Epson's aims, we strive to make our employees aware of the meaning of the Principles of Corporate Behavior and Code of Conduct.

*¹ Retired June 2006



Toshio Kimura
Executive Vice President,
Seiko Epson Corporation

Basic practices-activities in FY2005

■ Trust-based management in China

As part of the CSR movement in China, Epson (China) Co., Ltd. (China, Sales)—our regional headquarter in China—signed the CSR Beijing Declaration promoted by the Executive Committee of Foreign Investment Companies, in December 2005.

After becoming a signatory, an examination of the company's code of conduct was carried out, taking into consideration the culture and customs of the region within China. As a result, in April 2006, a Code of Conduct incorporating practical Q&A examples was brought into effect. It will be used by all relevant companies throughout the Chinese regions, together with initiatives to promote awareness of CSR and its practical application.

■ Analysis of the current situation and improvement based on SA8000

To improve and maintain a good working environment for our employees, we initiated the use of SA8000^{*2} standards for analyzing the current environment and listing up areas for improvement.

During FY2005 we asked for help from the ChuoAoyama PwC Sustainability Research Institute to analyze respect for hu-



Analyzing the current situation at Suzhou Epson Co., Ltd. (China/Manufacturing)



Signed CSR Beijing Declaration



Chinese edition of the Code of Conduct handbook.

man rights and working conditions using our company and an affiliated manufacturing company in Suzhou, China as models.

In FY2006 we will be making improvements based on this analysis, as well as deploying the same programs at other plants in order to create a management system that truly respects human rights, and appropriate work conditions for our main manufacturing operations, both in Japan and overseas.

^{*2} The standard for the protection of human rights and working conditions is set by the American non-profit organization SAI (Social Accountability International).

Field investigations are an important process as analysis of the work environment requires many factors to be taken into account, including the observance of local laws, maintenance conditions, local economy, and customs. Also, working conditions may include many practical problems, such as discrimination, which are difficult to verify on paper.



Ms. Takako Oishi
Honorary Researcher,
ChuoAoyama PwC
Sustainability Research
Institute Co.Ltd.

As we conduct more field investigations, we will use SA8000 and analysis results to rethink our management system and make ongoing improvements.

This action is a practical application of our business philosophy of trust-based management. It will be developed in many areas, and we are counting on it to be of significant use in improving our global work environment.

You and Epson





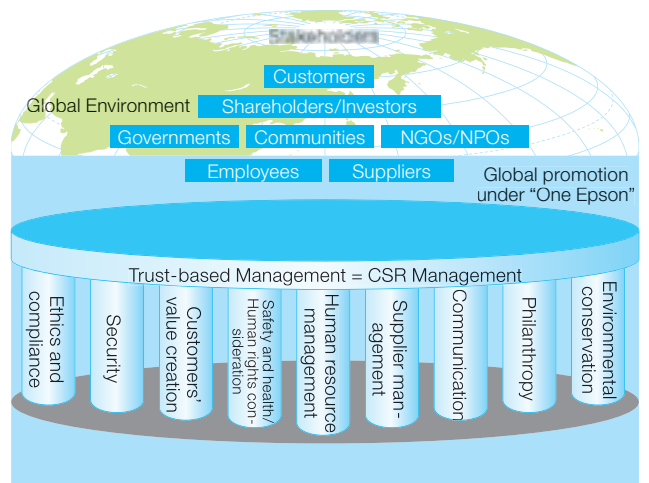
Epson Aqua Stadium (Japan)

Earning the enduring trust of all stakeholders

Epson develops its activities recognizing the importance of trusting relationships with our stakeholders. In other words, we put trust-based management into practice.

While prospering together with stakeholders, Epson will make every effort to achieve the goal of contributing to the building of a better society through all of our business activities based on our nine CSR pillars:

Epson's stakeholders and the nine pillars of CSR



Customers and Epson

At Epson, our biggest challenge is to fulfill our customers' needs through our products and services.

That is why we always give top priority to quality from the customer viewpoint, by monitoring not only our products but also our overall corporate activities in terms of quality, with each and every employee acting in consideration of customers.

Relationships with our Customers during FY2005

Sales of equipment for home use
(printers, projectors, and scanners)

Approx. **17,000,000** units

Technical inquiries to our
Information Center

Approx. **1,240,000** cases/year

Sales of equipment for business use
(printers, projectors, and scanners)

Approx. **1,100,000** units



We always aim to satisfy our customers in our day-to-day operations.



Nobuo Fujimatsu
Repair Service Division,
Epson Service Corporation

Many of the calls received at our repair center are complaints from customers who need repairs for their Epson products. The goal of our service is to turn these complaints into favorable impressions. Our repair services operate under the motto “One more time with Epson” in the belief that if we provide services from the customers’ point of view, we will more than satisfy them and make a good impression.



Eri Kuwahara
Information Division,
Epson Sales Japan Corporation

At the Information Center, we receive many technical inquiries every day, most of which are from customers who are calling us for the first time. I believe our mission is to listen to them and share their problems, then find a way to resolve them. We fulfill our responsibilities every day with the aim that by the end of their call they will leave with a good feeling about Epson—even if they first called because they were in trouble or to make a complaint.



Juliet Chen
Advisory Manager,
CS Department, Epson Taiwan Technology & Trading Ltd.

We always give customer satisfaction top priority. And we provide services beyond customers’ expectations with our originality and ingenuity, as well as teamwork. Also, we would like to quickly capture what they have in mind and build closer relationships with customers—just like close friends understand each other.



Misako Gibo
Sub-Manager,
VISION in Aoyama, Epson’s company store

Our goal is to create an environment in which the customers visiting us can create an image of using Epson products at home. We offer opportunities to try Epson’s high quality products and services by displaying products in a way customers can try them freely, providing various suggestions to help them meet their needs.

Developing products that truly satisfy customers



Analytical test for printers

For customer satisfaction

Epson's idea of quality goes beyond the individual product—it is the crystallization of all of our business activities, including the behavior of our employees and their personal approach to customer needs. Therefore, we give priority to integrating the customers' perspective into the quality assurance of our products and services.

All of Epson's corporate activities are customer-oriented, and we are advancing the creation of quality that fulfills customer satisfaction (CS). CS is achieved when our customers are satisfied with our products and services, and quality encompasses the entire process required to make that happen.

CS has various aspects: one is security, to satisfy our customers by ensuring the basic performance, safety, legal compliance, and eco-consciousness of our products. Others include CS from the delight at the meeting of their needs and CS from excitement by offering unexpected and pleasantly surprising experiences with our products and services. We are actively striving to achieve high value-added CS.

In order to create a universal quality called "One Epson," our Quality Philosophy was established in 2002, which has now been translated into 14 languages and is shared Group-wide.

 [Direction for CS/Quality Management](http://www.epson.co.jp/e/community/sr/)
<http://www.epson.co.jp/e/community/sr/>

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 our company as a whole, we devote ourselves to creating products and services that please our customers and earn their trust.

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 make the most of customer comments, both positive and negative, to design 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.

Quality assurance

Quality assurance system

Epson promotes the management of a uniform level of quality around the world. With a strong desire to practice quality assurance that meets international standards, we began working towards achieving ISO9001 certifications at business sites in Japan and overseas in 1990 and established an ISO9001 compliant quality assurance system.

The heads of operations divisions and group companies/affiliates in Japan and overseas lead the drive for quality management. Product quality assurance is based on the Group-wide Quality Assurance Guidelines and Product Safety Management Guidelines.

Epson set up a group-wide uniform quality standard—the Epson Quality Standard, or EQS—to ensure product safety and eco-consciousness, which implement stricter internal standards than local safety guidelines and legislation.

In addition to monthly CS Quality Assurance meetings in Japan, Epson holds a Worldwide CS meeting to achieve high-level, globally-uniform CS, and implements quality improvement activities by sharing information on cases over different regions.

One of the CS and quality improvement activities to realize

our quality philosophy is the global development of E-KAIZEN activities that value the personal initiative and effort of each employee's contribution to quality. E-KAIZEN activities include group-wide initiatives to improve day-to-day operations, presentations of best practices, holding of study groups, and recognition of those who make constructive proposals through a suggestion system. Through these initiatives, we aim to expand the sharing of best practices to other divisions and countries, to build a system for continuous improvement, leading to an important contribution to corporate performance.

From September to October 2005, Epson held best practice presentations in all regions with production sites, namely China, Southeast Asia, and the Americas. Also in November, more than 500 representatives worldwide came to Japan to participate in the worldwide conference to expand activities group-wide.

Our response to defects

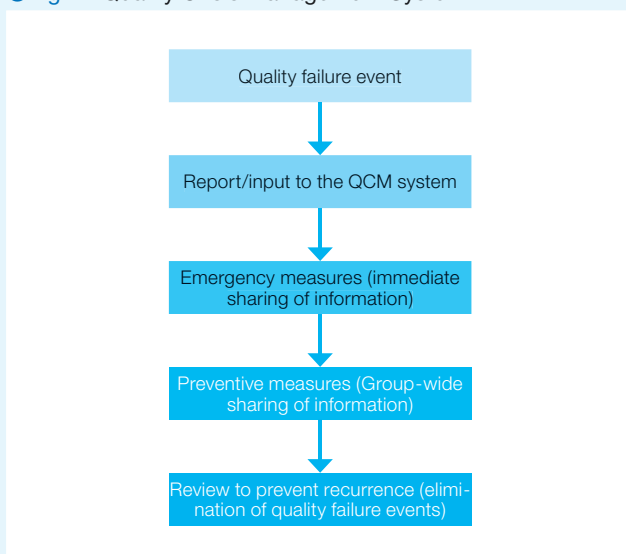
When Epson needs to inform customers of important precautions, defects, or safety measures concerning products on the market, we publish Important Notices on the Epson website while promptly providing relevant information to the media. In FY2005, there were no such notifications.

Epson has created a Quality Crisis Management system to promptly take appropriate measures in case a quality failure event occurs (Fig. 1). Under this system, information is communicated to management and related departments immediately after the event so that they can take prompt cooperative action. Interim and final reporting is shared via this system to be ready for possible accidents.

At the local level, Epson thoroughly implements crisis management to ensure global product quality and safety.

To further improve safety, Epson established product evaluation facilities in its Hirooka Plant (Japan/manufacturing) in FY2005, while upgrading existing facilities and introducing new evaluation procedures. We introduced research equipment for analyzing chemical substances emitted by our products and for conducting special safety tests. Utilizing these facilities will enable Epson to continue developing ever-safer products.

● Fig. 1 Quality Crisis Management System



Developing products that truly satisfy customers



Support provider at Customer Support Division

Promoting “Ease of Use”

Customer satisfaction is the top priority of all Epson products and services. What functions please customers? What conditions are best for users? What response is best in case of product failure? What do we do when the products are no longer needed? Epson provides “Ease of Use” in all stages of the product lifecycle.

■ E-UD (Epson Universal Design) Initiative

Progress in Ease of Use (PEU) is an initiative that Epson has supported company-wide since 1999 to incorporate usability enhancements into the product planning and design stages. Starting in FY2005, Epson strengthened these efforts with the aim of further improving the usability of all Epson products under the “E-UD” initiative. As well as visual and operational usability such as the choice of font and button size, universal design concepts were introduced to enhance the functionality, performance and ease-of-use of products from a user’s perspective.

In FY2005, Epson started to adopt Epson UD (Universal Design) fonts for all of its products. For the Epson UD font design to be used on the control panels of printers and other products, elderly testers took part in a usability assessment under an environment that included anticipated illumination levels.

We will continue the development of functional products right from the product planning stage to reflect customer comments and specific needs, as well as monitor survey results.

Major achievements in FY2005

■ TM-T70, thermal receipt printer for business use

The TM-T70, released in March 2006, is a receipt printer for use by specialized shops, restaurants, and rental shops. To improve usability based on the Universal Design concept, Epson conducted a comprehensive survey on the usage environments at the product planning stage and monitored assessments at the development stage.

First, to save counter space, the TM-T70 was designed to be compact enough to sit on a narrow shelf under the counter. Front-facing controls, including receipt outlet, paper cover, and power switch, enable the user to control all necessary operations—including paper feeding—from under the counter.

Second, to enhance its visibility and easy operation, the fonts and the lever function were improved. Testers helped determine the optimum size of the unique Epson UD font used on the switch panel. Also, research on the lever form and force required for paper feeding helped to further improve ease-of-use, enabling operation with one hand.

■ dreamio EMP-TWD1/ MovieMate 25, all-in-one projector

Launched in September 2005, the “dreamio EMP-TWD1” projector with built-in DVD player and speakers was developed as a result of market research that showed many customers wanted a projector to watch movies at home for personal entertainment.

Comprehensive testing by our in-house working group and demonstrations to the general public proved that a user-friendly projector should be easy to use even in a small room, be simple to connect and have limited peripheral equipment. This led to the development of a projector with a built-in DVD player and speakers that can be used anytime, anywhere, and by anyone. Simply turning it on and inserting a DVD quickly converts a room into a home theater.

Usability is enhanced by a “Break Button,” which pauses the movie and uses the screen to illuminate a dark room, and by optimizing the number, position and design of control buttons in relation to the frequency of use, to ensure easy operation in a darkened room.

Improved functions

- Small and compact
- High-speed printing: maximum of 200 mm/sec
- Improved water resistance with a connector cover
- Warning to replace paper roll before and at end of roll

Improved operability

- Front-facing controls
- Easy one-hand operation of open-close lever
- Three-step easy paper roll replacement
(1: open cover, 2: insert paper roll, 3. close cover)
- High visibility of fonts on the panel

Improved safety

- Auto-cutter storage function



TM-T70, thermal receipt printer for businesses

Anytime

- High luminance to project images in bright daylight
- Back-lit remote control for ease-of-use in a dark room
- Lighting function enables users to answer unexpected phone calls etc.

Anywhere

- Highly portable with integrated DVD and speakers
- Easy to optimize the screen to the projection environment using the side-to-side and up-down lens shift
- Built-in Direct Drive (DD) speaker provides a wide sound field with excellent audio reproduction
- Capable of projecting an 80-inch wide image just 2 meters from the screen

Anyone

- Easy operation without complex cable connections



dreamio EMP-TWD1/ MovieMate 25 projector with built-in DVD player

Customers and Epson

Developing products that truly satisfy customers

■ Epson Color

Released in 2005, Epson Color allows anyone to print and store sharp photographs. In addition to the usability of the printer itself, Epson considers easy printing and long-lasting image quality to be a part of usability in photo printing. Epson Color combines three technologies, “Photo Enhance,” “DURABrite Ultra Ink,” and “genuine photo paper” to keep customers’ valuable memories clear and sharp for a long time.

In the development of DURABrite Ultra Ink, Epson undertook comprehensive research on the handling of photographs after printing. DURABrite Ultra Ink was developed with the following aims: excellent water and sweat resistance when photos are picked up by hand, enhanced humidity resistance and dark storage stability when photos are stored without light in albums, and resistance against light and ozone when photos are displayed in frames or pinned up.

Epson’s photo technology aims at keeping valuable memories, facial features, and strong images just as clear as they were when they were captured, for a long time. Epson is continuing these initiatives through comprehensive R&D on inks, papers, and printers.

■ Product manuals and PR activities

The Customer Service Division and Product Development Division cooperate to promote improvements in the usability of manuals and PR activities.

