



Epson Group

Sustainability Report 2009

April 2008 - March 2009

Epson Group Sustainability Report 2009

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Reporting period: April 2008 to March 2009

* Contains some information on activities conducted after
March 2009

Scope: This report describes the sustainability efforts of the Epson Group, including Seiko Epson Corporation and 97 affiliates (consolidated subsidiaries in which Epson owns a majority of voting stock). The scope of environmental reporting, however, covers Seiko Epson Corporation, 22 of its affiliates in Japan and 51 of its affiliates overseas that have acquired ISO 14001 certification and in which Seiko Epson owns a majority of voting stock.

* "Epson" and "the company" in this report refer to the Epson Group, unless indicated otherwise.

Previous reports: Epson has published a report every June since 1999. In 2003 the name of the report was changed from Environmental Report to Sustainability Report, to reflect the addition of social reporting.

Next scheduled report: June 2010

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Business Segments at Epson

Epson has three core business segments: information-related equipment, electronic devices, and precision products.

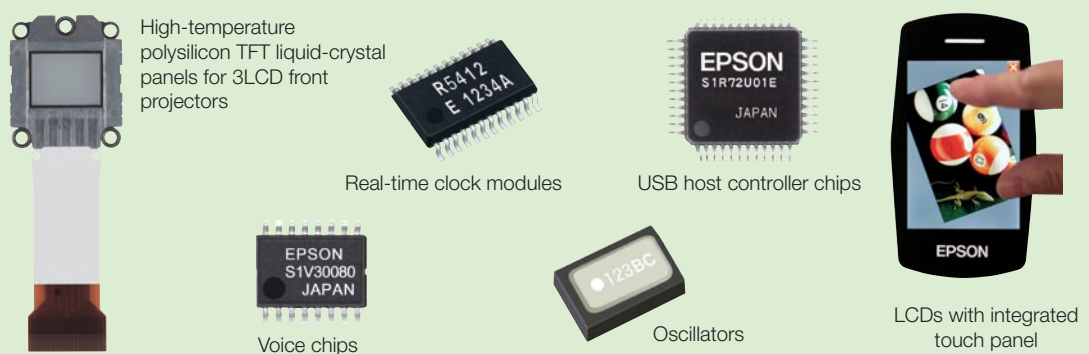
Information-Related Equipment

Products built around technologies that put still and moving images on paper and screens



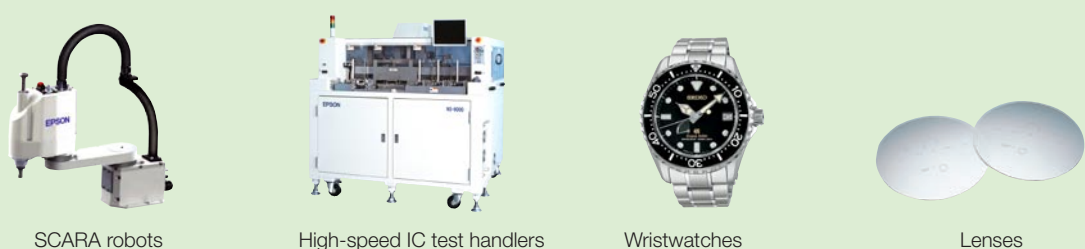
Electronic Devices

Products built around Epson technologies that save power, space, and time by reducing power consumption, operating voltages, product form factors, and product development cycles and lead times



Precision Products

Products built around technologies and know-how that enable ultra-fine, ultra-precise machining, high precision and high reliability



Message to Our Stakeholders



Transformational Structural Change

In the 2008 fiscal year Epson, hit hard by the severe global recession, posted sharply lower net sales and income. While our results were disappointing for Epson and our stakeholders, the business downturn may turn out to have been a blessing in disguise by providing us with an ideal opportunity to drive transformational structural changes that will make Epson more profitable and competitive.

Epson has three core business segments: information-related equipment, which consists primarily of printers and 3LCD projectors; electronic devices, which are chiefly used in mobile phones and digital home electronics; and precision products, which includes products such as watches. These businesses exist side by side yet have grown largely independent of one another. We found that, as a result, we had become unable to harness the combined power of these businesses to optimize our total corporate performance. More important, while we have maintained the commitment to pursuing technology and product excellence that has long defined Epson, we haven't always met customer needs in doing so.

We have therefore recommitted Epson to a customer-driven approach, wherein Epson will become "a community of robust businesses" that is known for doing what no other company can.

We began the 2009 fiscal year with a new long-term corporate vision called "SE15." In SE15 and the accompanying mid-range business plan, we have articulated a strategy that is to be rolled out over the next three years. In line with this strategy, we will focus our management resources on areas in which we can leverage our strengths, reinforce the foundations of core businesses,

and use our technological assets and selling power to create promising new products and businesses.

The printer, 3LCD projector, and quartz device businesses all have strong growth potential. We will seek to reap the benefits of strong demand in these businesses by maximizing customer value. Toward that end, we will identify where customers perceive value, perfect the technology required to deliver that value, and provide customers with surprise and delight. At the same time, we will win new customers in segments we have never before targeted. Consumers have traditionally been our primary customers. Going forward, however, we intend to make further inroads in the commercial and industrial sectors. The small- and medium-sized displays and semiconductor businesses meanwhile are slated for realignment. With a return to profitability in these businesses problematic, we have concluded that we must move forward on realignment, restructuring, and opportunities for alliances with other companies. We want to identify the best means by which to realize true customer value, exercise our strengths, and secure profitability.

Customer-centric Human Resource Development and Business Operations

A product that has a high customer value meets the known needs of the customer and, moreover, meets needs that the customer never knew he or she had, thereby providing surprise and delight. A major task that we face, therefore, is to develop the human resources and business operations that can deliver this kind of value. We can deliver value only if we evaluate and verify the benefits of a technology, business or product from a customer perspective. We therefore insist that our engineers expend the effort to learn customers' value points by spending time on the sales floor or by working with

customers to jointly develop products. Our customers reward us with profits in exchange for the value that our products deliver. We want to execute our business so as to create a sustainable value chain.

Globalization is entering a new phase. Emerging nations are becoming more than manufacturing bases; they are becoming new markets and spawning fresh competitors. The harsh reality is that, with global competition intensifying, work that produces equal value will receive equal pay, regardless of where the work is performed.

There is a limit to the value that can be created with the ways we currently work. As an industry matures and its businesses and products inevitably globalize, a global network and close communication become competitive advantages. In every region where we operate, we seek to build better, more flexible staffing strategies and operations so that we can capitalize on the strengths of a given region.

Ultimately, management is responsible for providing employees with a workplace in which they feel secure. The world is on the cusp of transformational change that will make innovations in the way we work an inescapable challenge.

Innovations for Environmental Vision 2050

In information-related equipment, precision products and electronic devices, we aim to shrink our environmental footprint by pursuing and perfecting compact, energy-saving, high-precision technologies that boost the performance of our products while decreasing their size. At the same time, we are looking to deploy our energy- and resource-saving technologies more broadly in the commercial and industrial sectors. Our inkjet technology in particular is ideally suited for on-demand commercial and industrial systems that save space, energy and materials compared to conventional systems.