To make our product manuals user-friendly, many departments within Epson participate in activities to improve our product manuals based on questionnaire results and feedback to Epson’s direct inquiries to customers on the usability of our products. For example, in response to comments we received, we revised our instructions for installing memory cards to make them easier to follow, and also created a user-friendly introductory guide that includes many illustrations and diagrams. A focus on usability of the information we provide in manuals enables us to condense instructions.

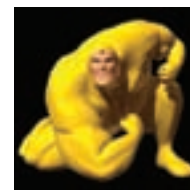
In our PR activities, we run numerous advertisements and campaigns for products to create opportunities through which Epson can communicate with as many customers as possible about their diversified needs. We are working to develop PR activities that will enable customers to learn about and understand products that cater to their needs, as well as communicate Epson’s corporate philosophies.

Photo Enhance

This printer automatically detects human faces from photographic data and performs automatic adjustment for skin tones. Photos with high contrast taken against the sun or under fluorescent lamps in a room can be automatically adjusted to give a more balanced tone.

DURABrite Ultra Ink

This ink protects photos from the ozone in the air and from light, which can cause color fading. If stored in albums, these beautiful colors can be kept for 200 years!



DURABrite Ultra Ink

Genuine photo paper

Genuine photo papers bring out the full advantages of the printer and of genuine inks. Various types of surfaces, such as high-gloss, gloss, and matte are available, catering to customers’ varied tastes and requirements.



Genuine photo paper

In the Japan Manual Contest 2005, our manual for the PM-A900/ Stylus Photo RX700 won 1st Prize in the Printed Manual category (home product category III), and 2nd Prize in the Electronic Manual category. We see these awards as recognition of our efforts to improve the ease-of-use of manuals.



Manual for the PM-A900/ Stylus Photo RX700, which won 1st prize in the Japan Manual Contest 2005



Introductory guide for the PM-A890/ Stylus Photo RX640

Customer comments and Epson's response

Each employee at Epson strives to help satisfy our customers' needs, and to maintain Epson's reputation as a trust-based company that provides reliable products. To improve the quality of our services in each region and business, Epson is developing initiatives in cooperation with group companies around the world.

From FY2005, departments in charge of development in Japan have participated in customer relation activities with Epson America, Inc. (U.S.A./manufacturing), to reflect customer comments in our product development.

■ Inquiries and help on Epson products

Epson's regional sales offices around the world have call centers to accept calls from customers and respond to their comments appropriately and quickly.

To help customers solve their problems and questions on their own, we are revising the contents of product manuals and our website to make them easier to understand. In Japan, we increased the number of product manuals that can be downloaded on our website, and revised the Frequently Asked Questions (FAQ) pages so that customers can easily search for the necessary information by product to find the answers they want.

Epson Taiwan Technology & Trading Ltd. (Taiwan/sales) successfully reduced the number of calls by 20% by developing an easy access system on the Internet for Epson product information, called "One-Click Service." Furthermore, the Customer Service Division and Product Development Division work together to reflect customers' comments in the development of user-friendly products.



Screen shot of One-Click Service

■ Products repair service

Epson Service Corporation accepts all products brought-in for repair and maintenance in Japan. To provide a "high quality and safe service," Epson tries to make quick, thoughtful responses so that customers can experience a value beyond what they expect from a repair service and will continue using Epson products in the future.

We also provide a "door-to-door service" to collect and deliver on the time and day customers specify, and an "express service" that aims to finish repairs in about one hour for products brought directly to a repair center.

To understand the reasons for customers' satisfaction and dissatisfaction, we renew and post their comments on a board within the center once a week so that all of our employees can check it. Relevant information received from customers is sent back to the various departments and sales companies so that they can use it to improve product performance and usability.



Repair work

Reference P48: Designing and testing packaging materials

■ External evaluation

Epson ranked first in the home printer section (Epson Service Corporation, Epson Sales Japan Corporation) and PC section (Epson Direct Corp.) in the 2005 After-Sales Service Ranking held by Nikkei Business Publications Inc. This is a comprehensive evaluation of responses by call centers, repair center counters, repair technology, and required time, collated from questionnaire results from customers who actually used the manufacturers' after-sales services.

Reference P35: Other communication activities

Our Business Partners and Epson

At the Epson Group, we strive to build good partnerships of mutual trust with our business partners worldwide, prosper with them and fulfill our corporate social responsibility based on the principles of fairness, coexistence, and co-prosperity. For this reason, we make regulatory compliance a prerequisite for becoming one of our business partners and ask our suppliers of parts and raw materials to meet the same strict standards that we apply to ourselves.



Relationships with Our Business Partners during FY2005

Number of Suppliers

Europe

20

Asia and Oceania

1,050

Japan

800

The Americas

50

CSR procurement initiatives with our business partners

Major activities in FY2005

Revision of Basic Procurement Policy and creation of Procurement Guidelines

In June 2005, Epson revised its Basic Procurement Policy to promote and strengthen CSR (Corporate Social Responsibility) efforts together with our business partners worldwide. Under the three pillars of “good partnerships,” “procurement compliant with regulations,” and “green procurement,” we aim to build mutual trust with suppliers and prosper with them.

Prior to this, we drew up our Procurement Guidelines in April 2005, which spell out specific requirements in 11 areas that suppliers must fulfill. These include compliance with legislation and social norms; protection of human rights, ethics, and employee safety and health; environmental conservation efforts; and customer-centric quality assurance.

In order to fully communicate this policy to suppliers, we held 18 briefings about our new procurement policy around the world and welcomed more than 2,800 people from 1,900 business partners. The policy and guidelines are also being communicated to employees at training courses and on other occasions.

Explanation for suppliers and auditing

The selection and evaluation of suppliers is carried out using a fair assessment with the view of fostering good partnerships. In FY2005, we reviewed our evaluations of suppliers and improvement activities, and promoted the application of uniform standards and evaluations for all suppliers around the world. Specifically, we revised evaluation items on our checklist, adding CSR items in line with our Procurement Guidelines, and established a system to conduct a series of activities including self-evaluation by suppliers, audits by Epson, and cooperative improvement activities on a regular and continuous basis.

In Japan, we completed supplier audits in March 2006 and are promoting cooperative improvement efforts. For overseas suppliers, we hold audit briefings with local affiliates to perform audits and improvement activities.

This evaluation system allows Epson not only to ensure its CSR procurement, but also to identify specific problems that have not been visible and develop cooperative actions that are difficult for suppliers to undertake independently.

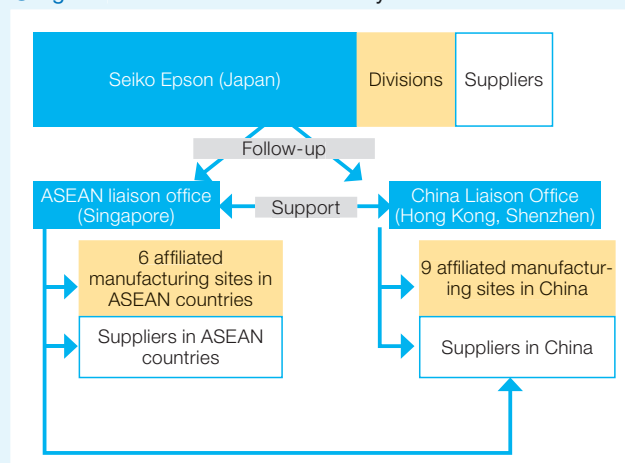
Audit system in ASEAN countries

In November 2005, we set up a CSR procurement base for the ASEAN region at Singapore Epson Industrial Pte. Ltd. (Singapore/manufacturing). Together with the existing procurement base in China operated by Epson Precision (Hong Kong) Ltd. (Hong Kong/ manufacturing) and the base in Japan, we now have a three-axis global CSR procurement system for production materials.

Fostering local auditors and the understanding and cooperation of suppliers are essential for an effective and speedy CSR audit of suppliers. Up to March 2006, 159 people from affiliates in ASEAN countries undertook our CSR procurement audit training, while 590 people from 346 companies attended seminars for local suppliers.

The three CSR bases in ASEAN countries, China, and Japan will further cooperate and support each other, aiming to promote CSR procurement of a uniform and high level under the One Epson Approach.

Fig. 1 CSR Procurement Audit System



Our Employees and Epson

Our employees are essential for Epson to grow and provide products and services to our customers. Corporate value depends on our employees' ideas and actions, which embody their abilities and vitality. Epson encourages each and every employee to be self-directed and to continue to grow, while establishing an environment where they can exhibit their originality so that they will be a driving force for our corporate activities.

Number of employees worldwide **90,701**

Number of employees by region

Europe **2,575**

Asia and Oceania **60,223**

Japan **23,522**

The Americas **4,381**

As of March 31, 2006



We fulfill our daily responsibilities at Epson, our field of self-realization



As I have spent many years working in the Manufacturing Division since I joined Epson, I can understand what employees at our site feel, and I talk to them if they seem worried at work. If they make mistakes, I always try to guide them in the right direction by giving advice about what they had in mind before acting, instead of just focusing on the mistake. I think I carry a heavy responsibility, as the quality of employees directly affects corporate quality.

Sugumaran Damodaran
Assistant Senior Manager, Manufacturing Division,
Epson Precision (Malaysia) Sdn. Bhd.



I took paternity leave when I had my second child. My father used to get home early from work and I took this for granted when I was a child. I believe fathers should share the task of parenting. Therefore, I set a goal of taking paternity leave even though the term was quite short. Actually I took leave for about 3 months. During my paternity leave, I had time to reflect on myself, a valuable experience during a long career. I would like to express my sincere appreciation to my managers and colleagues for their understanding and cooperation in trying to create an environment in which every employee can feel free to enjoy parenting leave.

Mitsuhiro Tokoo
Manager, Sales Promotion Division,
A.I. Soft, Inc.



Goal setting by employees and evaluation of results achieved based on the goal management system provides opportunities to review ways of working and to upgrade skills. I'm committed to making a continuous effort to achieve ever higher goals by raising the level of personal goals and ability development.

Makoto Shiohara
Head Office Administrative Division,
Seiko Epson Corporation



Participants at a Managerial Policy Meeting

Human Capital Vision and Epson Value

■ Human Capital Vision supports the achievement of our corporate vision

At Epson, employees have an essential role to play so that we can continue to work to provide value to our customers. With the conviction that each employee is an asset on loan from society and that they drive the growth of the company, we nurture individuality by promoting personal growth and greater self-reliance for each and every employee.

We revised the Code of Conduct for employees based on the corporate conduct guidelines formulated in September 2005, and a Q&A style booklet summarizing the obligation of employees was distributed to all employees. We are actively working to spread the Code of Conduct to all employees and enlighten them through on-site training and study sessions that cater to their business specialties.

In FY2004, we established our Human Capital Vision to be used as guidelines to help our employees grow as business professionals. This vision sets out necessary actions and attitudes for both employees and organizations to promote motivation in their work and provide deeper satisfaction to customers.

 [Human Capital Vision
http://www.epson.co.jp/e/community/sr/](http://www.epson.co.jp/e/community/sr/)

■ “Epson Value”-Epson’s unique value system

In step with the globalization of Epson’s operations, Epson’s employees are becoming further diversified, so that people with different capacities can work together, while at the same time it is becoming difficult to share Epson’s unique character.

As a result, we clarified the unique Epson values to be shared among employees as “Epson Value.” Epson Value consists of the Core Values of “Creativity and Challenge,” “Trust and Integrity,” “Epson S&A (Start Together & Achieve Together)” specifying how we should act, and “Guidelines for High-Value Leaders.”

In FY2005, we prepared the “Epson Values Book” and conducted the “One Epson Program” for employees in managerial positions in the Group. Nearly 800 participants took part in this one-and-a-half-day program, which reviews the history, core knowledge and common values at the heart of Epson. In Japan, we adopted an e-learning system to encourage people to acquire wide-ranging knowledge and put it into practice.

Through these efforts, we are creating a corporate environment in which employees facing challenges together apply these shared values.

Nondiscriminatory workplaces with improved working conditions

■ Formulation of Policy on Human Rights and Labor

Epson has developed global efforts to eliminate all types of discrimination in its human resource operations and unfair labor practices. In July 2004, we signed the United Nations Global Compact to clearly show our attitudes to the international community.

In September 2005, to consolidate the foundation for these activities, Epson set out its Policy on Human Rights and Labor, which is distributed within the Group in Japanese, English, and Chinese to keep every employee informed of our policies. This policy clearly defines respect for human rights, elimination of harassment and all types of discrimination, respect for regional culture and customs, a ban on child labor and forced labor, and the maintenance of good employee-employer relationships.

■ Supporting the development of the next generation

Based on the Law for Measures to Support the Development of the Next Generation, since April 2005 Epson has been promoting activities to support the development of the next generation. There is no benefit for either employees or the company if ability development returns to its starting point when employees have children and leave to take care of them. To create a working environment in which employees can continue to work while raising their children, Epson has created various systems, summarized below, and encourages its employees to make use of them (Table 1).

In FY2006, we will implement an action plan to make the system for supporting the development of the next generation more user-friendly. This includes creating workplaces where those systems are more accessible and tightening the rule of no-overtime days. To make the system easy to use by both

females and males, we will reinforce rules using the results of a questionnaire conducted in FY2005.

■ Reemployment system

In Japan, the Law for the Stabilization of Employment of the Aged was revised in April 2006. Epson, having made efforts on the reemployment of retired employees at the age of 60, reviewed the system and set up the “Iki-Iki (Lively) Course” for part-timers in April 2006. The system aims to assist retirees in leading fruitful lives after age 60 and handing down and utilizing the knowledge, experience, technologies, and expertise they have developed over their lifetimes.

The new system assists in the reemployment of employees who wish to continue to work after mandatory retirement age as part-timers, and at the same time meets company standards with in-house offers. We will also enrich career development consulting and reemployment support for elderly employees.

■ Labor union

Seiko Epson’s labor union calls employee-employer relationships as “links between employee-employer.” This represents our attitude to establish committees between management and the workforce to propose solutions for problems concerning employees’ working styles or labor conditions. In addition to the aforementioned support for the development of the next generation and reemployment, committees have been established to discuss wages, employee self-reliance promotion, prevention of long working hours, and overseas assignments, in which management and labor work together to solve any difficulties that arise.

In FY2005, we focused on mental health issues. We held meetings at all sites to deepen discussions on long working hours while also providing consultation. We integrated the counseling desks for power harassment or sexual harassment to make it more understandable and accessible to employees. The union also accepts anonymous calls.

The union’s unique social contribution activities are called “Happy Smile Activities,” which include donations, overseas aid, and fostering Kids’ ISO instructors.

● Table 1 Current systems to support child-care

System	No. of employees using the system in FY2005
Maternity leave	83
Child-care leave	77
Reduced working hours for employees raising children	145

Reference P32-33: Actions of Kids’ ISO 14000, Educational aid in Cambodia

Human resource (HR) development and education

Basic principles of HR development

Epson provides opportunities through which the company and individuals can revitalize themselves to realize effective HR development and education. Our approach is based on the idea that work nurtures employees and that employees must make efforts to nurture themselves.

In FY2005, we focused on awareness-building of management-level staff (section chiefs). Newly appointed managers were encouraged to transform their awareness and ways of working through a seven-day training program and other opportunities. We implement a management by objectives system for activities with clear targets based on our evaluation and salary system, as well as “career design” training to offer employees chances to consider their future careers at each turning point. To encourage the development of next generation managers, we also initiated strategic plans to review career-paths.

In addition, we are promoting projects that aim to define the required capabilities for business professionals, and professional fostering, such as mock interviews, in order to achieve the goal of “each employee becomes a business professional,” as specified in our Human Capital Vision. We plan to use these projects to foster the development and capabilities of employees.

Our approach to occupational safety and health

Epson operates its own occupational safety and health management program, the New EPSON Safety and Health Program, or NESP, which aims to maintain and improve a safe and healthy environment where employees can fully exercise their abilities. This program received renewed certification as an Occupational Safety and Health Management System (OSHMS) from the Japan Industrial Safety and Health Association (JISHA), and five of our affiliates newly received certification in May 2006.

The NESP management system aims at the overall improvement of a safe and healthy work environment, and its safety, health, fire prevention, and disaster prevention activities span the globe. The division in charge of safety consolidates the system for independent improvement activities by domestic offices, affiliates and overseas production subsidiaries in each country or region, and also provides support and evaluation of their general activities.

Accident-free and disaster-free workplaces

NESP activities also aim at eliminating accidents and disasters. With the steady progression of NESP activities group-wide, we are striving to upgrade our overall activities by collecting and sharing best practices and disseminating them throughout the whole group.

In addition, we created the NESP General Policy of Action07 to emphasize prohibitions on hazardous chemical substances and remove any hazards from facilities, as well as implement measures to eliminate human error. We also promote awareness among our employees using our own communication materials.

Graph 1 Trends in Occupational Accident Frequency



The frequency rate 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.

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

Declaration of safety by senior management

In FY2005, Epson's 16 most senior managers wrote a safety declaration on our safety flag in their own hand. Replicas of the flag were distributed to major sites and affiliates in Japan and overseas production companies to heighten awareness of safety. The words of the president, "Corporate Existence Depends on Safety" that were written on the flag have now become the Group-wide safety slogan.

The Safety and Health Manager (Executive Vice President) visited all sites in Japan to hold NESP top meetings aiming to further increase awareness of safety.



Flag showing the safety declaration written by top management

NESP Fair to heighten health and safety awareness

In November 2005, Epson held a three-day NESP fair in which and more than 1,000 employees participated.

The fair included an introduction to comprehensive NESP activities and the history of group-wide disaster-prevention efforts, an exhibition on chemical substance and machinery management, a health management exhibit providing blood checkups, and opportunities to try out protection equipment. The event was successful in fostering awareness and understanding of health and safety by providing the opportunity to experience and learn more about them.



NESP Fair

Developing measures based on the Basic Policy on Health Management

Having healthy employees that are able to work actively is an essential element of good corporate man-

agement. In April 2005, Epson formulated its Basic Policy on Health Management, stipulating the company's responsibility in considering employees' safety, employees' responsibility to be self-reliant in managing their health, as well as the responsibilities of the Occupational Health Department and the Health Insurance Association. We incorporated concrete measures and mid-term targets in Healthy Epson 21, and are actively promoting these efforts, including various health checks and follow-ups, Total Health Promotion Plan (THP) activities—mainly conducted by health promotion committee members elected from among employees—and collaborative measures to prevent long working hours by employees and management.

In addition, we continue to ensure the mental health of employees. Work stress analyses are conducted during regular health checkups. Based on the results, industrial physicians in concert with nurses or therapists deal with the cases as required. We are also developing preventive measures, such as self-care programs, to check employees' stress levels on the intranet and mandatory mental health education for employees in lower and middle management positions. The Health Insurance Association provides a telephone consultation service outside the company to assist employees in maintaining their mental health.

We set internal standards based on statutory health checkups for overseas business trips or assignments to determine if the employees are healthy enough to carry out the work and assume the responsibility. At the same time, employees are encouraged to be self-reliant in managing their health. We also give practical advice on maintaining health while overseas in various lectures on health, and provide local consultation services by industrial physicians and nurses.

Background and responses to accidents during FY2005

During FY2005, there were two accidents at Epson's overseas production sites. Below are the background and our responses. We sincerely apologize to our client companies and related persons for the trouble that these accidents have caused them.

■ Chlorine gas emission in China

On October 6, 2005, there was an accident that led to the emission of chlorine gas during the delivery of chemicals from a chemical supplier at Fu Shun Industrial Factory (China/manufacturing). The gas was generated when sulfuric acid was put into a sodium hypochlorite tank because of a misconnection. At the outbreak of the accident, about 900 people were evacuated from the area until we could resolve the situation, but unfortunately two people working for an external contractor required outpatient treatment. This accident was caused by various things, one of which was the similarity in feed openings for different chemicals. We took appropriate measures including those to prevent future human error.

■ Fire in Singapore

At 20:00, on October 21, 2005, a fire broke out after working hours in an old building within the Singapore Epson Industrial Pte. Ltd. (Singapore/ manufacturing) plant. Because general wastewater is recycled into drinking water in Singapore we did not spray water directly on the fire to extinguish it, to eliminate the possibility of water contamination with chemical substances. Instead we sprayed water around the buildings to prevent the spread of the fire and evacuated high pressure steel cylinders to a safe place. The fire was extinguished shortly after 22:00, after damaging a part of the building (about 4,000m²) and some machinery. Fortunately there was no environmental impact and no one was injured.

■ Our response to these accidents

Following these two accidents Epson's president ordered the whole group to undergo a comprehensive safety review. Following inspections at each site, confirmation audits were conducted in the presence of senior officials. The action manual used in the event of an emergency was also revised. To ensure that such accidents do not happen again, we are committed to improving and maintaining a safe working environment.

Society and Epson

Living Gallery
Concierge Counter

Epson can offer more than our products and services.

We always want people to have a better understanding of us and become even closer as a member of society.

Epson is always striving to deepen its relationship with society through social action programs and communication activities.

LIVING STATION
コンシェルジュ
& Concierge

Products &
Communication
Space



Endeavor

To achieve our aim of being more helpful to members of society, we are committed to better communication to share our goals.

Commitment



Epson is engaged in community-based social action programs in every part of the world.

Our activities are appreciated by the many people they touch, helping us to build good relationships with society, and demonstrate our uniqueness to a wider world.

In the future, we will move beyond passive approaches and discuss what we can do to contribute to society by planning and developing independent, strategic and unique activities with special care to fulfill our goal of being ever more trusted by society.

Tsuneo Chino
Responsible for global social contribution,
Seiko Epson Corporation

Sharing goals

Participating in the environmental education program, “Kids’ ISO 14000”



Four years have passed since Epson launched the Kids’ ISO 14000 program. Every time I read participants’ comments like “Although I am still young, my family and I can do something to help tackle the great challenge to protect the world’s environment. It was a difficult program, but very significant,” it reaffirms the importance of this project. I think this excellent program has helped participants to rediscover family ties that are said to be weakening, as well as to increase their awareness of the global environment, with the movement expanding into employees’ families and local elementary schools. I feel that continuing this program is very worthwhile indeed.

This program is a practical educational tool for children who will be major players in the next generation. Mindful of not making this program over-intrusive, we are committed to promoting this program in-house and throughout other regions in Japan, as well as providing as much support as possible for Epson’s overseas sites.

Yutaka Kawaguchi
Responsible for environmental social contribution,
Seiko Epson Corporation



For over six years, Kids’ ISO 14000 has become a Japan-originated global standard in the field of environmental education, and it is now being used extensively around the world. I would like to extend my sincere appreciation for the Seiko Epson labor union and management for their understanding of the importance of this project from the early stages, and continuously promoting this program in cooperation with ArTech.

I hope this will be a good model for other companies and local governments in promoting the program, leading to an international collaboration of children. Our ultimate goal is to build a network of children to help resolve various global challenges, such as the gap between rich and poor, human rights and conflicts, as well as environmental problems.

Takaya Kawabe
President and Director General
International Art & Technology Cooperation Organization (ArTech)



Briefing at a Kids’ ISO 14000 Program



The Kids’ ISO 14000 program can help children develop the ability to recognize problems and solve each one of them through environmental protection activities. As a teacher I face big challenges in giving guidance to children so that none of them are left behind, but in the end I can feel happy and extremely rewarded when I see the satisfaction in their eyes after completing the program. I am very grateful to Epson for their continued support, not only in the company but also in expanding the activities to local communities.

Eiji Shimizu
Teacher, Minowa Chubu municipal elementary school
Minowa town, Nagano prefecture

Basic policy for philanthropy and giving

To expand our Management Philosophy of being a progressive company that prospers with society, Epson established the Epson Philosophy for Philanthropy and Giving and the Epson Policy for Philanthropy and Giving in 2004. As a good corporate citizen we actively promote activities focusing on co-existence with society, while our employees are also striving to create a sustainable society as citizens.

Epson's Philosophy of Philanthropy and Giving focuses on the following five areas to develop community-based activities in the countries and regions in which we operate:

- Education for young people

- Arts and culture
- Participation in and support for community activities
- Environmental conservation
- Social welfare

In many of these activities, we place emphasis on giving our technological expertise back to society.

Our future challenges include the creation of an environment in which philanthropy and giving activities are more accessible to employees, such as promoting volunteer leave for improved communication with society.

Educational aid in Cambodia

In cooperation with the Shanti Volunteer Association (SVA), the Seiko Epson Labor Union provides educational aid for children in Cambodia through its social contribution fund. From FY2002 to FY2004, the union's funds have built three elementary schools: Tonle Neam Primary School in Kampot Province, Phum Kor Primary School in Kampong Chhnang Province, and Prey Tup Primary School in Kampong Thom Province.

Since FY2005, the union has donated Japanese picture books with sheets of translated text in Khmer pasted in, and union members traveled Cambodia to present these books to schools and spend time talking with the children.

For the next three years from FY2006, the union will focus on support to foster librarians and teachers at primary schools and on donations of picture books to help improve the educational environment in Cambodia.



Union members pose with schoolchildren in Cambodia

Tree-planting activities

Epson regards harmony with the global environment as an important task for our management, and has developed tree-planting activities in Indonesia, China, and other parts of the world.

Since FY2002, in cooperation with Shinshu University, we have been supporting R&D on the greening and recovery of wastelands in Inner Mongolia and Henan Province, China. The results of demonstration experiments on this greening recovery technology can then be applied to the greening of other wastelands.

Tree-planting activities in Kalimantan, Indonesia, entered its sixth year, and the mahogany trees planted in the first year have now grown to 7–8 meters high, forming a small forest. Research results show that durian is the most suitable fruit to plant as part of Agroforestry and this has raised expectations for our activities among local farmers.



Demonstration experiments for "breeding-block method" in Henan Province, China



Mahogany trees planted in the 1st year in Indonesia

Campaign to eliminate dengue fever

In October 2005, Epson Singapore Pte. Ltd. (Singapore/sales) participated in a campaign to eliminate the spread of dengue fever in Singapore. Utilizing our “epBUS,” usually a traveling classroom for digital imaging, the company distributed posters in local housing complexes with messages about how to eradicate dengue fever. More than 1,000 students from local elementary schools participated in the creation of this poster as Kids Ambassadors, and the posters were printed using Epson printers. We will further promote these social actions in response to local situations and needs.



Participants in dengue fever elimination campaign

Energy-saving patrol team

Epson has taken a leading role in the activities of the Suwa Area Energy-Saving Patrol Team by providing energy-saving consulting and advice to local companies in the Suwa area. In response to a request from the Nagano Prefectural Government, this patrol was re-formed in June 2005 as the Shinshu Energy-Saving Patrol Team to develop activities throughout Nagano Prefecture. By the end of FY2005, the patrol team had conducted 26 consultations, bringing the total to 71. It also held lectures on energy saving in summer and winter, aiming to heighten awareness of the prevention of global warming and reducing CO₂ emissions.



Consultations by Shinshu Energy-Saving Patrol Team

● Table 1 List of Social Actions in FY2005

Activities		City/area	Details	Company name
Education for Young People	June	Chongqing/China	Primary school built in Chongqing city	Epson (China) Co., Ltd.
	October	Johor Bahru/Malaysia	Lecture on environmental management system and ISO14001 at request of Universiti Teknologi Malaysia	Epson Precision (Johor) Sdn. Bhd.
	November	Bangkok/Thailand	Invited children in orphanage to Safari World in Bangkok to provide them with environmental education	Epson (Thailand) Co., Ltd.
	December	Ciudad Juarez/Mexico	Developed “Kids Explorer Activities” in collaboration with 18 local elementary schools	Epson de Juarez S.A. de C.V.
Arts and Culture	April	Matsumoto/Japan	Donation to Saito Kinen Festival Matsumoto	Head Office, Seiko Epson Corporation
	June	Shanghai/China	Hosted epSITE Shanghai “Flower in Mirror/Lens” Exhibition	Epson (China) Co., Ltd.
	November	Singapore	Hosted epSITE Singapore “From Arts to Eagles” Exhibition	Epson Singapore Pte. Ltd.
Participation in and Support for Community Activities	Year-round	Japan and overseas	Participation in local community cleanups	Plants and affiliates in and outside Japan
	September	Shiojiri/Japan	Seiko Epson women’s volleyball club hosted volleyball lessons (15 times in total)	Shiojiri Plant, Seiko Epson Corporation
	October	Suwa/Japan	Hosted assembly of precision parts section in the 43rd National Skills Competition	Head Office, Seiko Epson Corporation
Environmental Conservation	June	Portland/USA	Held event: “Earth Day: Collection of Electronic Equipment”	Epson Portland Inc.
	August	Hong Kong, Shenzhen/China	Jointly developed “Survey on Zhu Jiang Delta and Education Program” with WWF Hong Kong	Epson Hong Kong Ltd.
	October	Shenzhen/China	Cleanups of Dameisha beach and communication with a junior high school	E&G Electronic (Shenzhen) Ltd.
	October	Taipei/Taiwan	Tree planting in Zhongxin Plaza Park	Epson Taiwan Technology & Trading Ltd.
	November	Cabuyao/Philippines	The 1st Kids’ ISO14000 class was held, in which 128 children of employees participated	Epson Precision (Philippines) Inc.
Social Welfare	Year-round	Japan and overseas	Blood donation (1,200 people in Japan, 150 overseas)	Plants and affiliates in and outside Japan
	September	-	Relief money for the victims of Hurricane Katrina that hit southern part of the U.S.	Plants and affiliates in and outside Japan
	October	-	Relief money for the victims of an earthquake that hit northern Pakistan	Plants and affiliates in and outside Japan



In addition to displaying products, we hope to contribute to fulfilling lifestyles through our products—this is the basic concept of our company store, VISION in Aoyama, where customers can try out our products, and epSITE, Epson's digital imaging gallery.

Our basic approach to communication

Epson's goal for corporate communications is to achieve trust-based communication with our stakeholders around the world. To achieve this goal, accurate and truthful delivery of necessary information, quickly and appropriately, is essential. We hope to foster bidirectional communications by offering new suggestions that will provide color in people's lives.

In 1998, we established our Global Communications Standards, which are the philosophical basis for all our communications activities, and in 2004, our Ethics and Compliance Guidelines were formulated.

Our public relations activities focus on timely and adequate delivery of information about our activities and initiatives, even if the information is of a negative nature. In FY2005, we introduced the Epson Message Manual to implement a unified, group-wide approach to publicity activities with the media.

For the protection of personal data, we are committed to our Personal Data Protection Policy to ensure thorough protection of privacy.

Disclosure of social and economic performance

We are accountable to a diverse group of stakeholders for reporting our social performance activities. This also provides us with an excellent opportunity to open up channels of communication with them.

Our environmental and social performance has been reported in this Sustainability Report (published in Annual Report 2005 Japanese, English, and Chinese) and in site reports issued by each business site. For reporting on business operations and financial results, Epson issues annual financial report, consolidated results statement and operating statement, as required by law. We also release Annual Report and Shareholder Newsletters as a voluntary means of disclosing information.