For decades Epson has been a leader in environmental action. Beginning with our historical commitment to preserving the water quality of nearby Lake Suwa, we have long-standing programs to recycle wastes and eliminate emissions. In 1988, moreover, we became the first major company to announce that we would eliminate ozone-depleting CFCs from our operations. We phased them out within four years - a full year ahead of schedule.

In 2008, we established a long-range environmental policy called "Environmental Vision 2050" that clearly laid out a target of reducing CO₂ emissions by 90% across the life cycle of all products and services by the year 2050.

This year I intend to accelerate actions that will move us a

step farther toward achieving the vision. First, we have to define what we need to do in the near term and identify what will be of the most immediate benefit to society. We will then set specific targets and step up our actions.

Reducing our CO₂ emissions by 90% will require fundamental changes in every facet of our business. If we reinvent business processes such that we can halve CO₂ emissions arising from manufacturing, logistics and from products themselves, we can, with the help of synergies, slash our emissions by 90%. Conceiving of and delivering low environmental impact products is a challenge that belongs to manufacturers. One way we are meeting this challenge is by developing technologies in areas such as on-demand manufacturing and shipping.

Building Synergistic and Symbiotic Relationships with Employees and Customers

As a participant in the United Nations Global Compact since 2004, Epson has implemented initiatives in the areas of human rights, labor, the environment and anti-corruption. By providing a climate that allows our 70,000 global employees to fully exercise their individuality and competencies, we will attempt to build Epson as a team whose output exceeds its numbers manyfold.

We will continue pursuing our goal of "trust-based management" by creating businesses and products that contribute and become indispensable to society, because an enterprise, regardless of how much revenue and profit it generates, is meaningless unless it has the backing and loyalty of stakeholders. Increasing customer trust and loyalty is the key to business growth. Income will follow. I believe that Epson exists to benefit customers and society. Epson employees share this value and will continue working to make it a reality.

Special Feature In Pursuit of Perfection

New Printers, New Epson Maximizing customer value to enrich society

“Epson exists to benefit customers and society.” This core value must be embodied in all Epson products so that Epson earns loyalty as a company that contributes to society with original products, each of which becomes indispensable for our customers. The story of the new Epson began with our new all-in-one photo printers.

Amazing Prints in a Stylish, Sophisticated Yet Simple Package

Epson rewrote the product development process for the new Epson Stylus Photo PX800FW and PX700W (TX800FW and TX700W in Eastern Europe and Asia, and Artisan 800 and 700 in the Americas) launched in the autumn of 2008. Development began with an all-out effort to pinpoint the value that customers expect from their printers. Instead of first engineering the printer engine and other mechanical components, then adapting the design to those, we made customer usability the top priority, and engineered the mechanical and other components to meet the usability requirements.

In more concrete terms, we now determine the size, aesthetic design, features and performance requirements of the whole printer based on information from sources such as customer surveys and actual feedback, then develop the appropriate technology. In other words, we inverted the process. Instead of molding a printer to the technology on hand, we develop the technology needed to deliver the value that customers know they want, as

well as value that they’ve never dreamed of.

In the process of validating feedback received from customers in the development phase, one of the things we focused most on in the printers was their design. The development team shared the same desires: to design a stress-free printer that would maximize usability, look good in the living room, and be used with confidence by anyone. So, armed with the concept “a design that fits the way people live,” our Japanese, American and European design centers, collaborating with outside designers, infused the printers with an array of new ideas. Design samples then underwent worldwide user evaluations, yielding further feedback that was also incorporated. To evolve stylish yet simple printers that make amazing prints and bring imagination to life, we believe that we must continue to listen to the voice of the customer and provide products that exceed their expectations.



Epson Stylus Photo PX800FW (Western Europe) / Epson Stylus Photo TX800FW (Eastern Europe/Asia) / Artisan 700 (North/South America)

Dedicated to Creating Customer Value

The new Colorio¹ printer logo redefines the vision for the brand from a customer perspective and sums up the customer value proposition: assurance, convenience, beauty, style, environment and future. These are the

points of value, or benefits, that Epson must deliver to earn and maintain loyalty.

¹ Registered trademark used for Epson inkjet units in Japan.

Assurance

A printer for everyone

- Intuitive touch-panel viewer
- An LED status bar, visible from a distance, indicates the printing status



Convenience

Ingenuous features that promise convenience

- Built-in Wi-Fi allows you to print from any room
- Two front-loading paper trays – always ready to print photos and documents



Future

Expand printer possibilities with advanced technology and innovative ideas

- "Mobapripa" (a service available only in Japan) for easy printing of content downloaded to a mobile phone or PC
- Connect to a terrestrial digital TV and print the information you need via "Terepuripa" (a service available only in Japan)



Environment

The environmentally considered design maximizes material reuse and recycling and saves energy and resources



Assurance

Convenience

Beauty

Bring imagination to life with Epson's Ultra Hi-Definition printing technology

- Claria High Definition Ink for fade-resistant photos
- Wide range of genuine Epson paper options

"Me"

Style

Style

A compact, stylish design fits any room or user

- Stylish new design fits any room or office – unleash your creativity anywhere!



Special Feature

Voice of the Employee

Powerful performance and usability in an elegant design

I was once told by a customer who was participating in a user survey that she did not have high expectations for Epson's designs. She said she'd throw a cloth cover over her Epson printer when she had guests. I design mechanisms, but her words still stung. So for our new all-in-one printers we were determined to come up with a simple, stylish, elegant design that would fit any living environment, yet would deliver top-flight performance. We developed the printers through a process of trial and error that included extensive durability and usability evaluations. Ultimately, we succeeded thanks to the persistence, pride and can-do

attitude of our young engineers who were willing to listen to our customers.



Koichiro Yokoyama
General Manager, IJP/LP Planning
& Design Department



A Printer for Everyone

Reassuring simplicity is one of the most important features of Epson products. For years we have paid careful attention to the design of buttons, switches and other usability features, yet some people, seniors in particular, still felt our printers were hard to use. To take the guesswork out of operating our printers and make them less intimidating, we added lighting navigation, a feature that lights up the buttons users need, and an LED status bar, which uses flashing LEDs to notify users of the printing status, including errors, from a distance. In addition, the operating panel can be adjusted 90 degrees for easier viewing.



7.8-inch (19.8 cm) touch screen panel

Navigate through operations with the aid of lit buttons.



LED status bar

Check the printer status from a distance.



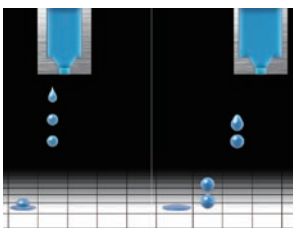
90-degree tilt panel

Freely adjust the viewing angle.



Smoother Use

Users want to print quickly and conveniently anytime, anywhere. They want great-looking prints, quietly and trouble-free. The new printers not only offer blazing speeds and terrific image quality, they easily connect to a PC over a wireless LAN. Users can print wirelessly, without having the bother of going over to the printer every time they want to print. And with fewer messy cables, the work area is neater and safer. Front-loaded paper trays save space and make paper loading a snap.



High-speed Micro Piezo print head

Print speed and quality were enhanced by shortening the droplet firing interval and increasing the volume of ink that can be ejected at one time.