In addition, we frequently use our website to communicate detailed information that we are not able to include in the above-mentioned reports.



Reference P48: Disclosing information on our website

Various contact points with stakeholders

■ Web

In March 2006, we re-launched our corporate website, unifying global websites using a refined design to communicate more user-friendly information. We also added pages on our CSR activities, which clearly explain our environmental and social activities. We are developing a website that incorporates universal design concepts and enhanced usability, to communicate integrated information to users in the spirit of One Epson.



The re-launched Epson website

 Epson website
<http://www.epson.jp/> (Japanese); <http://www.epson.com/> (global)

■ Advertising and commercials

Advertisements and commercials are helpful tools that enable us to communicate with a large number of people. Epson's goal is to propose products and ways of using them that meet the diverse needs of customers.

We made several TV commercials featuring the Colorio printer, released in late FY2005, focusing on its unique functions such as merging handwritten characters or drawings and printing photos taken with cellular phones. We placed multiple ads in various magazines and newspapers to introduce functions that suit different age groups.

Utilizing users' comments on our ads and commercials, Epson is actively promoting improvements in products and advertising in cooperation with each business department.

■ Exhibitions and lectures

In December 2005, Epson participated in Eco-Products 2005, an exhibition of eco-products and services held in Tokyo. We introduced our environmental activities, focusing on efforts at every stage of the product lifecycle under the main theme of "Efforts to Prevent Global Warming."

In August 2005 in Tokyo, we organized an exhibition of Bino Kyojin Tachi (Art Giants), an entertainment program broadcast on TV Tokyo network on art sponsored by Epson, which received favorable comments from visitors last year. The exhibi-

tions also traveled to Nagoya, Sapporo, and Fukuoka. Epson printed high-precision life-size reproductions of selected works introduced in the program using a large-format ink-jet printer from the "MAXART" series. More than 10,000 people visited the exhibition.



The Bino Kyojin Tachi exhibition

■ Community communications

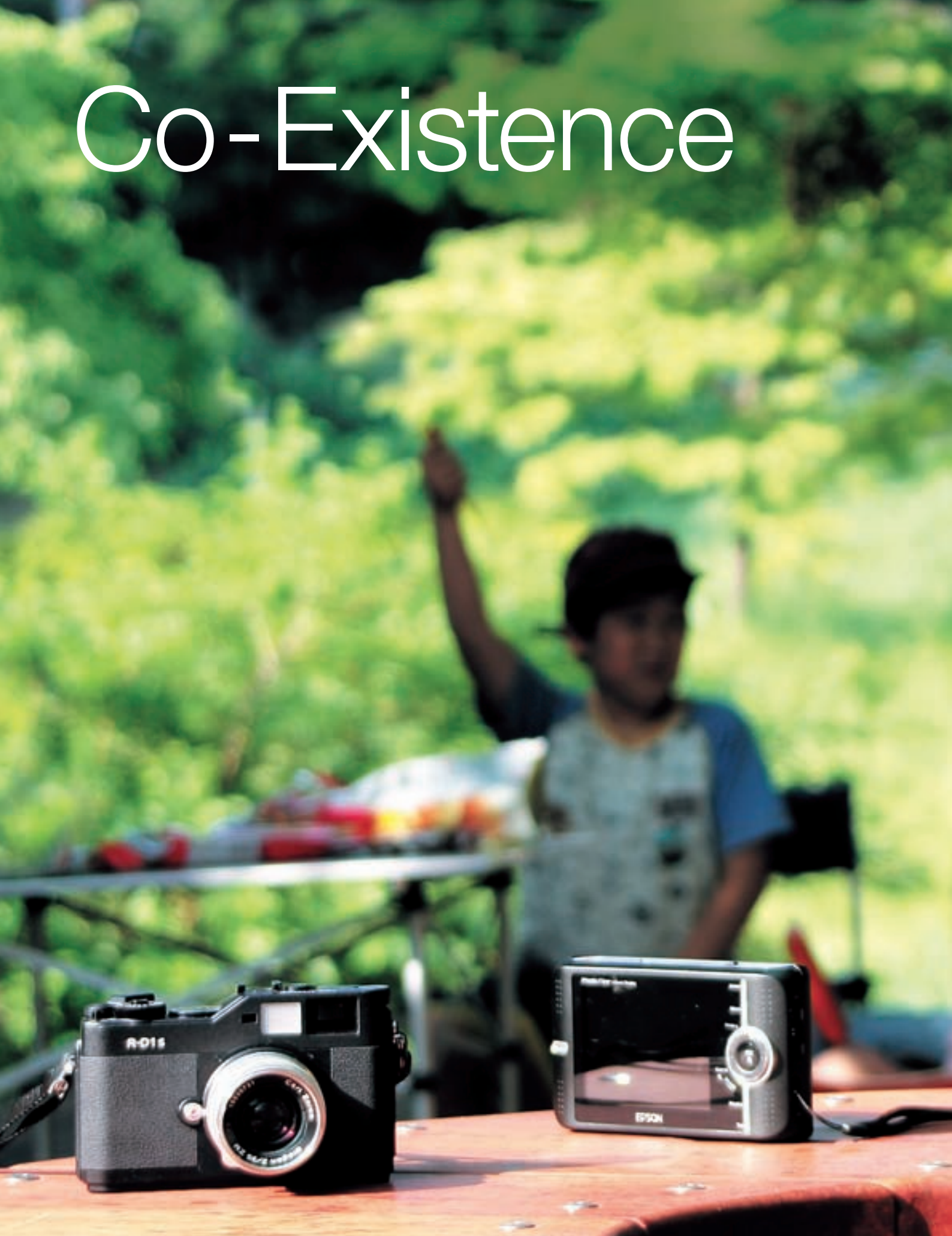
Epson participated in a stakeholder dialog hosted by the Nature Conservation Society of Japan for a candid exchange of opinions between university students and corporations on CSR and environmental activities. Students' comments included the following: "I first learned about Epson's active environmental work when I read the Sustainability Report," and "Funds for social action programs should be invested in fostering environmental technologies in the company's main business that could have an even greater social impact." Through these communications with external stakeholders, Epson will further improve its CSR activities.

Plant tours were also organized at many business sites. In FY2005, the Kanbayashi Plant received 1,005 visitors and the Suwa Minami Plant received 1,100 visitors. Epson Service Corporation, located within the Kanbayashi Plant, also received student interns from local junior high schools, high schools, and universities, helping them learn to respect and value the things around them and better understand the importance of environmental activities. We have also been presented with certificates of appreciation from Nagano Technical High School and Shinshu University.



Dialogue with university students

Co-Existence





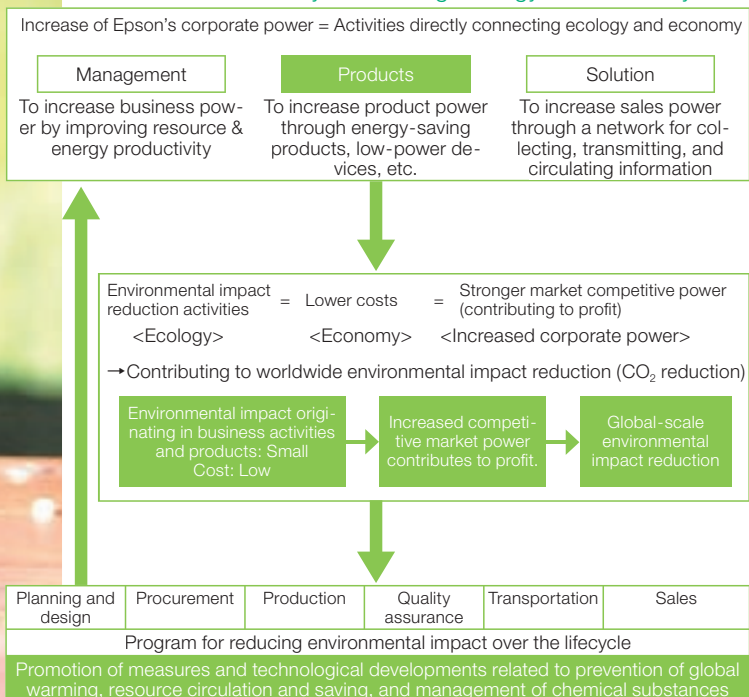
Ecology is directly connected to economy – Action 2010 General Environmental Policy

Because 2010 is the midpoint of the First Commitment Period of the Kyoto Protocol (2008–2012), we at Epson feel it will be an important year for the environmental policy of each country involved, and for each enterprise’s environmental measures. Epson therefore set out environmental goals to be achieved by 2010 in its “Action 2010 General Environmental Policy,” and commenced activities in FY2006.

The primary objective of “Action 2010” is to connect ecology (the environment) directly to economy. Epson will increase its corporate power by vigorous environmental action based on the concept that environmental impact reduction is directly connected to cost reduction. Our aim is to contribute to reducing the total impact on the global environment.

 Details of Epson’s Action 2010 General Environmental Policy
<http://www.epson.co.jp/e/community/sr/>

Activities directly connecting ecology and economy



Product Lifecycle Stages and Consideration of the Environment

Epson's environmental activity as exemplified by the Multi Photo Colorio (multi-function machine) PM-A890/ Stylus Photo RX640

Various technologies and ideas for environmental care are packed into each of Epson's products. Achieving improved environmental performance throughout the entire lifecycle, from the planning stage through manufacturing, use, recovery, and recycling of products, expands our areas of care —not only for products but also for the environment.



PM-A890/ Stylus Photo RX640

Epson incorporates environmental performance into its products from the design stage.

At Epson, we focus on a product's total lifecycle, right from the planning and design stage essential to creating new products, to ensure the environmental awareness of products meets Epson's in-house standards.

- In-house standards
- Epson Ecology Label Standards
 - Epson Quality Standards (EQS)
 - 3R Design Guide

Various product development programs P41-

Epson is accelerating the recycling of the main bodies of its products and related consumables.

Epson uses body designs that allow each product to be disassembled and recycled when it is no longer needed. Epson also recovers and recycles ink cartridges and other consumable parts.



Recovered body is disassembled and classified for recycling.



Used ink cartridges are recycled.

Various programs for recovery and recycling P51-

Epson minimizes environmental impact at customer's homes and offices.

Epson protects our environment by reducing the power consumption needed when individual customers use Epson's energy-saving products.

Total power consumption per day for the PM-A850/ Stylus Photo RX600

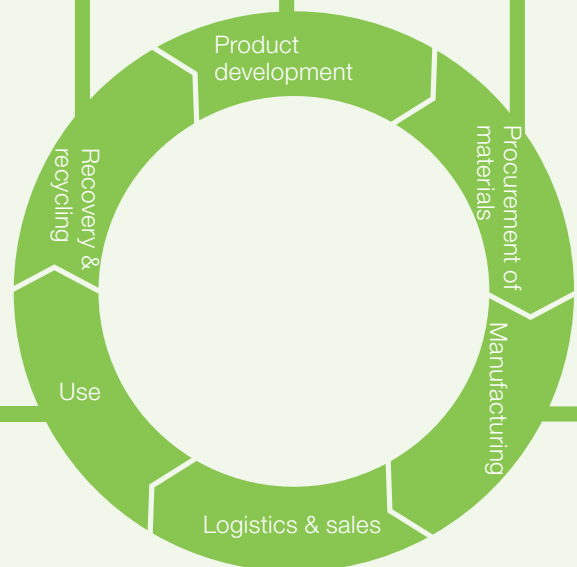
64.1Wh

Energy saving rate: about 60%

Total power consumption per day for the PM-A890/ Stylus Photo RX640

26.7Wh

Various programs for product usage P49-



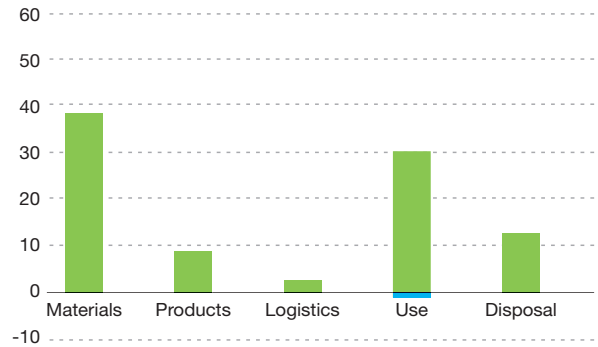
Environmental labeling for the PM-A890/ Stylus Photo RX640

Epson has been actively working to obtain environmental labels. Our PM-A890 has satisfied the standards for the EcoLeaf Environment Label, the International Energy Star Program, the Eco Mark, and the Law on Promoting Green Purchasing. The necessary data has been made public for each of these environmental labels.

The EcoLeaf Environment Label system is administered by the Japan Environmental Management Association for Industry. This environmental label is given to products for which quantitative environmental impact information for all stages of their manufacture, use, and disposal has been disclosed. Epson has made public the environmental impact information for the PM-A890 to the standards set for the EcoLeaf system.

Reference P42: Environmental labeling system

Global Warming Impact (CO₂ conversion value: kg) at each lifecycle stage calculated using EcoLeaf Environmental Label



* Minus (-) direction shows recycling effect.

* Environmental impact has been calculated for assumed conditions where a customer has used the printer to print a total of 7,200 copies in 3 years on ordinary A4 paper. (The environmental impact of blank sheets for the printer is not included.)

Considering each component and raw material

To produce products that show “environmental consideration,” each component and raw material used in a product must be chosen with due consideration for the environment. Epson is committed to “green purchasing” of production materials in cooperation with its suppliers. We only purchase parts and raw materials which we have been assured have no chemical substances prohibited for use in manufacturing processes and in the actual product. In this way we are producing safe products with a smaller environmental impact.

Various material procurement programs P43-



Green purchasing standard for production materials (Japanese/Chinese/English)

Using the optimum means of transportation for parts and products

Carbon dioxide and air-polluting substances are discharged through the fuel consumed during transportation. To reduce these emissions as much as possible, Epson is carrying out various measures, such as a modal shift from air transportation to ship transportation, and changes of transportation routes, aiming at the most efficient transportation of goods.



Loading products

Notification of environmental performance of products

Epson wants its customers to consider environmental performance as one of the criteria for their selection of our products, so it provides this information in various forms, including environmental labels, to potential customers at the point of purchase.



Environmental information provided by the EcoLeaf environment label

Various programs in logistics and sales areas P47-

Epson is also reducing the environmental impact of its manufacturing processes.

Even if we consider environmental conservation in relation to a product's design and components, if the plant producing a particular product has a high environmental impact, it could have a significant influence on the global environment. Epson checks the impact of each equipment item and process at every manufacturing base, to minimize both INPUT (energy, water, raw materials, etc.) and OUTPUT (discharged substances, wastewater, and exhaust gases) while comprehensively improving our manufacturing processes.



Wastewater treatment equipment at an ink plant in Mexico



Sedimentation treatment tank at an ink plant in China

Various programs in manufacturing P44-

Programs for Each Lifecycle Stage

Product development



Basic principles for product development

Epson ensures that each employee is thoroughly aware of how to produce products in harmony with the environment—right from the planning and design stage, the first stage in the creation of products. All elements that improve “ease of use” for customers and form the base of an environmental activity program throughout a product’s lifecycle are incorporated into our products at this stage.

In developing environmentally-conscious products, Epson focuses on the entire lifecycle by applying the following three basic principles.

■ Energy-saving design

The power consumed when a customer uses a product is a large portion of the environmental impact within the entire lifecycle of that product. We therefore set energy-saving goals that take into consideration the characteristics of each product, and are making continuous improvements.

■ Resource saving

Epson sets goals for rates of recycling potential (content rate of the mass calculated as recyclable based on the product’s design drawings), with the simultaneous aim of reducing the cost of disassembly and sorting. The miniaturization of products and weight reduction are also connected to the reduction of resources used and of environmental impact at the logistics stage. We consider these to be important design items.

■ Elimination of hazardous substances

In its in-house standards Epson has specified chemical substances prohibited from inclusion and those for which content must be controlled, and has developed a database to manage these substances. We have been making full use of this database in all processes, from the procurement of raw materials and components to mass production, strictly controlling the chemical substances contained in our products in order to maintain product safety. We have also established a system that enables us to quickly provide information to our customers.

Environmental labeling system

An environmental label is an index showing that the product has met certain criteria that allows it to be labeled an “environmentally conscious” product. There are three basic types of labels that have been standardized by the International Organization for Standardization (ISO).

Type I: The label shows the product has met the criteria set by a certified third-party organization.

Type II: A “voluntary” labeling program that shows a company is voluntarily communicating environmental information about its products.

Type III: This label shows that the environmental impact of a product throughout its lifecycle (using the LCA (Lifecycle Assessment) method), from raw material procurement through manufacturing, transportation, use, disposal, and recycling, has been made public as quantitative data.

Epson Ecology Label program

The Epson Ecology Label program is a Type II voluntary environmental labeling program for all products produced by our company. Its purpose is to continually improve the environmental performance of our products, and officially disclose environmental information about our products.

Under this program, we make official Epson Ecology Profile announcements about all Epson products. We disclose the environmental specifications for the entire finished product, including the product itself, packaging materials, consumables, and other parts. We also provide quantitative information on the chemical substances contained in electronic devices.

In addition we give the as Epson Ecology Product designation on products that show significant environmental improvements over previous versions in terms of energy saving, resource saving, and the elimination of hazardous substances.

Eco-Labeling around the world

In FY2005, the Epson Stylus C67 inkjet printer obtained a Hong Kong Green Label, making Epson the first printer manufacturer to receive this designation. The C67 was highly rated for its focus on easy recycling, reduced power consumption, and use of materials without lead or cadmium. Epson implements these same environmental measures in each country in which it operates. (Table 1)

LCA (Lifecycle Assessment) Program

In FY2005, Epson officially announced 36 new models bearing the “EcoLeaf” Type III environment label in Japan. And Epson supported to standardize PSC (Product Specification Criteria) for quantifying environmental information for large-format printers. Epson began efforts in December 2004 to produce the necessary standards. After thorough study and analysis, PSC for large format printers were implemented in May 2005. Epson was the first company in the industry to receive approval for their system. We also made simultaneous official announcements to the public of EcoLeaf data for two other models.

In addition, we used environmental impact assessments based on LIME (Lifecycle Impact Assessment Method Based on Endpoint Modeling/Japanese version damage calculation type impact assessment method) to expand the range of measures for reducing CO₂ emissions in plants.


 P. 50: Large-format inkjet printer reduced electric power consumption

Table 1 Epson’s Global Environmental Label Compliance

Quality	Country/Region	Environmental label	Inkjet printers (including multi-function machines)	Laser printers	SIDM printers	POS printers	Ink/toner cartridges	Print paper	Projectors	Large-screen LCD projection TV	PCs including monitors	Others
Type I	Germany	Blue Angel	●	●								
	Taiwan	Green Mark	●	●	●		●		●			
	Hong Kong	Green Label	●									
	China	Energy Conservation Product Certification	●	●	●							
	Korea	Energy Saving Mark	●	●	●							
		Eco-Label		●			●					
	Japan	Eco Mark	●	●	●		●	●				
Worldwide	ENERGY STAR Program	●	●	●					●		●	
Type II	Scandinavia	IT Eco Declaration	●	●		●						
	Japan	PC Green Label									●	
	Worldwide	Epson Ecology Label	●	●	●	●			●			●
Type III	Japan	EcoLeaf	●	● (B/W only)					●		●	

Programs for Each Lifecycle Stage

Procurement of materials

Green purchasing of components and materials

Epson has developed green purchasing for its production materials (including all components, raw materials, packaging materials, and OEM products used in our products) based on the same standards around the world. Through the various programs shown below, Epson has maintained a 100% green purchasing rate both in Japan and overseas since the second-half of FY2004.

■ Green purchasing standards for production materials

The SEG (Seiko Epson Group) Green Purchasing Standards established in 2003 were revised in April 2005, when a “system for guaranteeing the chemical substances contained in products” was added to the 3rd edition.

One of the conditions for vendors to commence business with Epson is signing a letter of agreement to Epson’s request for each supplier to structure and maintain a reliable system to guarantee the disclosure of information on the chemical substances in each production material, and on the elimination of prohibited and controlled chemical substances. This agreement is the foundation of our program for the entire supply chain, tracing substances right back to the raw material manufacturers used by suppliers.

■ Global information system

Epson has been monitoring and collecting information on chemical substances contained in production materials used by Epson around the world. This information was used to develop a database, and in FY2004 we created a system that enables the entire Epson group to share this data.

The system commenced operation in FY2005, and with the cooperation of about 2,000 suppliers, the number of production materials in the database has increased by 20,000, to 150,000 items.

In addition, Sanyo Epson Imaging Devices Corporation (Japan/ manufacturing) has developed the first administration system in the industry to incorporate IMDS (International Material Data System) operations, to handle standards used in the communication equipment and automobile industries.

■ Measures for meeting the RoHS Directive in Europe

Based on data reported by suppliers, Epson has been carrying out a program to eliminate designated chemical substances specified in the RoHS Directive. We completed preparations for meeting the Directive in October 2005, and have now moved on to verification work—including the inspection of suppliers.

Establishing our quality assurance system

At the end of FY2004, as part of a new product assurance system, Epson introduced standards for internal audits and external audits of enterprises in our production material supply chain.

Based on these standards, the entire Epson group intensified and actively used the inspection system in FY2005. We audited suppliers’ actual manufacturing sites in each area and performed random spot checks to confirm the quality of the production materials supplied. The results were fed back into Epson’s Group-wide system and shared globally.

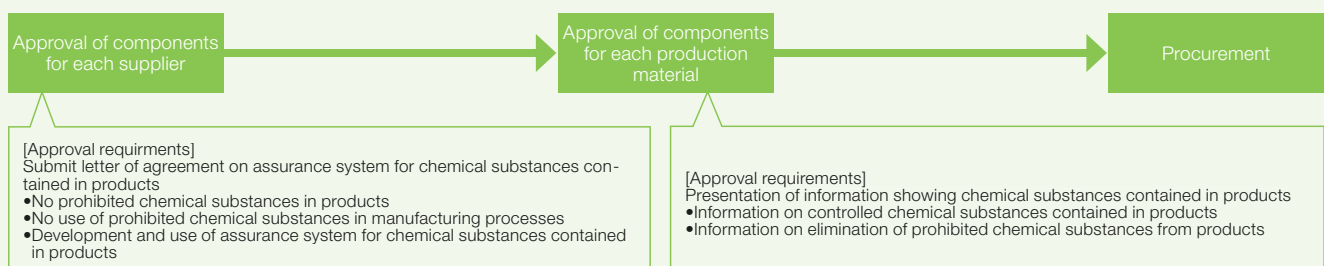
About 390 inspectors carry out inspections of suppliers in Japan, China, and ASEAN countries.

Green purchasing of office equipment and supplies

Before making general purchase such as office equipment and supplies, we first look internally for idle stock. When purchasing is necessary, we purchase “green products” compliant with our standards.

As a result, we have maintained green purchasing rates of 100% in Japan for two consecutive years, FY 2004 and 2005.

● Fig. 1 Green Purchasing of Production Materials



Programs for Each Lifecycle Stage

Manufacturing

Preventing global warming

Concepts for the prevention of global warming

Reducing CO₂ (carbon dioxide) emissions is the main focus of activities to prevent the effects of global warming, although the Kyoto Protocol also draws attention to substances other than CO₂ as contributors to global warming.

Energy saving is critical to reducing CO₂ emissions, as the amount of CO₂ emissions from energy usage (electric power, kerosene, heavy oil, etc.) is huge.

On the other hand, some substances other than CO₂ impact global warming 20,000 times more than CO₂, so measures to reduce their emissions are also vital. Epson uses PFCs (per-fluorocarbons) as a cleaning liquid and SF₆ (sulfur hexafluoride) as an etching gas in the manufacturing processes for semiconductors and liquid crystal display units.

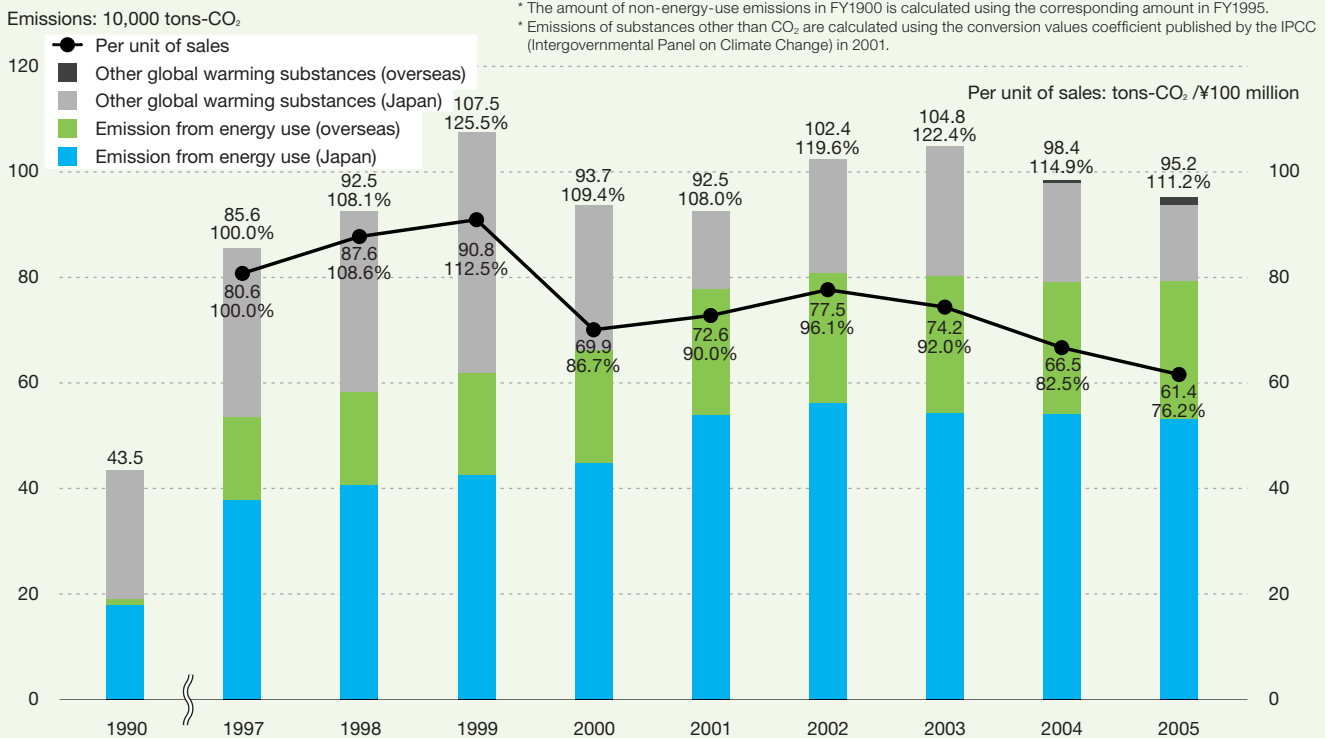
Taking this into account, Epson's program for preventing global warming is based on two goals: "reducing CO₂ emissions by saving energy" and "reducing emission of substances other than CO₂ that cause global warming."

Current status and goals for preventing global warming

Due to its business growth, Epson's consolidated sales in FY2005 increased to 1.47 times those of FY1997. During this time, Epson has continued to minimize increases in energy consumption compared to the growth in business by focusing on energy saving and restructuring of production processes. Total emissions (absolute emissions consolidated globally) of global warming substances have been successfully limited to an increase of only 11.2% compared to FY1997.

In 1998, Epson set the ambitious goal of "An absolute reduction in the emission of global warming substances of 60% in 2010 (based on FY1997 emissions, consolidated globally)" and has been achieving good results. However, taking into account its expanding business operation, Epson has set a new goal for its future environmental activities, in keeping with the spirit of the initial goal of preventing global warming, "to reduce global warming substance emissions in 2010 to 50% of FY1990 emissions, calculated on emissions per unit of sales (energy efficiency)". We consider that by carrying out emission reduction activities based on our business index (sales) and production efficiency, our business operations and environmental activities will be more strongly connected, and we will be able to succeed in our program and achieve further goals.

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



Due to the change in scope in FY2005, the figures for FY1997 and after were recalculated. New scope includes Sanyo Epson Imaging Devices Corporation (Gifu plant, Tottori plant, Yachiyo Sanyo Epson Corporation).

Programs for Each Lifecycle Stage

Manufacturing

Energy program

Energy saving

Epson has been actively working on over 1,000 measures to reduce CO₂ emissions. All Epson Group companies work as one to promote energy-saving activities ranging from small measures such as turning off lights not being used in offices, to the complete overhaul of production equipment.

At Akita Orient Seimitsu Co., Ltd. (Japan/ manufacturing), specialists from Epson's head office and related business divisions made a comprehensive audit of the company and recommended energy saving measures throughout the plant. They reviewed the clean room air-conditioning system, production machines in clean rooms, general equipment, and compressed air equipment, with a view to optimizing energy consumption. As a result, they were able to reduce the plant's total energy consumption by 6.1%. This was in addition to energy-saving activities already in place.

In FY2005, the Suwa Minami Plant switched from heavy oil to natural gas for generating energy, making it the first device manufacturing plant in the company that does not use petroleum fuel for its basic equipment system.

Reducing global warming substances in ways other than energy saving

The Tottori plant (Japan/ manufacturing) of Sanyo Epson Imaging Devices Corporation was able to reduce its emission of SF₆—which has a significant global warming impact—by 53,000 t-CO₂, calculated by measuring the quantity of exhaust gas treated and adjusting it to appropriate values.

 List of new energy introduction activities
<http://www.epson.co.jp/e/community/sr/>

Zero emissions

Epson's zero emissions initiatives are carried out on two defined activity levels. (Fig. 1)

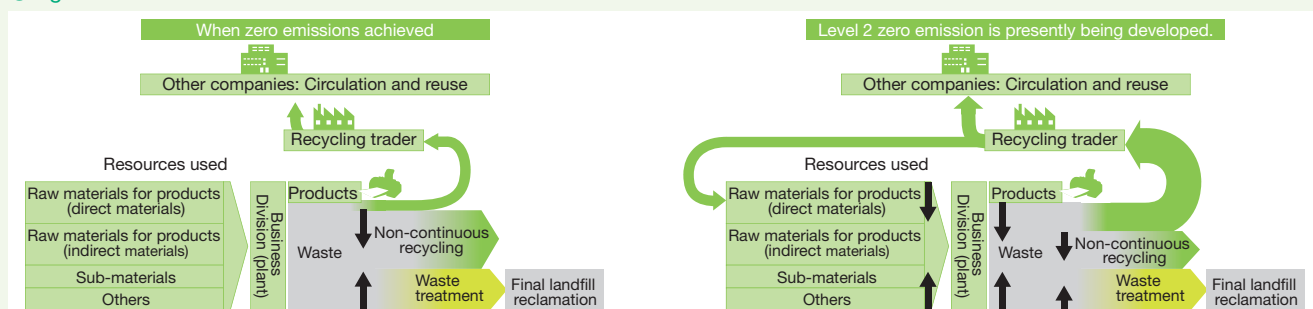
“Level 1” seeks 100% recycling of business waste (excluding general waste). Epson achieved Level 1 in all of its domestic plants, domestic affiliated companies, and manufacturing-based companies/affiliates overseas by the end of FY2003. In addition, the Chitose plant (Japan/ manufacturing), a new plant in the Epson Group, has already achieved Level 1.