Direct printing

Print quickly and easily, directly from a digital camera or mobile phone – no PC required.

Voice of the Employee

Intuitively expressing the printer's operating status to reassure users

The sound and movements of a printer in operation are undeniably "mechanical." So, we provided these printers with LED lights that intuitively express the operating status. Some on the development team voiced initial skepticism, but they eventually came around when they saw how users were reassured by the ability to confirm printer operating status from a distance. During the development process, from design finalization to product completion, this project saw more debate between designers and design engineers than any other. There were differences of opinion, but we had a clear vision of the kind of printers we wanted to

build, so our design engineers did their best to fulfill it. Everyone involved shared a strong belief in what we wanted to accomplish. I think that's one of the reasons we were able to pull off a product without diluting the original concept.



Manabu Kawahara
Manager, Imaging Products
Design Center



Epson Technologies for the Ultimate in Image Quality

Epson printers have long been renowned for spectacular detail, smooth gradations and vibrant color. The new all-in-ones take this image quality to new heights with the Epson Color suite of ink, paper and photo editing technologies. In addition to long-lasting six-color Claria Photographic Ink¹ and Genuine Epson photo paper², the suite includes Epson PhotoEnhance, technology that automatically recognizes faces and corrects colors, tones and contrasts in dark, overexposed or faded photos. In combination, these technologies promise the ultimate in image quality.

Backlit photo



Auto face detection



Auto color correction

Epson PhotoEnhance
Automatically detects faces and landscapes and corrects colors and lighting

¹ Claria Photographic Ink

A stronger molecular structure of coloring agents offers greater resistance to fading from exposure to light and ozone.

² Genuine Epson photo paper

Outstanding prints on a wide selection of papers



Stylish Good Looks

A contemporary design that fits any room or taste. The design concept for the new printers is “fit” – with decors, users, and other equipment. Convenient features are tucked into a compact and stylish unit that accents any room. The small form factor and front-loading paper trays, which free up space in back of the unit, provide greater freedom of installation.

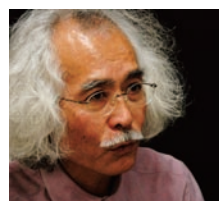


Voice of the Stakeholder

Looking to Epson for colors that capture mood and emotions

For more than two decades I have been using a camera to “paint” landscapes. Like a painter, I must choose colors carefully and, in addition, must selectively correct and enhance photos to create landscapes on Japanese paper. This is why Epson’s color imaging technologies are indispensable to my work. I printed many of my pieces for a recent personal exhibition using an Epson PM-4000PX. The printer does what I expect it to do and has a great reputation among photographers. Photographs should capture mood and emotions. A camera can capture mood to some extent. “Some extent” won’t cut it for a printer – it

is the printer that produces the final piece. I won’t compromise on my printer. I am counting on Epson to create colors that capture the mood of the artist.



Kaoru Miwa
Photographer



Reducing Environmental Impacts

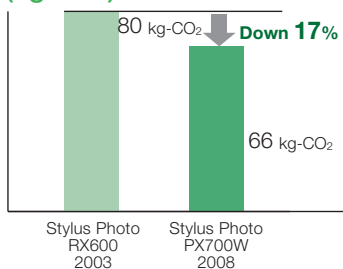
“Better Products for a Better Future”

We believe that a strong commitment to sustainable products and practices can forge a path to a better future. That is why we always seek opportunities to improve reliability and recyclability and why we drive

further energy efficiencies and innovations in production.

We intend to contribute to a better environment and better future through products that capitalize on energy, resource and space-saving technologies.

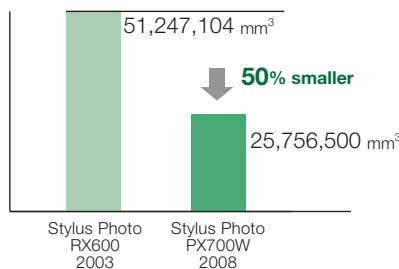
Global Warming Impact (kg-CO₂)



* Rate of reduction when the global warming impact of the Stylus Photo RX600 is 100%

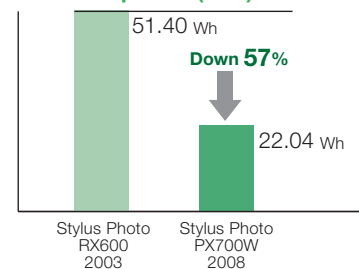
* Evaluations conducted using Epson's evaluation criteria. The global warming impact of the products across their life cycle [from extraction of materials to product manufacture, transport, customer use (three year assumed use), end-of-life disposal and recycling] are calculated as equivalent CO₂ emissions by means of a life cycle assessment (LCA). Power consumption and the impact of ink cartridges are calculated assuming five A4 color copies per day, with the power on 8 hours per day and 20 days per month.

Product Size (mm³)



* Rate of reduction when the cubic volume of the Stylus Photo RX600 is 100%.

Total Daily Energy Consumption (Wh)



* Rate of reduction when the total daily energy consumption of the Stylus Photo RX600 is 100%.

* Evaluations conducted using Epson's evaluation criteria. Calculated assuming five A4 color copies per day, with power on for eight hours per day.

Material Selection and Harmful Substance Elimination

E.U. RoHS Directive compliant. Mercury-free LEDs used for LCD panel backlights.

* The European Union's RoHS Directive restricts the use of six hazardous substances in electrical and electronic equipment: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ether (PBDE).

Ink Cartridge Recycling

Used ink cartridges are collected for recycling by placing collection boxes in stores, awarding Bellmark program points to schools for returned cartridges, and using the “Ink Cartridge Home Coming Project” in collaboration with Japan Post Holdings. Collected ink cartridges are reused as parts and recycled as raw materials.



Special Feature

Voice of the Employee Design for environment is one form of eco consideration

We design our products in line with a “3R Design Guide” to minimize their environmental footprint. Essentially this means that our designs employ details that make products and materials easier to disassemble and recycle. Plastics, metals and other materials have to be disassembled and sorted for recycling. Since this work is usually done by hand, strategies that enable efficient, safe separation are needed. For example, plastic housing disassembly is aided by guide marks embossed in the plastic to indicate where to insert tools. Materials have to be marked to make sorting easier. We have implemented tough marking criteria to facilitate the sorting of disassembled parts by material.

Whereas eco labels generally require marking of only plastic components weighing 25 g or more, we try to mark as many components as possible. In addition, we evaluate ease of disassembly based on an extensive checklist. These efforts may be modest, but we hope their accumulation will benefit our environment.



Keisuke Inoue
Manager, IJP Planning &
Design Department



The Future of Printing



Epson printers will do more than just print. They will print all the information you want, when you want it and with a beauty and clarity that exceeds your expectations. Epson will continue to survive only if we make ourselves indispensable to customers by providing convenient, easy-to-use technologies that enrich their lives. Epson will expand the possibilities for printers with advanced technology and innovative ideas that will make our lives better.

Customer Communication Today Shapes Tomorrow

Our sales organization adds quality support and service to Epson products, primarily by providing telephone support, product maintenance and service, and by operating show rooms, setting up web sites, and training dealers and

distributors. Our employees maintain a commitment to customer satisfaction. We listen to our customers on sales calls and at call centers, and we use feedback from them to improve our products, services and corporate activities.