“Level 2” zero emission activities aim to reduce environmental load by reducing the total volume of waste through more sophisticated recycling of resources. Epson considers it important to minimize the volume of resources used in order to reduce the volume of matter emitted. The keys to zero emission activities are the flow of waste into a recycling channel for reuse within each manufacturing process and each plant, a continuous cycle of changing waste into valuable materials, as well as the use of recycled materials. In Level 2 activities, quantitative waste generation targets are set for each plant. The targets are defined as total waste generated minus the amount reused or recycled within the Group, the amount turned into valuable materials, and half of the amount of waste that is recyclable or reusable externally.

In FY2005, Tohoku Epson Corp. (Japan/ manufacturing), P.T. Indonesia Epson Industry (Indonesia/ manufacturing), P.T. Epson Batam (Indonesia/ manufacturing), Singapore Epson Industrial Pte. Ltd. (Singapore/ manufacturing) have achieved Level 2 zero emissions.

 Changes in the amount of waste generated
<http://www.epson.co.jp/e/community/sr/>

● Fig. 1 Overview of Zero-Emission Activities



Definition of zero emissions

Level 1: Recycling as resources all waste produced by business activities

Level 2: The relative volume of resources input is reduced by reusing waste as an input resource, in order to promote recycling and reuse in each plant and place of business. Reuse methods differ depending on the product items and manufacturing processes, so targeted values are set separately for each plant.

Chemical substance management

■ Concepts regarding chemical substances

In 2003 Epson enacted Regulations for the Integrated Management of Chemical Substances as its self-regulating standard, and created a management system for the comprehensive management of chemical substances in areas ranging from the strict observance of laws, to environmental pollution control and waste management. Epson's chemical substance management takes the view that all chemical substances involve at least some risk, and grades them in several categories including "use prohibited," "reduce use/emission of dangerous chemical substances," and "change to safer substances."

■ Chemical substance data management

In FY2005 Epson introduced its original Chemical Substance Data Management System, "E-Chem," to all Epson manufacturing bases in Japan and overseas (34 bases). E-Chem unifies management of information about all chemical substances used in each plant, enabling us to identify and reduce risks associated with chemical substances more quickly and accurately than before.

■ Reduction in chemical substance emissions

Epson is working aggressively to reduce the emission of chemical substances subject to PRTR (Pollutant Release and Transfer Register) control. In FY2005 Epson emitted 13.7 tons of chemical substances, a 45% reduction compared with 2002, far better than the targeted 23% reduction. We have also created and applied new Chemical Substance Emission Calculation Guidelines to further improve the calculation accuracy of emission data, and expanded efforts to reduce the emission of chemical substances.

 [FY2005 PRTR total results chart](http://www.epson.co.jp/e/community/sr/)
<http://www.epson.co.jp/e/community/sr/>

Soil and groundwater contamination prevention

Since 1998, Epson has voluntarily conducted soil and groundwater surveys, and has conducted cleanups in accordance with the following guidelines: Never allow contaminated groundwater outside of any plant site; Take safe and highly effective measures for cleaning; and Aim to achieve cleaning in the shortest possible time.

 [Survey results for each plant and affiliated company/](http://www.epson.co.jp/e/community/sr/)
[Chart showing changes in groundwater trichloroethylene concentrations](http://www.epson.co.jp/e/community/sr/)
<http://www.epson.co.jp/e/community/sr/>

■ Soil cleanup at the former Okaya plant site

A survey undertaken prior to re-purposing the former Epson Okaya plant (Japan/ manufacturing) site confirmed the presence of four elements that exceed normal values, including the heavy metals arsenic, lead, boron, and fluorine. Beside arsenic, a history of using the other 3 heavy metals at the Okaya site was confirmed, and treatment of the contaminated soil for boron and fluorine in accordance with legally mandated procedures was completed in October 2005.

■ Survey in China

In FY2005, Epson undertook a major soil survey at Suzhou Epson Co., Ltd. (China/ manufacturing), the company's manufacturing plant in China. Because China has no laws on soil and groundwater pollution, we began by reaching an agreement with the Chinese Environmental Bureau to undertake the survey in line with Japanese law, and asked a senior person from the Environmental Bureau to be on-site for the survey. The survey revealed the only substance to exceed the standard values allowed in Japan was fluorine, but the Environmental Bureau judged that the high level of fluorine content was natural for this area. An evaluation from the director of the Environmental Bureau stated that the survey results were reasonable and accurate.



Soil survey in China

■ Report on the cause of arsenic in groundwater at Hirooka

In 2004, we detected traces of arsenic in the groundwater at the Hirooka plant (Japan/ manufacturing). We reported the findings to the relevant authorities and continued our investigations into the cause of contamination under the guidance of the appropriate authorities and advised by Professor Katsuyuki Fujinawa of Shinshu University, a specialist in groundwater. The investigation concluded that there was a high probability the arsenic was "naturally occurring." We reported the results of the investigation to the administrative authorities in April 2006, and officially announced our findings. We also explained the results to local residents in the area around the Hirooka plant, and have urged them not to drink any ground water. We will continue the monitoring groundwater at the plant in the future.



Forming a system with a proactive approach to future laws

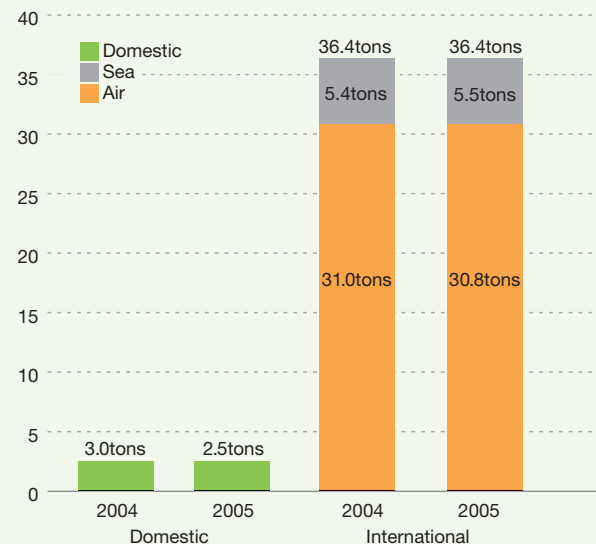
The Law Regarding Rationalization of Energy Use (Energy Saving Law) in Japan was revised in April 2006. The section of the law dealing with transportation states that “a company (enterprise unit) acting as the shipper is obligated to carry out an energy-saving program.” Even before this revision of the law, our company was moving to reduce the environmental burden of transport, beginning with the collation of data to quantify the impact of transport in Japan.

New method for calculating transport volume

As part of the Energy Saving Law revision, the method for calculating transport volumes has also been changed. In the past, transport volume was converted to weight based on the volume of goods, and the weight was multiplied by transport distance to produce the figure. Starting in FY2006, however, the weight of goods is directly multiplied by the transport distance to show the transport volume in “km/ton” units. This transport volume is multiplied by the CO₂ basic unit for each means of transportation (air, sea, truck, railway) to calculate the environmental load volume (in terms of CO₂ emissions equivalent).

Starting in FY2006, Epson has been gathering data in accordance with the revised Energy Saving Law and is continuing to work on transport CO₂ emissions reduction activities as part of its environmental load reduction program.

● Graph 1 CO₂ Emissions from by Transportation (t-CO₂)



Designing and testing packing materials

Epson Logistics Corporation (Japan/ service) has developed a packaging box that allows precision instrument items of different sizes to be packed in the same box. Assembly instructions are printed on the top flap of the box so that home-delivery service staff can do the packing easily. The box is designed with reinforced joint sections to improve durability, so one delivery box can be reused many times. This new box won the Logistics Award in the Japan Packaging Institute's "2006 Japan Packaging Contest."

Epson Service Corporation (Japan/ service), which provides repair services, has also introduced an Environmental Delivery Pack that combines an environmentally-friendly packing box and delivery system, for its door-to-door service in Tokyo, Kanagawa, Saitama, and Chiba. Made of 100% recycled paper, the "e-Starpack" delivery box does not need any cushioning material, and is reusable. The home-delivery service person brings the box to the customer, packs the product to be repaired in it and ships it. After the product repair is completed, the service person delivering the repaired product hands it over to the customer, and brings the box back to the company. This system does not create any waste at the customer's site, and does not require any extra labor for packing.



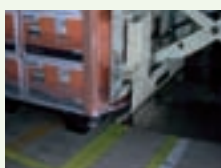
Products Size-Free Carton for precision equipment



e-Starpack

Use of Sheet Pallets

In the past, products to be transported were stacked on pallets made of wood or plastic. By changing from conventional pallets to sheets of plastic called "sheet pallets" that can be used repeatedly, P.T. Indonesia Epson Industry (Indonesia/ manufacturing) has greatly improved loading efficiency. This change, enabled by developments in methods for loading and unloading cargo and the cooperation of the cargo consignees, also significantly reduces waste and contributes to reduced CO₂ emissions during transportation.

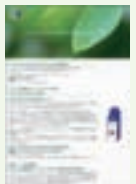


Sheet pallet (white sheet at the bottom)

Customer PR

Program involving brochures and point of purchase

We communicate product environmental information in our product catalogs, so customers and potential customers can not only choose a product based on its performance and specifications, but also its impact on the environment. We are also actively spreading information on Epson's recycling program for ink and toner cartridges, and encouraging customers to cooperate in environmental conservation.



Environmental communication activities

TV commercials and newspaper advertisements

To help customers and consumers understand our company's environmental program, Epson has produced TV commercials and newspaper advertisements to promote the energy-saving designs of our products. We have also asked customers to cooperate in the recovery and recycling of used cartridges through the Bellmark program, and promoted recycling with a TV commercial filmed in an elementary school showing the recovery of cartridges, which attracted attention for the energy and interest of the children. This TV commercial can be viewed on our website.

Communicating through our website

Epson's environmental activities are also reported on our website. The Environmental Activities section introduces Epson's environment conservation principles, various initiatives and their results, as well as information on the environmental performance of our products. It also lists our green procurement guidelines for suppliers, and information for customers to recycle used personal computers and printer cartridges.

Epson also officially announced the Epson Method, our original measurement method that simplifies the measurement of PFC (perfluorocarbon) gases known to contribute to global warming. The website has explanatory materials about the Epson Method in Japanese and English. In addition, measurement sheets are available for download by companies wanting to implement initiatives to reduce PFC gases.



Website page showing Epson's Environmental Activities

Programs for Each Lifecycle Stage Use

Ease-of-use is tied to reducing environmental burden

At Epson, an important factor in our product design is the environmental burden created as customers use a product throughout its lifecycle. When designing new products, we always seek to improve their environmental performance so that our customers can use our company's products and services without any concerns—not only in regards to quality and safety, but also the environment.

At Epson, concern for the environment is the same thing as being economical and avoiding waste, and we consider this to be an important factor in improving ease-of-use.

Energy-saving design is not only connected to the reduction of electricity costs but is also directly related to customer convenience. For example, a watch that functions with no battery can be used without worrying about the battery going dead. Our liquid crystal projector, designed to optimize energy saving, generates less heat than previous projectors, so that after customers have finished using the projector it can be put away immediately after disconnecting it—there is no need to wait for it to cool down first.

Consideration for the environment is the same thing as economization and avoiding waste, and we consider this to be connected to improving ease-of-use.

Spring Drive autowind wristwatch needs no battery

The Spring Drive movement for wristwatches, developed by Epson, uses electricity generated from a spring to power the mechanical movement, and makes effective use of quartz technology to control the speed governing mechanism. The flagship product for this technology in FY2005 was the “Grand Seiko SBGA011.”



Grand Seiko SBGA011

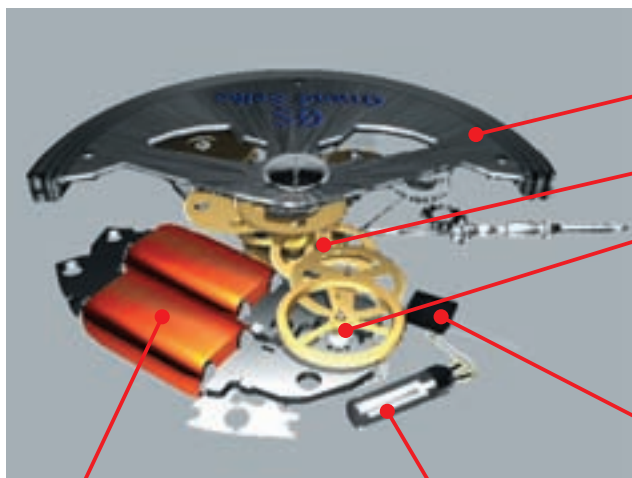
Energy-saving performance

The Spring Drive is the third mechanism we have developed with accuracy equal to that of a quartz movement, with the spring providing the drive source (no battery needed).

Eliminating prohibited chemical substances

The Spring Drive mechanism does not use any of the chemical substances designated by the European RoHS Directive.

● Fig. 1 “Tri-synchro Regulator” the Spring Drive speed-governing mechanism



① The rotary spindle is turned by the movement of the wearer's arm and this winds the spring.

② Power is transmitted from the spring to the gear, and the gear wheels rotate.

③ The power from the gear is simultaneously transmitted to the rotor. When a magnet inside the rotor spins, magnetic flux is generated.

④ The magnetic flux power is transmitted to the coil which produces electricity.

⑤ Electricity generation vibrates the quartz oscillator.

⑥ The IC uses the vibration of the quartz oscillator to control the rotor speed, so the gear wheels rotate with stable precision.

Caring for the environment with the industry's smallest LSI products

For our LSI projectors, Epson developed a new low-power-consumption USB2.0 controller to control connections to PCs and other equipment. This USB2.0 "LSI S1R72V" controller significantly decreases power consumption, reducing the main load on CPUs in connected equipment, and boosting the speed of transmission signals between the two. As a result, the controller contributes to reduced energy use and increased stability of the entire equipment system in which it is incorporated.



Energy-saving performance	Standby mode = 21 μ W Full working condition = 125 mW Power consumption is the lowest in the industry* (*internal survey results).
Resource saving	The 5 mm square package is the smallest in the industry,* minimizing use of resources (*internal survey results).
Elimination of prohibited chemical substances	No prohibited chemical substances designated by the European RoHS Directive are used.

Energy-saving projector

The EMP-760/ PowerLite 760c projector is fitted with the Epson-developed E-TORL lamp. Although the EMP-760 is a lightweight, compact projector weighing just 1.7 kg, the lamp system includes a special reflector around the lamp that minimizes the loss of light, enabling it to achieve a brightness of 2,500 lumens. The reduction in heat generated by the E-TORL lamp enhances projector convenience by doing away with the need for a cooling down period after use. At the same time, the compact design, reduced fan noise, and long lamp life enhance its environmental performance.