Voice of the Employee

Making these compelling new products a premium brand

With consumer enthusiasm for photo printing easing, EAI is trying to capture a new category of customers while keeping our traditional base of avid photo printing customers. The new Artisan¹ series of all-in-one printers embodies this approach. With a stylish piano-black finish and ergonomic design, the Artisan 800² was likened by the New York Times to a "smart, modern piece of furniture." Epson's engineering team has come up with a pair of compelling products. To elevate the Artisan series to premium brand status, we have created a peerlessly refined product package. We have also launched marketing programs that will help deepen the relationship we enjoy with our customers.

¹ The "Artisan" brand name is used only in the Americas.

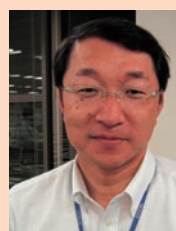
² "EP-901F" in Japan



Claudine Wolas Shiva
Epson America, Inc. (EAI)
Senior Product Manager,
Consumer Ink jet

Defining the vision for the brand from a customer perspective

Epson Sales Japan resolved to make a major break from tradition in promoting the launch of the new Stylus Photo printers and began preparations a full year in advance. The first thing we did was change the Colorio logo. We redefined the brand vision from a customer perspective, summing up the value that customers expect from their printer in six categories: assurance, convenience, beauty, style, environment and future. In the new logo these values are represented by color balls. Since 2007 we have promoted the "lifestyle value" of printers, focusing on ways they can be utilized. In 2008, however, we made significant changes in our advertising approach, in large measure due to the major evolutionary steps taken by our products. Our promotional efforts now balance functional values, such as design and ease of use, with customer value.



Masaki Sugisaki
Epson Sales Japan Corporation
General Manager, Business
Sales Planning Department

Topics: Environmental Initiatives

Achieving a Vision of the Future for the Earth and for Our Children

In 1988 Epson became the first major enterprise to undertake the elimination of ozone-depleting CFCs. We followed the CFC-elimination program with a succession of progressive environmental programs. As global environmental problems rapidly worsened, however, we recognized that we needed to do more and we needed to do things differently. We felt we needed a long-term environmental policy that would lay out desired objectives and

goals before a scenario for achieving them.

So, in 2008, we established "Environmental Vision 2050," a policy that plainly states what we want to achieve by 2050: a 90% reduction in CO₂ emissions. In 2009, we began integrating the vision into our business plans and are currently in the process of developing concrete milestones.

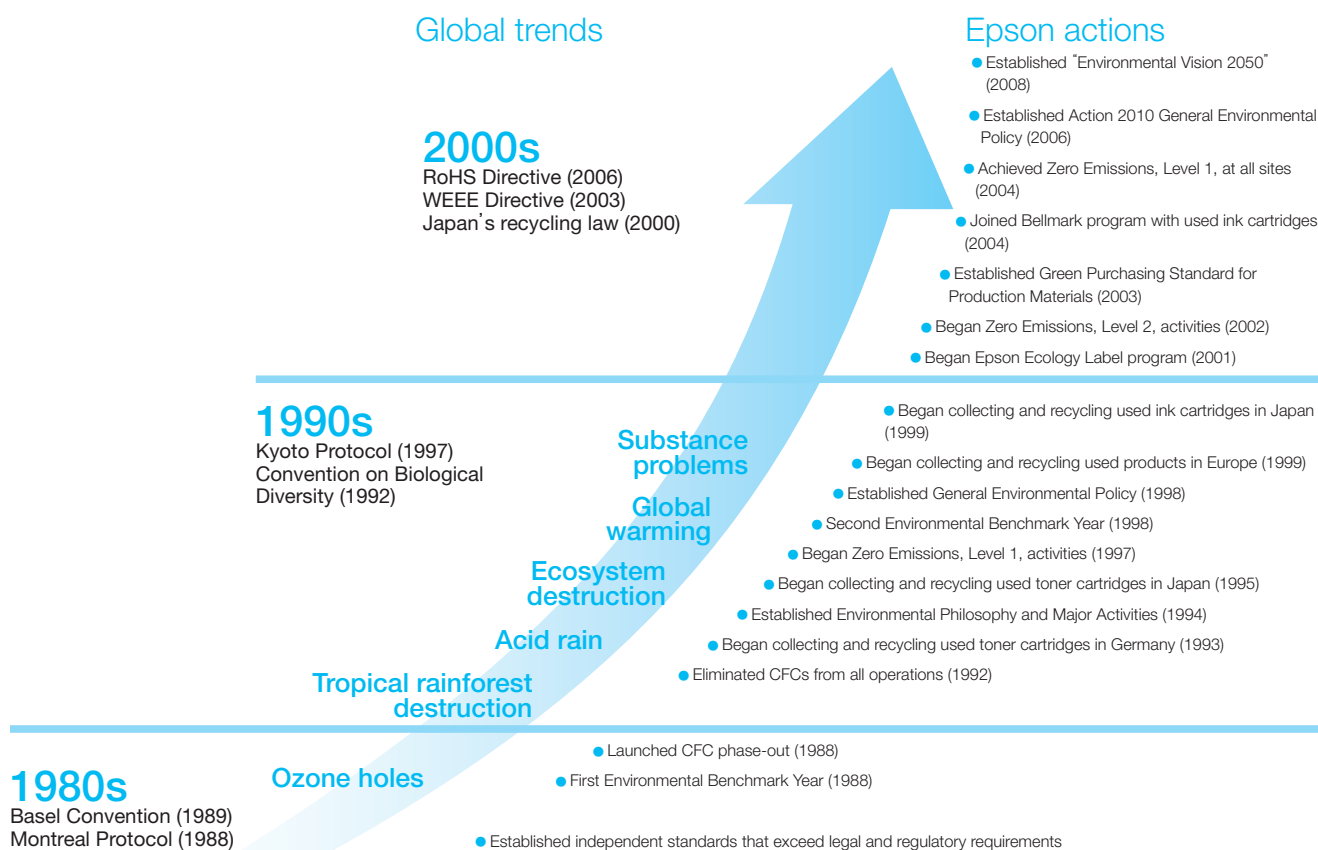
Environmental Vision 2050 Statement

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

Epson has set four key conditions in order to work towards achieving Environmental Vision 2050:

- 1) Reduction of CO₂ emissions by 90% across the entire product life cycle
- 2) Inclusion of all products in the resource reuse and recycling loop
- 3) Reduction of direct CO₂ emissions by 90%, and elimination of global warming gas emissions other than CO₂
- 4) Restoration and preservation of biodiversity as a member of the ecosystem, together with local communities

Environmental Action Timeline



Ecological and Business Sustainability

Intent and Aims of “Environmental Vision 2050”

“Environmental Vision 2050” states a goal: reducing CO₂ emissions by 90% across the lifecycle of all Epson Group products and services by the year 2050. This is an extremely ambitious goal and not one that can be achieved by doing business as usual.