EMP-760/ PowerLite 760c

Energy-saving performance	Light generated by the E-TORL lamp system is used efficiently.
LCA program	Type III environmental label EcoLeaf information released to the public.

Laser printers help reduce electricity use in offices

Epson has been continuously improving environmental performance in the laser printer field to help businesses, where energy use exceeds households, to save energy. We have improved the energy-saving performance, printing speed, and print quality of our color and monochrome laser printers.



LP-9800C/ ACULASER C9100

Energy-saving performance	The LP-9800C color laser printer uses 46% less energy than the LP-9500C/ ACULASER C9000 (2003 model), and the monochrome laser printer LP-V500 uses 41% less energy than the LP-1500C/ ACULASER C900 (2002 model).
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Large-format inkjet printers reduce power consumption

The PX-9000/ Stylus Pro 9600, our large-format inkjet printer which debuted in FY2002, set new standards when it won the Energy Conservation Grand Prize.* The PX-9500/ Stylus Pro 9800, which was launched in August 2005, has further improved energy-saving performance, using 55% less energy saving than the PX-9000, and 81% less than the MC-10000/ Stylus Pro 10000, 2001 model.



PX-9500/ Stylus Pro 9800

Energy-saving performance	Power consumption has been greatly reduced, not only when the printers are working but also when they are in standby and low-power modes.
LCA program	Type III environmental label EcoLeaf information released to the public.

* The PX-9000 won the Energy Conservation Grand Prize and the Energy Conservation Center Chairman's Prize in the 2002 13th Energy Conservation contest sponsored by the Energy Conservation Center, Japan.

Programs for Each Lifecycle Stage

Recovery and recycling



Recovering and recycling products

Recycling program in Japan

The Law for the Promotion of Effective Utilization of Resources only obliges manufacturing businesses to recover and recycle personal computers and small secondary batteries.

Epson has been recovering and recycling used personal computers from its business-based clients since February 2002, and from its home-based clients since October 2003. Also, as a voluntary program, since October 1999 Epson has been recovering and recycling used IT equipments (printers, scanners, projectors, POS systems, projection TVs, etc.) well ahead of other companies.

Epson has also been actively engaged in a closed recycling program to remove metals and plastic from used products and consumables that are recovered. This program utilizes our technical developments to recycle plastic as a regenerated material for use in new printer parts, and to incorporate recycled metal into watch shells and bands.

In FY2005, 86.4 tons of items were recovered in the Japan market, a recycling rate of 69%.

European recycling program

In EU countries, under the WEEE Directive (Discharged Electric and Electronic Equipment Recycling Directive), manufacturers have been obligated since August 13, 2005 to establish mechanisms and pay for the cost of recovery and recycling of electric and electronic equipment. Based on the WEEE Directive, changes in domestic laws are underway in 25 EU member nations, and we confirmed that 23 EU member nations had established their new laws as of December 2005.

Fulfilling our responsibilities as a manufacturer, Epson will provide information to affiliated recycling traders to utilize the mechanisms put in place in each country. In the future, Epson's European sales companies will take the initiative for these activities, together with the monitoring of legal developments and industrial associations.

Definition of recycling rate

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

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

Recovery and recycling of consumables

Epson has been recovering and recycling consumables such as ink cartridges and toner cartridges in nine countries around the world.

In Japan, the recovered consumables are disassembled and classified, recycled into raw materials in a form suitable to each material's properties, then used as recycled base material.

In FY2005, the recovery rate for ink cartridges collected at recovery boxes in stores (in approximately 2,100 locations) and under the Bellmark program was 8.8%, while the rate for toner cartridges through direct recovery by toll-free calls was 77.4%.

In Taiwan, we have been operating a direct recovery system in response to requests for recovering ink cartridges and toner cartridges. We use a toll-free telephone service and the Internet in order to "recover cartridges directly from the customers."

Epson will continue to expand the recovery and recycling of cartridges in cooperation with customers.

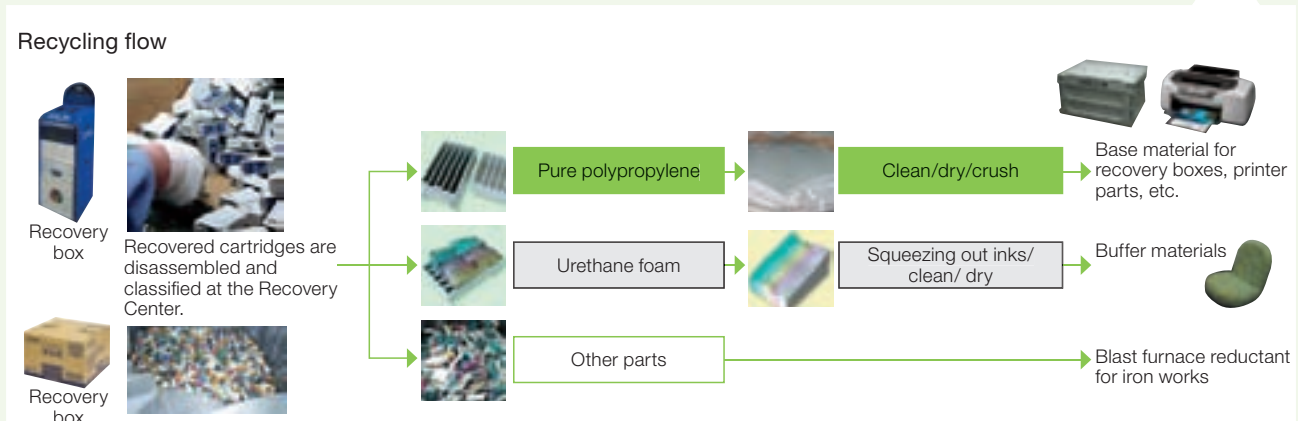
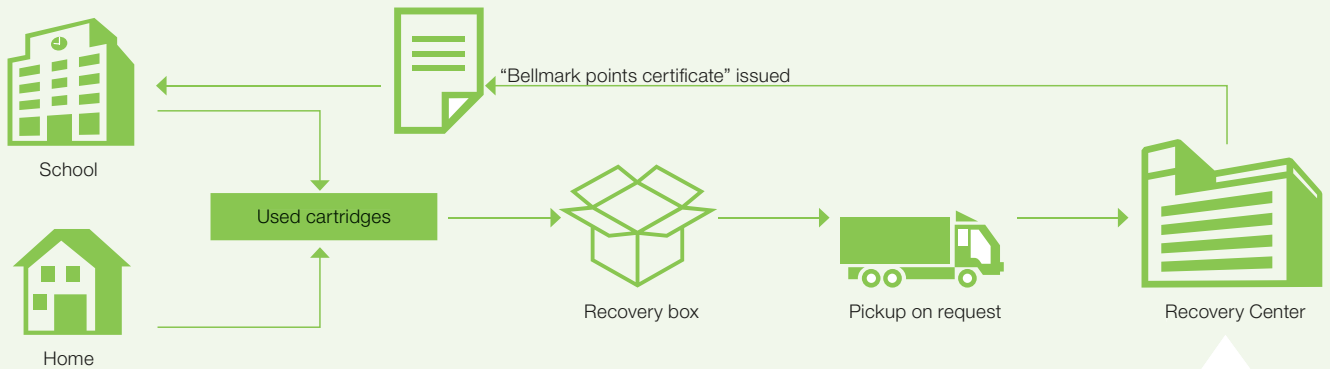
Cartridge recovery and the Bellmark program

In FY2004 Epson started a campaign in Japan that linked the recovery of cartridges with the Bellmark program.

In FY2005, Epson distributed recovery boxes exclusively for collecting used cartridges to the 7,800 schools participating in cartridge recovery activities throughout Japan, and these schools collected used cartridges from schools and homes. The Recovery Center recovers the cartridges collected at each school, awards points according to type of cartridge, and issues a "Bellmark point certificate" to each school. Schools then send these certificates to the Bellmark Foundation, where the points are added to the school's Bellmark savings account.

Schools participating in the Bellmark program can then use their points to supplement the school's educational equipment. Through this program, Epson is actively recycling cartridges, promoting environmental conservation, and supporting education.

● Fig. 1 Cartridge Recycling and the Issue of Bellmark Points



Promoting environmental management

Environmental management concepts

Recognizing that business activities create a burden on the global environment, Epson sets the same standards and goals for environmental activities in every region of the world.

We believe that consideration for the environment (E) should not be excluded from business activities. Rather, it is a part of the quality (Q) of products. By integrating environmental conservation activities into business activities as a precondition of our operations, we can describe the basis of environmental management as (Q+E)/ C (cost)/ D (delivery term). This is the starting point for carrying out our activities.

■ Program for entire product lifecycle

Based on the fundamentals of environmental management, our company has clarified the tasks and goals to be achieved over the entire product lifecycle, and has established the General Environmental Policy as a mid-range business plan. We have also achieved a quantitative understanding of the costs and effects of environmental conservation activities through environmental accounting, managed these activities as a whole, and are applying our findings in our future activities.

■ Three axes of environmental management

There are three axes to our environmental activities: “Creating and providing earth-friendly products,” “Creation of products that impose less burden on the environment,” and “Promotion of product recovery/ recycling.”

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.

Major activities

The following 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. Continuously improving the environmental management system

Environmental management system

Epson established its General Environmental Policy as part of our mid-range business plan, which is drawn up every three years.

Each environmental management promotional organization (operations division, Head Office, domestic and overseas affiliates) establishes and implements its own environmental plan based on the General Environmental Policy. To monitor their plans and activities, internal audits are carried out once or twice a year, and corrective actions taken as required.

■ Management system utilizing ISO14001

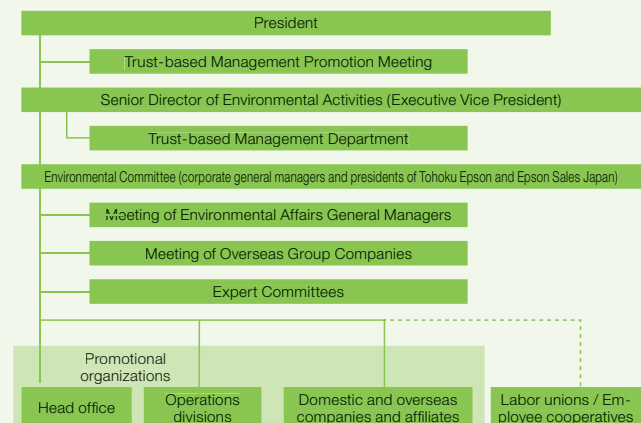
Epson makes practical use of ISO14001, the international standard for the operation of environmental management systems. Epson works to achieve continuous improvements through a PDCA (Plan-Do-Check-Action) cycle.

All our major manufacturing, sales, and service sites in Japan and overseas have acquired ISO14001 certification. Newly established companies work to achieve certification within three years of startup.

■ Group-wide promotional structure

The Executive Vice President, as the Senior Director of Environmental Activities, leads the Group’s entire environmental operations, and with the CSR Promotion Department, is in charge of the management duties for the environmental management promotion system. The Environmental Committee determines the direction of environmental activities, and a cross-divisional Expert Committee has been set up to deal with serious issues identified in the General Environmental Policy, and to support

● Fig. 1 Group Organization for Promoting Environmental Activities



Environmental training and education

Epson carries out systematic and continuous environmental education so that all of Epson employees have a good understanding of environmental issues and are able to take action on conservation measures on their own, both at work and at home.

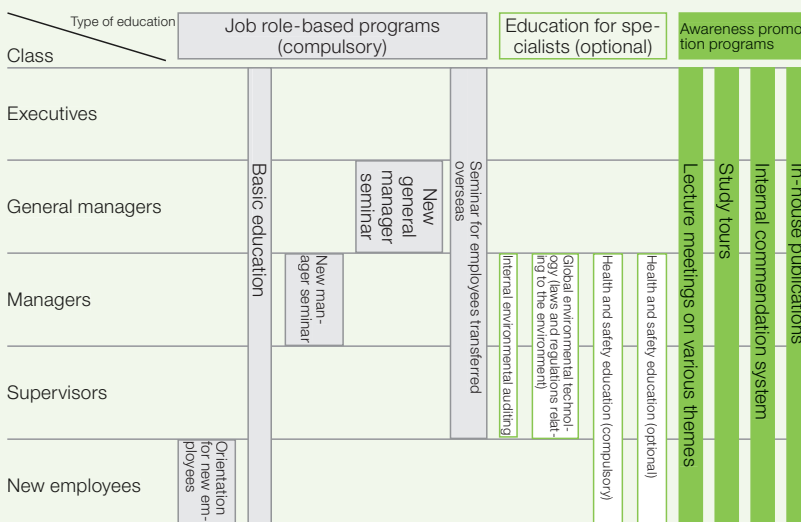
Epson's environmental education program is based on three pillars: job role-based programs, that are tailored to all job types, from entry-level employees to managers; education for specialists, to provide environmental skills training for individual employees in select job positions; and awareness promotion programs through the intranet and company newsletter, etc., to encourage proper understanding and concrete practice of environmental activities.

Also, in FY2005, 246 employees were newly registered as auditors after receiving internal environmental auditing education.

Environmental risk management

Epson complies with pollution prevention legislation by adhering to the group's unified criteria and standards. Each environmental management promotional organization practices ISO14001 to identify all risks, such as potential failure to meet standards, as well as complaints and accidents that may occur. Continuous efforts are made to reduce risks by taking action based on the results of these assessments.

● Fig. 2 Epson's Environmental Education System



Environmental accounting

To enhance environmental management, Epson has a quantitative understanding of environmental conservation and assessed all related costs and effects.

Our approach to environmental accounting is to report the results for each classification corresponding to the General Environmental Policy to provide a quantitative understanding and clearly show the relationships between in-house goals and the results of environmental activities.

The scope of accounting covers our company and 37 affiliated companies (18 in Japan and 19 overseas).

* Affiliated companies that have obtained ISO14001 certification and in which Epson's investment rate is over 50%, are included in the total scope. Among non-manufacturing based companies/affiliates overseas, only the three regional headquarters are included.

FY2005 results

In FY2005 Epson's investment in environmental conservation increased by 57% over the previous year, rising to 4.2 billion yen. The percentage of environmental conservation costs as a share of construction costs rose because we designed environmentally-sound buildings of the highest quality for the research and development facility constructed at our Hirooka plant (Japan/ manufacturing).

Environmental conservation expenses increased by 15% over the previous year, to 19.7 billion yen, due to higher development expenses in the research and development area, mainly for products and processes with a strong environment focus.

We achieved an economic effect of 6.6 billion yen, allowing us to realize economic results exceeding expenditures for each

of the categories of energy saving, reduction in the use of chemical substances that are an environmental burden, and water recycling.

● Table 1 Environmental Conservation Costs and Results (100 million yen)

	FY2004	FY2005
Environmental conservation investments	26.8	42.0
Environmental conservation expenses	171.9	197.8
Economic results	68.0	66.1

Web Total results for FY2005 (details)
<http://www.epson.co.jp/e/community/sr/>

Action07 - General Environmental Policy and FY2005 Results

The Epson Group's General Environmental Policy outlines our policy on environmental activities for FY2004 to FY 2006, and is part of Epson's mid-range business plan, "Action07."