The 90% figure is based on need, not convenience. To limit global warming, CO₂ emissions must be kept within the earth’s estimated 11-billion-ton capacity to absorb them. Assuming that, in 2050, there are 9 billion people on the planet and 90 million in Japan, Japan would account for 1% of the world’s population. If CO₂ emission are equally allocated among the world’s people, Japan would be allowed 110 million tons of emissions. Japan’s emissions are currently about 1.3 billion tons. It will thus take a 90% reduction to go from 1.3 billion to 110 million tons.

For the purposes of our Environmental Vision, the product lifecycle begins with parts procurement and ends with product disposal and recycling. Our direct emissions in 2008 were about 800,000 tons, but our total emissions, including indirect emissions, across the lifecycles of all products is approximately triple that.

Establishing Concrete Actions

“Environmental Vision 2050” sets forth guiding principles that need to be translated into concrete actions.

In fiscal 2008 we integrated environmental actions into our business objectives. Our “SE15” Long-Range Corporate Vision commits us to “providing customer value by using our compact, energy-saving, high-precision technologies to reduce our environmental impacts across all areas of operations, from our products and services to our sales and manufacturing activities.” The first step toward achieving Environmental Vision 2050 is to offer customers Epson products that have a low environmental impact.

Companies are expected to achieve both economic and ecological sustainability. This requires transformational change, which necessitates a “backcasting” approach to planning rather than forecasting. In other words, we have to envision a desirable future and a future outcome, then

identify the concrete steps that will take us there.



Norihisa Tanaka
General Manager
Global Environmental
Policy Department



A new webpage has been added to the Epson homepage to provide a deeper understanding of “Environmental Vision 2050.”
<http://www.epson.co.jp/e/community/environment/next.htm>

Voice of the Stakeholder Epson’s role in a low-carbon society

More and more enterprises are establishing long-range environmental visions, as Epson has done. Unlike business plans, which typically go out three to five years, these strategic environmental visions have a timeframe of 40 years or more. Prompting this flurry of long-range plans is the clear realization among businesses that our current social and economic systems are reaching their end. We face an array of environmental problems, of which global warming is only one. The question is not whether atmospheric concentrations of CO₂ can be reduced but whether humankind itself is sustainable.

Achieving a sustainable society will require a paradigm shift. Finite resources must be used and recycled with maximum efficiency, the ecosystems that support life must be respected, and economic benefits must be shared fairly

around the globe. Enterprises that consume resources to provide goods and services urgently need to recognize that ours is a finite planet and create new business models based on recycling and low environmental impacts. Sustainable enterprises – ones that do not depend on the depletion of finite resources for economic growth – will proactively build such business models and raise their corporate value by contributing to the creation of a sustainable society.



Mariko Kawaguchi
Management Strategy Research
Department, Daiwa Institute of
Research Ltd.

Epson CSR Highlights

Epson maintains a commitment to practicing socially responsible “trust-based management.” Our Management Philosophy is a statement of our commitment to business practices that build stakeholder trust, and we believe that living up to this commitment makes good management and good business sense.

Management Philosophy

(Established 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.

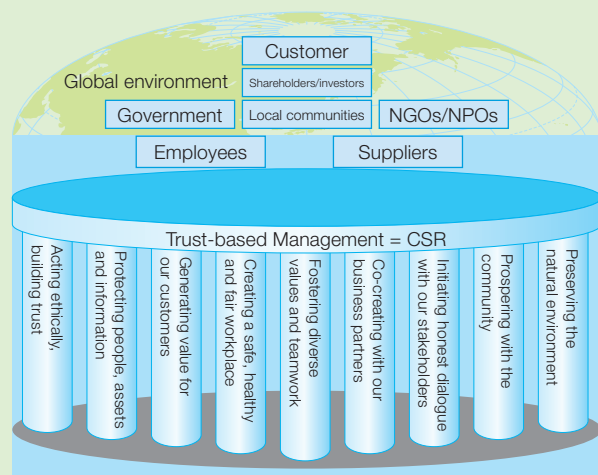
We are confident of our collective skills and meet challenges with
innovative and creative solutions.

(The Epson Management Philosophy has been translated into 14 languages
and is shared by all members of the Epson Group worldwide.)

The nine pillars of trust-based management

To help ensure that socially responsible practices are followed, Epson established its Principles of Corporate Behavior in September 2005. These principles outline Epson’s key values in nine areas. Since trust-based management depends on the actions of each and every employee, Epson also established an Employee Code of Conduct that provides a common set of core values against which conduct and decisions are to be measured.

This sustainability report presents Epson's past and future initiatives in each area described by these nine pillars.



Nine Pillars	Activity Highlights (Page)	Data (Page)
Acting ethically, building trust	15	35
Protecting people, assets and information	17	—
Generating value for our customers	19	37
Creating a safe, healthy and fair workplace	21	38
Fostering diverse values and teamwork	23	39
Co-creating with our business partners	25	—
Initiating honest dialogue with our stakeholders	27	40
Prospering with the community	29	41
Preserving the natural environment	31	43

SE15 Long-Range Corporate Vision

In March 2009, Epson established SE15, a long-range corporate vision that paints a picture of where Epson wants to be in 2015.

SE15 articulates a shared philosophy that “Epson exists to benefit customers and society.” The key to in achieving our goal of becoming a robust community of businesses that are indispensable to our customers and society lies in the Epson Group’s ability to work as a team to optimize corporate performance. Our employees need to share their dreams with our customers and pour everything that we as a company have into achieving those dreams.

Roadmap to achieving SE15 (restructuring and rebuilding our business foundations)

- 1. Move ahead by focusing on areas in which we can leverage our strengths.
- 2. Thoroughly reinforce the foundations of our core businesses.
- 3. Use technological assets and selling power to create new products and establish new businesses.

Overall SE15 Vision

Vision	Epson is committed to the relentless pursuit of innovation in compact, energy-saving, high-precision technologies, and through the formation of group-wide platforms will become a community of robust businesses, creating, producing, and providing products and services that emotionally engage customers worldwide.	
Financial targets	(Assuming sales continue to grow) ROS of 10% and a sustained ROE of 10% or greater	
Challenges	Drive initiatives to align business models and processes to create, produce and deliver customer-value-centric products and services	
	<p>R&D With an eye on macro-economic trends, identify customer value, set R&D objectives, and master our technology to establish strong technology platforms.</p> <p>Design & Planning Know our customers in all geographic regions and domains, and create products & services that provide the value they truly want, at the price they want.</p> <p>Production Enable ourselves to manufacture products at unrivaled quality, cost and speed via continuous improvements on the factory floor, innovative production engineering, and stronger coordination between sales and design.</p>	<p>Sales & Marketing Know our customers in all geographic regions and business domains, and propose and deliver by every possible means the products and services they truly want.</p> <p>Management Provide a unified sense of direction for total optimization, and work toward realization.</p> <p>Environment Provide customer value by using our compact, energy-saving, high-precision technologies to reduce our environmental impacts across all areas of operations, from our products and services to our sales and manufacturing activities.</p>

SE15 Mid-Range Business Plan

Epson’s SE15 Mid-Range Business Plan represents a significant first step toward achieving the SE15 Long-Range Corporate Vision by mapping out a path to growth over the next three years. With difficult economic conditions expected to continue, we will pursue further structural changes and rebuild our business foundations as we reorganize and reposition for higher earnings.