Actual Results of Comprehensive Environmental Measures in FY2005

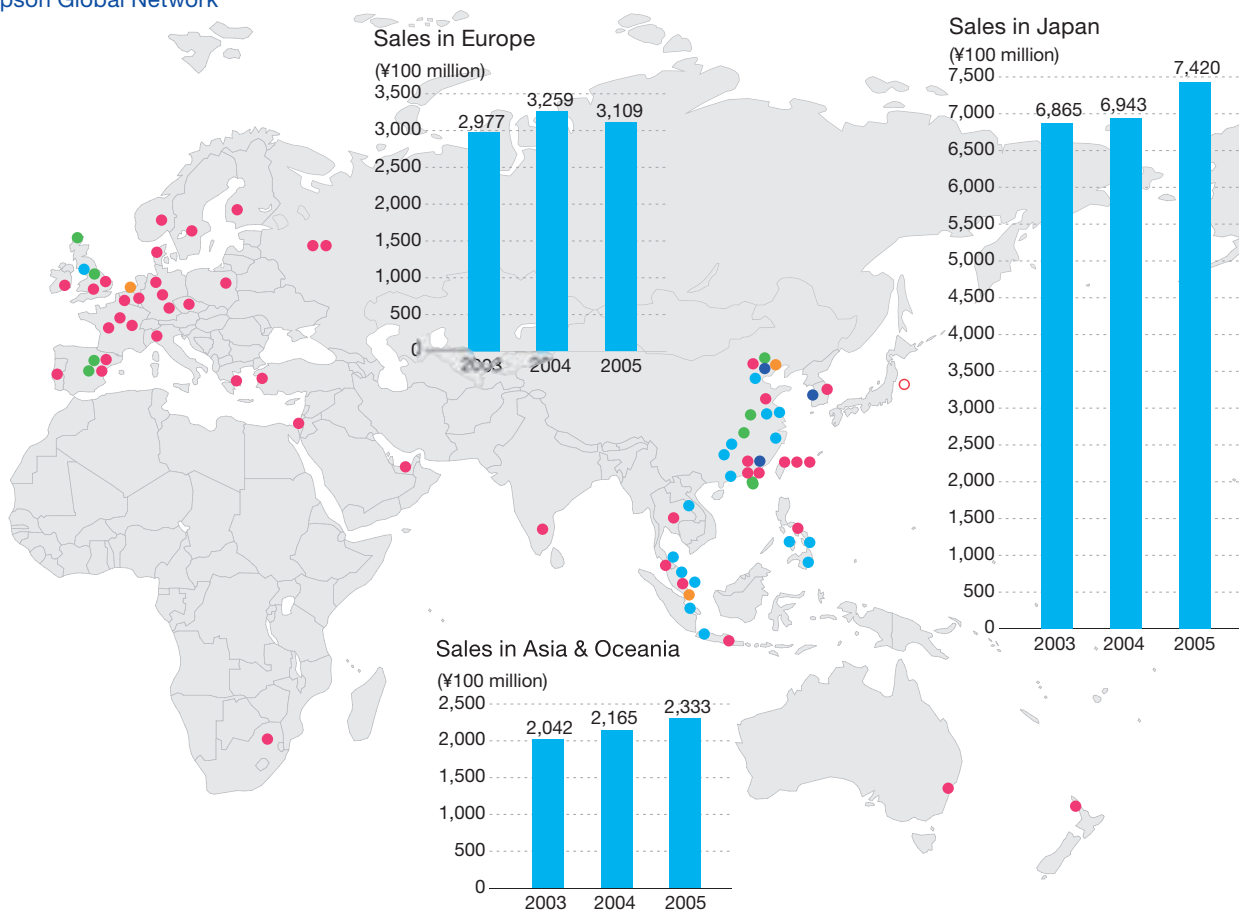
Principal Items	High-Priority Activities	Description
Eco-products	1. Develop and produce products that impose less environmental burden over their life-cycles (Improve resource and energy productivity)	(1) Apply new Epson Ecology Label program
		(2) Resource savings <ul style="list-style-type: none"> ● Promote development of compact, lightweight products ● Increase recyclability (start at design) ● Reuse recycled resources
	2. Reorganize structure to integrate in environmental performance (quality)	(3) Energy saving <ul style="list-style-type: none"> ● Maintain industry-leading energy-saving performance for each products category
		(1) Conduct product evaluations to keep environmental performance (quality) high
3. Effective use of environmental performance (quality) information in sales promotions	(2) Build and operate a product safety management system for chemical substances contained in products	
	(1) Comply with local green purchasing laws and environmental labels (Types I/II/III)	
4. Recover/recycle used products	(1) Build recovery/recycling systems based on activity plans for each region	
Green factory	1. Reduce global warming substances	(1) Reduce CO ₂ total emissions <ul style="list-style-type: none"> ● Reduce energy use (including production process innovations): Reduce use of global warming effect substances (PFCs and others) ● Reduce environmental burden from transportation
	2. Promote resource-saving activities	(1) Effective utilize resources (raw materials, production materials, etc.) <ul style="list-style-type: none"> ● Reduce waste ● Reduce environmental burdens of chemical substances used at business sites ● Reduce water used
Environmental Management System (EMS)	1. Transition to performance-oriented EMS	(1) Improve and continue use of a performance-oriented EMS (including integration)
		(2) Introduce and implement Group-wide environmental audits
Information Disclosure	2. Disclose environmental information in the regions in which we operate	(1) Provide environmental information according to the needs of each local community
		(2) Expand communication and relationships with third parties such as NGOs and NPOs
Corporate citizenship	3. Implement effective corporate citizenship activities in each region in which we operate	(1) Improve corporate citizenship activities by cooperation with environmental conservation organizations (including NGOs/ NPOs) in each region around the world
		(2) Support environmental education for the next generation (children)

[Evaluation] A: Target achieved (over 80%), B: Target mostly achieved (50% or better), C: Target partly achieved (less than 50%), D: Not implemented.

Objectives	Actual Results in FY2005	Assessment	
Finished products business: 20% of products to be top-selling, compliant products Device business: Met FY2005 RoHS Directive requirements	(1) Authorized 290 products with Epson Ecology label and 324 with Epson Ecology Profile	A	
FY2006: 15% reduction (based on FY2002) FY2005: 75 wt% (excluding thermal recycling) 85 wt% (including thermal recycling)	(2) Targets mostly achieved	A	
(Targets set on per product basis)	(3) Targets for several products were not achieved.	B	
Implement evaluation	(1) Finished product business: 36 products with EcoLeaf label were released (Total: 73 models). Device business: Obtained EcoLeaf System Certification	B	
Obtaining certification in each region and continuing to obtain information on chemical substances contained in products	(2) Management system established, and individual explanation meetings held according to business content. • Preparations for satisfying RoHS Directive requirements were completed; verification work including auditing of suppliers was undertaken. • Created structure for a worldwide management system of chemical substances in products, and registered production material information (100% registration of chemical substances contained and chemical substances totally abolished).	B	
Targets set on per business and region basis	(1) Achieved compliance with various international environmental label standards, including Eco Mark, Blue Angel, Taiwan Green Mark, China Energy Conservation Product Certification label, Korea Energy Saving Mark, Korea Eco-Label, Hong Kong Green Label, ENERGY STAR PROGRAM, IT Eco Declaration, PC Green Label, EcoLeaf (2) Increased the number of products compliant with Japan's Green Purchasing Law and registered with the GPN database	A	
Targets set on a per region basis: Established system: Europe-August 2005 Recycling rates: as of December 2006 Japan: 65% (excluding thermal recycling) Europe: 65% (excluding thermal recycling) 75% (including thermal recycling)	(1) Structure, operate and manage recovery and recycling systems based on regional action plans • The Americas: Reviewed status of regional and federal laws • Europe: Reviewed status of each country's legislation and measures to meet WEEE Directives • Japan: Recovered 5,639 units Recovered 86.4 t Recycling rate: 69.0%	A	
FY2010: 60% reduction in total CO ₂ emissions (based on FY1997) (Energy savings: 7% of use in the previous year) CO ₂ reduction benchmark is 5% of FY2003 (Japan)	3.2% decrease from previous year 7.3% 6.6% (Japan)	New goals for reduction of global warming substances have been added in keeping with the new Action 2010 General Environmental Policy. → Reduction per unit of sales of 50% in 2010 (compared to 1990)	B
FY2010: 50% increase in resource productivity (based on FY2002) FY2005: Reduce the volume of resources used according to individual goal of each promotion organization FY2010: 60% reduction in emissions of substances subject to PRTR regulation (based on FY2002). FY2006: Same as, or less than, the volume of resources used in FY2002	Improved by 38.2% over FY2002 Actual results 81% 45% decrease 0.7% decrease relative to FY2002	Four promotional organizations have achieved Zero Emission Level 2. Introduction of E-Chem to required plants completed. Each promotional organization has carried out its own activities.	A
FY2005: Continued to improve EMS	(1) Business departments and Head Office carried out joint activities to strengthen the environmental management structure.	A	
FY2005: Start of activities	(2) • Review of third-party verification method for auditing system and environmental reports • Carried out environmental pollution and waste auditing • Verified environmental management functions as part of the review for the Environmental Management Award	B	
FY2005: Implemented measures in major plants around the world	(1) (2) [Japan] • Meetings, issue of site reports, plant inspection tours	A	
FY2005: Implemented	(1) (2) [Overseas] • Provides information to the public, in the form of exhibitions and meetings	A	
FY2005: Implemented of cooperative project(s)	(1) Japan: Expanded activities of energy-saving patrol teams, "Candle Night," "Team Minus 6%" Overseas: Afforestation projects (China, Indonesia, Taiwan); protecting water supply by the installation of sewage treatment facilities and tree-planting (Mexico); participation in freshwater environment conservation program/battery recycling program (China); elimination of invasive plant species (China) (Actual results of projects contribution are detailed on pages 33-34.)	A	
FY2006: Implemented of measures in major countries around the world	(2) • Participated in Kids' ISO International training courses (Paris/Tokyo) • Mexico: "Kids' Explorer" official commendation; Philippines: Kids' ISO classroom, plant inspection tours for children		

Epson expands its value globally in good faith and with integrity,
 establishing relationships of trust.
 Firmly backed by our core values,
 we will always pursue creativity and face up to our challenges.
 Keeping true to our management philosophy,
 Epson will continue to grow while we maintain our commitments
 to customers and the global environment.

Epson Global Network



Corporate Profile

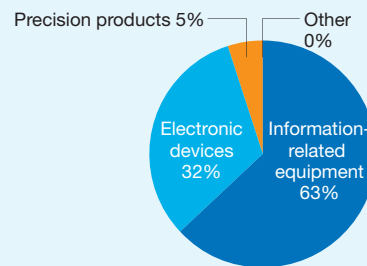
- **Name** Seiko Epson Corporation
- **Established** May 18, 1942
- **Head Office** 3-3-5 Owa, Suwa-shi, Nagano-ken 392-8502, Japan
- **Capital** 53,204 million yen (as of March 31, 2006)
- **Number of Employees**
 [Consolidated] 90,701
 [Non-consolidated] 12,414 (as of March 31, 2006)

■ Major Business Activities

- Information-related equipment
Printers, scanners and other peripherals, personal computers, and LCD projectors and other imaging equipment
- Electronic devices
Displays, semiconductors, and quartz devices
- Precision products
Watches, optical lenses, and factory automation equipment
- Other: R&D, manufacturing, marketing, and services

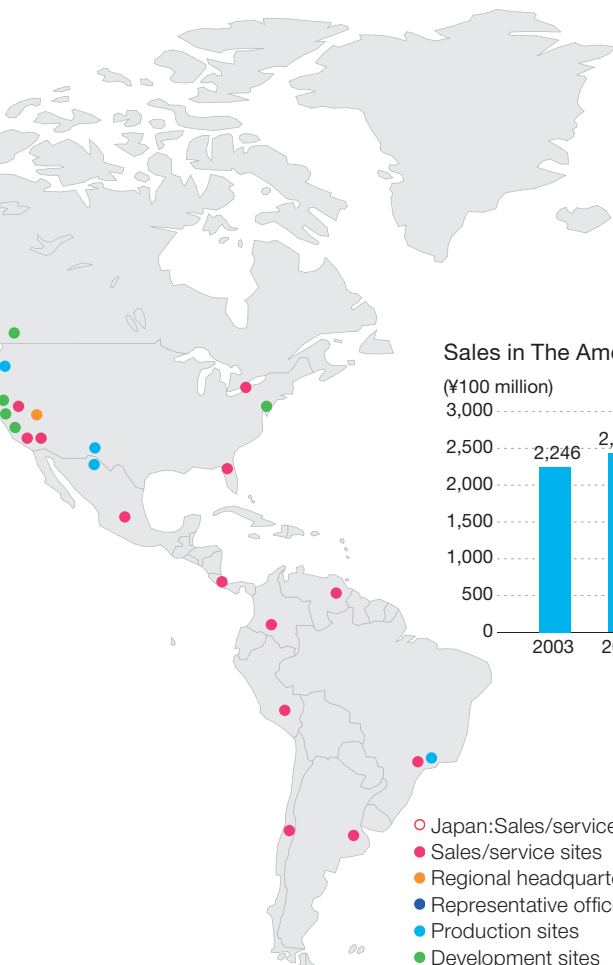
- **Sales/Operating Income**
 (March 2006 term business results)
 Consolidated: 1,549.5 billion yen/25.7 billion yen
 Non-consolidated: 863.1 billion yen/-26.4 billion yen

■ Sales Breakdown (FY2005, consolidated)

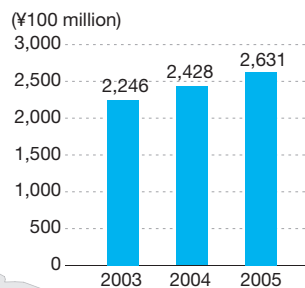


■ Membership in Environmental Organizations

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, Nagano Employers Association, Nagano Association for Conserving Environment, etc.



Sales in The Americas



- Japan: Sales/service/development sites
- Sales/service sites
- Regional headquarters
- Representative offices & branches
- Production sites
- Development sites

■ Major Sites

- Hirooka Plant (Nagano prefecture)
- Fujimi Plant (Nagano prefecture)
- Suwa Minami Plant (Nagano prefecture)
- Shiojiri Plant (Nagano prefecture)
- Matsumoto Minami Plant (Nagano prefecture)
- Murai Plant (Nagano prefecture)
- Shimauchi Plant (Nagano prefecture)
- Hino Office (Tokyo)
- Matsushima Plant (Nagano prefecture)
- Sakata Plant (Yamagata prefecture)
- Chitose Plant (Hokkaido)
- Takagi Plant (Nagano prefecture)
- Matsumoto Plant (Nagano prefecture)
- Kanbayashi Plant (Nagano prefecture)
- Shimauchi Plant Azusabashi Plant (Nagano prefecture)

■ Major Group Companies/Affiliates in Japan (as of March 31, 2006)

- Sanyo Epson Imaging Devices Corp.
- Epson Toyocom Corp.
- Epson Sales Japan Corp.
- Epson Direct Corp.
- A. I. Soft, Inc.
- Epson Service Corp.
- Epson i-Solutions Corp.
- Tohoku Epson Corp.
- Epson Atmix Corp.
- Yasu Semiconductor Corp.
- Seiko Epson Contact Lens Corp.
- Seiko Lens Service Center Co., Ltd.
- Orient Watch Co., Ltd.
- Epson Intelligence Corp.
- Epson Logistics Corp.
- Epson Mizube Corp.

■ Epson Group Companies

120 companies [34 in Japan, 86 overseas] (as of March 31, 2006)

SEIKO EPSON CORPORATION

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



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.



Printed on 100% recycled, elemental chlorine-free (ECF) pulp paper with 70% brightness using petroleum solvent-free, zero-VOC soy-based ink and waterless printing free of hazardous wastewater.

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