Mid-range goals

Under the SE15 Mid-Range Business Plan we will move to restore profitability and shift management resources to key areas. The plan sets out the following mid-range goals to lay the groundwork for renewed growth.

Mid-range goals

Channel our collective energy to confront harsh realities, and take every measure available to return to a profit-generating structure. Create a roadmap focused on SE15 and survival as a community of robust businesses.

Acting Ethically, Building Trust

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

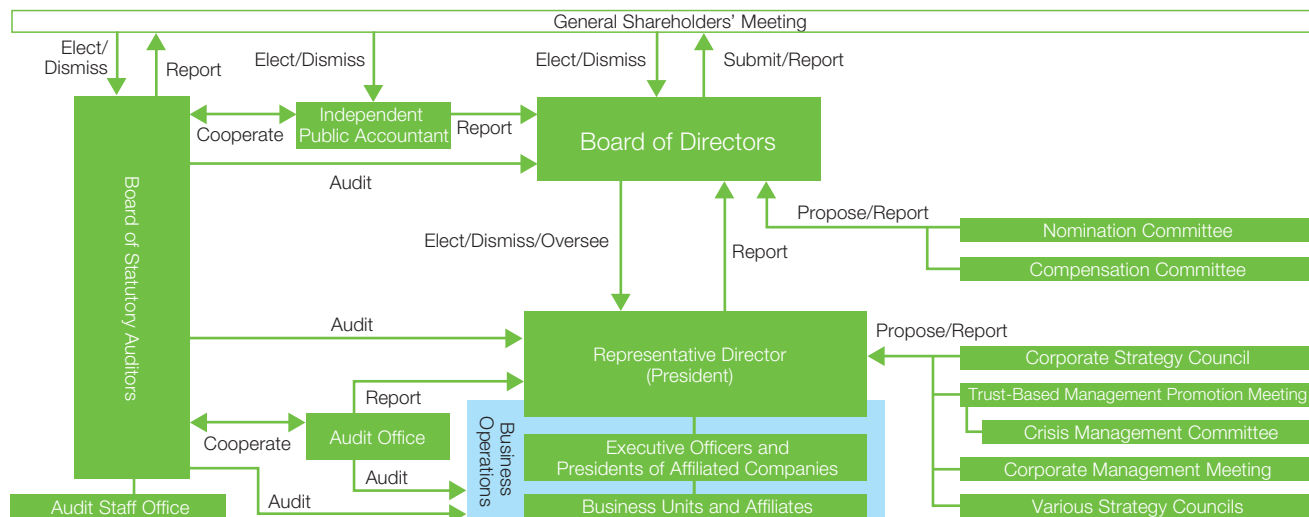
See pages 35-36 for more details

Corporate Governance and Compliance

Epson's approach to corporate governance is reflected in its commitment to sustaining trust-based management.

We have established a system of compliance to ensure the transparency and soundness of management in the eyes of our stakeholders.

Corporate Governance and Compliance



Epson's Compliance-Based Management System

Various Counseling Services

- Compliance Helpline (Audit Office)
- Harassment counseling (HR Department)
- Counseling related to overwork and long working hours (HR Department)
- Career counseling (HR Department)
- Employee counseling (General Affairs Department)
- Labor union counseling (Labor Union)

Trust-Based Management Promotion Meeting

Position: President's Advisory Panel

Members: President, directors, statutory auditors, Audit Office general manager, etc.

Matters discussed:

1. All issues related to trust-based management
2. Compliance-based management
3. Risk management
4. Environmental strategy, etc.

Trade Control

Epson has business partners throughout the world and conducts a great number of international transactions. Facing different import and export regulations in every country, we take steps to ensure that our trade complies with the legal requirements of the country in which it occurs. In April 2008, we established a group-wide department to supervise trade controls. We also built a group-wide trade control system and completely reorganized our Epson Group regulations and standards as part of an effort to beef up our systems to ensure compliance.

The two main pillars of trade control are security trade control and import/export control.

Security trade controls are covered by Japan's Foreign Exchange and Foreign Trade Act, with particular emphasis on the control of dual-use technology (advanced technology that can be used for both commercial and military purposes). Epson has registered its compliance program (CP) with the Japan Ministry of Economy, Trade and Industry, and exports its products in accordance with Epson Group standards.

Import and export controls are covered by the Japan Customs Act. Epson is an Authorized Economic Operator (AEO) under the Japanese version of the program. This accreditation is granted to companies that the Japan Ministry of Finance finds to be in compliance with World Customs Organization (WCO) guidelines.

We have also taken steps to ensure proper trade practices and improve awareness among our employees. These include specialized training programs and mandatory online training courses in security trade control and import/export control. All these measures help us maintain a high level of control in managing our trade.

Voice of the Employee

There is still a high degree of risk associated with trade control. We work closely with the operations divisions to fulfill our responsibility to prevent incidents and violations.



Masaru Mazeki
General Manager,
Production Management
Department

Improper Accounting at Epson Subsidiaries, Reporting Delay and Internal Controls

In January 2009, Epson announced the discovery of improper accounting practices at consolidated subsidiaries in Brazil and Mexico. An investigation found understated expenses and other improper accounting practices totaling nearly ¥4.4 billion over a number of years, including 2008. As a result of this incident, we had to postpone the filing of our fiscal 2008 third-quarter report required by the Financial Instruments and Exchange Act. We sincerely apologize to our shareholders and everyone else who was affected by this.

After detecting the irregularities in January 2009, Epson formed an internal investigation committee headed by the president and began looking into the causes and how to avoid recurrences.

Although the investigation showed that the persons involved in the irregularities were motivated by self-preservation, there were also environmental factors that allowed the irregularities to occur, including vulnerabilities in internal control at the Brazilian and Mexican subsidiaries and problems in Seiko Epson and Epson America's oversight of subsidiary companies.

In light of this incident, Seiko Epson, Epson America and the implicated subsidiaries are developing and implementing a series of measures to prevent recurrences, including stronger internal control and subsidiary management systems and enhanced governance of subsidiaries.

We have established a special committee to strengthen monitoring of the Epson Group and prevent any future accounting scandals or postponed reports.

After analyzing the causes of this incident and implementing remedies, we reported our internal control over financial reporting to be ineffective (with a comment on our ongoing remedies) on our annual internal control report, the submission of which became mandatory in 2008 under the Financial Instruments and Exchange Act.



Result of Internal Investigation into Improper Accounting Practices at Consolidated Subsidiary Companies (Final Report)
http://www.epson.co.jp/e/newsroom/2009/news_20090331.htm



Protecting People, Assets and Information

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

Security at Epson

Epson takes appropriate steps to ensure the security of its people and assets, and respects the assets of others. We have established a global system of security policies to protect our corporate assets from risks, both external and internal.

Information Security Governance and Management

In 2008, the second year of our information security plan, Epson expanded the scope of its information security regulations and standards from 15 business units to 27, providing enhanced security and training.

Senior information security managers worked together to deploy and track the progress of initiatives across the organization. In addition, all information used by employees was reviewed and assigned an updated control level as part of a reorganization of internal information. During July, which is designated as Information Security Enhancement Month, we pursued a number of actions designed to increase the level of information asset security. We made our employees more conscious of the importance of information security by broadcasting a message from the chief information security officer (CISO), posting informational posters, and distributing "Information Security & Personal Data Protection Guidelines" with self-assessment sheets. Ongoing information security training was provided to managers and general employees, and 99.7% of our employees have completed the online training course. In addition, a total of 30 employees passed an exam by the Japan Information Security Audit Association to become certified associate auditors for information security.

Epson has taken a number of steps to improve IT security. After information was leaked onto the Web by an over-

seas partner company's website in 2007, Epson began providing secure Web programming training for website designers and conducting security screening before systems are built. To prevent information leaks due to theft or loss of a PC, Epson began requiring strong encryption on all computers and memory sticks authorized to be removed from the office in Japan. In addition, our ISMS-certified data centers, Business System Operations Division and Epson Toyocom Systems have renewed their ISO/IEC 27001 certification.

Epson also continued its efforts in the protection of personal data, conducting internal audits in eight departments and three affiliates, as well as on-site inspections at two contractors. In addition, the four groups of Epson Sales Japan renewed their PrivacyMark certifications, which demonstrate their commitment to the protection of personal information in compliance with Japan Industrial Standards.

Meanwhile, as part of our security-conscious product development efforts, we are actively pursuing ISO/IEC 15408 certification, an international standard for information security known as the Common Criteria for Information Technology Security Evaluation.

Physical Security Initiatives

Epson engages in a number of physical security initiatives to protect our people and corporate assets.

We provide a level of physical security commensurate with the situation on the ground at our various business sites and factories. The primary objectives of our security systems are to (1) protect all people on the premises from crime, fire, and other health and safety hazards; (2) deter the removal of corporate assets, the bringing in of unauthorized items and the entry of unauthorized persons or vehicles; and (3) strictly control and centrally track access to rooms and buildings.

In 2008, Epson established the Physical Security Management Standard to organize all previous initiatives and serve as guidelines for future efforts. This standard divides each business site into separate zones – high security areas, general work areas and common areas – and determines whether employee and visitor access should be controlled and whether those areas should be locked. In addition, employees have been furnished with ID cards with embedded chips to control access.

We also prepared a check sheet to determine the level of security at our business sites. In 2008, 11 business sites underwent security assessments using the check list and were instructed to make improvements.

Protection of Intellectual Property

Based on the principles of trust-based management, Epson fully respects the rights of third parties in the conduct of business. At the same time, to protect its legitimate rights, Epson takes legal action against the unauthorized use of trademark, patent and other ownership rights.

With regard to so-called “pirated goods” masquerading as genuine Epson products, including ink cartridges, toner cartridges, printer ribbons and other illegal counterfeit goods, we are conducting campaigns aimed at their eradication in cooperation with local authorities in each country where such products are manufactured and consumed. In particular, we have stepped up our efforts to eliminate pirated goods in Russia, Central and South America, China and other parts of Asia.



Scrapped illegal counterfeit goods

Voice of the Employee

The general affairs department is in charge of strengthening physical security and building systems to make sure that all employees, partners and visitors are safe and secure. Ideally, we should be strengthening security equally at Epson and all of our affiliates in Japan, but we had to balance the needs of business sites where increased security is indispensable for business operations versus those with a poor return on investment. To raise the overall security level at once, we needed to explain the necessity at every business site and obtain their understanding. In the future, we would like to use ID card access logs to keep track of who is present at what business site so that

we can ensure their safety in the event of an emergency.



Hirohisa Ijiri
Physical security
General Affairs Department

Generating Value for Our Customers

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

See page 37 for more details

Customer Satisfaction and Quality

Epson's Management Philosophy expresses our commitment to customer satisfaction. Customer satisfaction and the customer experience have always been key concepts for us, but we also realize that Epson is a technology-oriented company and we have tended to allow technology to drive our products. As such, we explicitly state our CS and quality management goals – the vision we have for customer relations – so as to ensure every Epson employee is conversant on CS and quality issues, and customer-focused in their actions. We have also spelled out our CS and quality philosophies in the Epson Employee Code of Conduct by declaring that we will create products and offer services fit for the people closest to us, and we are striving to realize the customer value chain that underpins the trust between Epson and our customers.

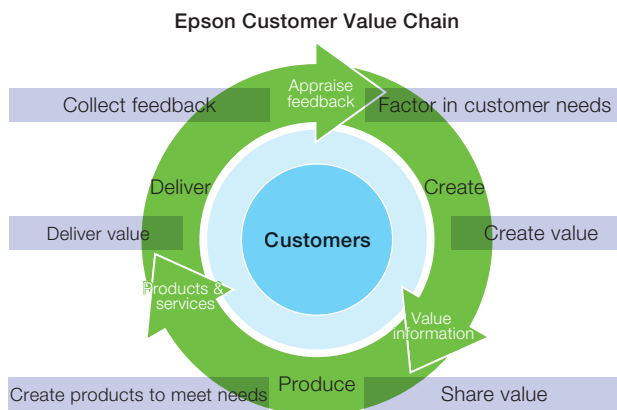
In fiscal 2007, Epson won the Bronze award in the inaugural METI Minister Awards for companies that have contributed to product safety, and we have used that event to create more opportunities for dialogue with groups such as the Nippon Association of Consumer Specialists. Incorporating valuable feedback from such dialogues, we launched a revamped website in March 2009 that, for example, made it easier for customers to make inquiries. We also established an in-house consumer affairs advisor position in fiscal 2008 to help build an organizational structure that utilizes both internal and external opinions to create consumer-oriented products and services.

On the product safety front, we officially unveiled a basic product safety policy in May 2008. The policy clearly specifies that Epson will provide all necessary information in the event of a product-related incident, and that we make it a rule to publish all such incidents on our website,

even if they do not lead to a product recall.

As we move forward, each and every one of us at Epson will continue to hold the customer foremost in our thoughts as we go about our duties and seek to build a corporate culture that creates, produces, and delivers products for the customer.

Overall Vision (Creating Customer Value)



Universal Design Initiatives

Epson began a company-wide PEU (Progress of Ease of Use) program in fiscal 1999. In fiscal 2003 we took this program to the next level as E-UD (Epson Universal Design).

Wanting a modern font in terms of “look” and “readability,” we developed an updated version of the Epson UD Font in fiscal 2008. The Epson UD Font is an original creation that we use for printer control panels, for example, and that we started rolling out to all products in fiscal 2003. We began developing this most recent update based on trend research aimed at creating a more modern look. Since an “Epson flavor” was a top priority, we surveyed approximately 200 people, including Epson employees and senior citizens in the community, and incorporated their opinions into the design. In fiscal 2008 we began gradually using this latest Epson UD Font for our new products.

We were also able to develop a more universal design for our LP-M6000¹ multifunction office printer, which went on sale in June 2008, by enlisting the support of persons with disabilities, including some from our special subsidiary, Epson Mizube Corporation, and factoring their feedback into the design.

¹ Marketed in Japan only



Conducting an internal survey on the new Epson UD Font

Support and Service Efforts

Epson treats after-sales service and support as essential aspects of product quality, and we are engaging in efforts to improve that quality.

We have set up call centers in our sales companies around the world to position us to rapidly respond to our customers with accurate information. At Epson Sales Japan, we have implemented a system whereby customer inquiries are entered into a database so that information can be shared cross-functionally. This allows our development divisions to incorporate insights from customer inquiries into future product designs, for example, and helps attune the entire organization to the voices of our customers. We also randomly select customers who are making inquiries to cooperate with satisfaction surveys so we can gather feedback as to their overall satisfaction, including with the explanations and telephone manner of our service operators. Since our customer contact points are distributed across multiple business sites, we share the survey findings among the them. This allows us to identify strengths and weaknesses and make our overall system more effective.

In retailers across Europe, we have set up Epson Express Centers. These centers offer rapid repair and other services direct to in-store customers, pledging to resolve any issue within 30 minutes.



Call center in Japan

Voice of the Employee

Our department responds to customer inquiries about Epson products and their operation via our call centers. We are one of the few sections in the entire company that can engage directly with our customers.

Helping customers with problems and providing quick, accurate information is a given, but we are also very aware that another important role for us is to pass on valuable customer feedback on product usability, service, and support to other relevant Epson departments, such as manufacturing. We always strive to uphold our customer satisfaction principles: listen carefully, act quickly, keep

promises, check, and work wholeheartedly. We are working hard to be a “comprehensive customer feedback center.”

Customer Support Department
Epson Sales Japan Corporation

Creating a Safe, Healthy and Fair Workplace

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

See page 38 for more details

Occupational Safety and Health Philosophy and 2008 Actions

In fiscal 2000, Epson established an original occupational safety and health management system called “NESP” (for “New Epson Safety & Health Program”). NESP activities are based on an occupational safety and health management system (OSHMS) that conforms to International Labour Organization (ILO) guidelines. Operated under the three pillars of safety, health and disaster prevention, NESP has been rolled out across the worldwide Epson Group. NESP received OSHMS certification from the Japan Industrial Safety and Health Association (JISHA) in FY2003. By fiscal 2007, thirteen of our business sites in Japan had renewed their certification and six more affiliates had been certified.

In 2008, we revised our NESP activity evaluation system. In particular, we updated the evaluation criteria for health-related and disaster prevention initiatives, and we customized the criteria by country. Making our 5S/3-Tei¹ manual part of company regulations and including 5S/3-Tei in NESP activity evaluations have helped further enhance occupational safety and health at Epson.

We also reviewed our responses in the event of a major disaster. Some Epson disaster prevention office standards were unclear, so we coordinated with each business site to standardize and systematize our disaster response.

One way Epson maintains employee awareness of safety and health issues is through safety banners. Corporate officers and General Safety and Health Controllers worldwide lead by example by writing their personal safety declarations on banners. For fiscal 2008, department managers also added declarations to the banners. Copies of these banners are distributed to every business site to help build a thorough shared awareness of safety and

health issues.

A unique weapon in Epson’s disaster prevention arsenal is our company fire brigade. Brigade activities help us prepare for the worst, and they reflect our commitment to owning responsibility for maintaining safety, trust, and peace of mind in the workplace and the wider community. Every year on August 31st – the day we have designated “Epson Disaster Prevention Day” – all Epson group companies in Japan conduct a full-scale fire and disaster drill with the cooperation of local fire departments. Another annual event is our fire brigade competition, which involves teams from around the world and serves to further heighten fire and disaster prevention awareness and capabilities.

¹ 5S housekeeping: sort, straighten, scrub, standardize and sustain; 3-Tei housekeeping: having a fixed place for a fixed number of a fixed item. (“Tei” comes from the Japanese prefix for “fixed” or “predetermined”).



A safety banner



An interactive safety demonstration

Accident Prevention Case Study – Ensuring Cafeteria Safety

Epson has developed sophisticated safety management systems for manufacturing equipment, buildings, facilities, and chemicals, but the use of management tools such as safety reviews had not been extended to our cafeterias, which are not directly related to the manufacturing process. Cafeterias present myriad safety risks, from sharp blades, fire, and slippery floors, to the possibility of a short circuit. As food-handling areas, they also need to be kept hygienic.

In 2008 we therefore decided to appoint a dedicated cafeteria safety officer. In the course of subsequent inspections, several issues were brought to light.

For example, unlike new manufacturing equipment, cafeteria equipment was not being subjected to a safety review prior to purchase. Since cafeteria employees are usually subcontractors, Epson decided that we must assume responsibility for ensuring that cafeteria equipment is safe. We thus conducted safety reviews and revised our kitchen equipment purchase procedures. In addition, to bolster hygiene management we enlisted the support of an external consultant to check our kitchens and make recommendations, which we subsequently deployed across the organization.

We conducted 25 such checks across 20 business sites in Japan, resulting in safer cafeterias. Now we have our sights set on rolling the system out overseas. Our safety initiatives are geared to prevent accidents, but our eventual aim is to create an environment in which people can be safe no matter where they are.



Kitchen safety check

Creating a Safe, Healthy Workplace

Since 2005 Epson has held “NESP fairs” designed to help build a safer, healthier corporate culture by directly spreading NESP wisdom among employees. NESP fairs are experiential affairs that involve hands-on activities, such as interactive machine safety demonstrations and AED (automated external defibrillator) operation workshops. In 2008, NESP fairs of varying scale were held at seven business sites across Japan.

Through the coordinated efforts of our health supervision office and health insurance society, Epson promotes a culture in which employees take responsibility for maintaining their own health. Employees have a general medical examination once a year, and counseling on nutrition and habits is offered to people found to be at high risk of developing a lifestyle-related disease. Furthermore, we have instituted a mental health program that offers consultation and other services to combat the ill effects of stress and overwork.

Epson also encourages its employees to strike a good work-life balance. Toward this end, we have expanded programs that support employees in the various stages of life, including childbirth, childcare, and caregiving. Many dads have been taking advantage of our well-being leave program to take childcare leave since we introduced it in 2008.

Work-Life Balance Initiatives

Program	Period	Notes	Users
Childcare leave (unpaid)	Up to the child's first birthday	Can be extended to the end of March after the child's first birthday, or until the child is 18 months, whichever is longer, depending on daycare circumstances	60-80/year
Childcare hours	Up to end of April after the child starts elementary school	Can shorten workday by up to two hours	215 (as of March 2009)
Caregiver leave	18 months		3-5/year
Caregiver hours	Together with caregiver leave, three years total	Can shorten workday by up to two hours	3-5/year

Voice of the Employee

At the end of December 2008, we welcomed a daughter as our first child. I wanted to be involved in child-rearing and wanted to relieve some of the burden from my wife, so I took childcare leave over January and February. Being with our daughter every day taught me the importance of husband-and-wife teamwork in raising kids, and my daughter's smile let me know that we really were bonding. I am very grateful to my boss and co-workers for their understanding and support before and during my childcare leave. It was very reassuring.

This experience has strengthened my resolve to work even smarter so I can spend more valuable time with my family.



In the end, the leave proved to be a great opportunity for me to fine-tune the way I work.

Toshiki Oya
Human Resources
Department

Fostering Diverse Values and Teamwork

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

See page 39 for more details

Basic Policy on Human Resource Development

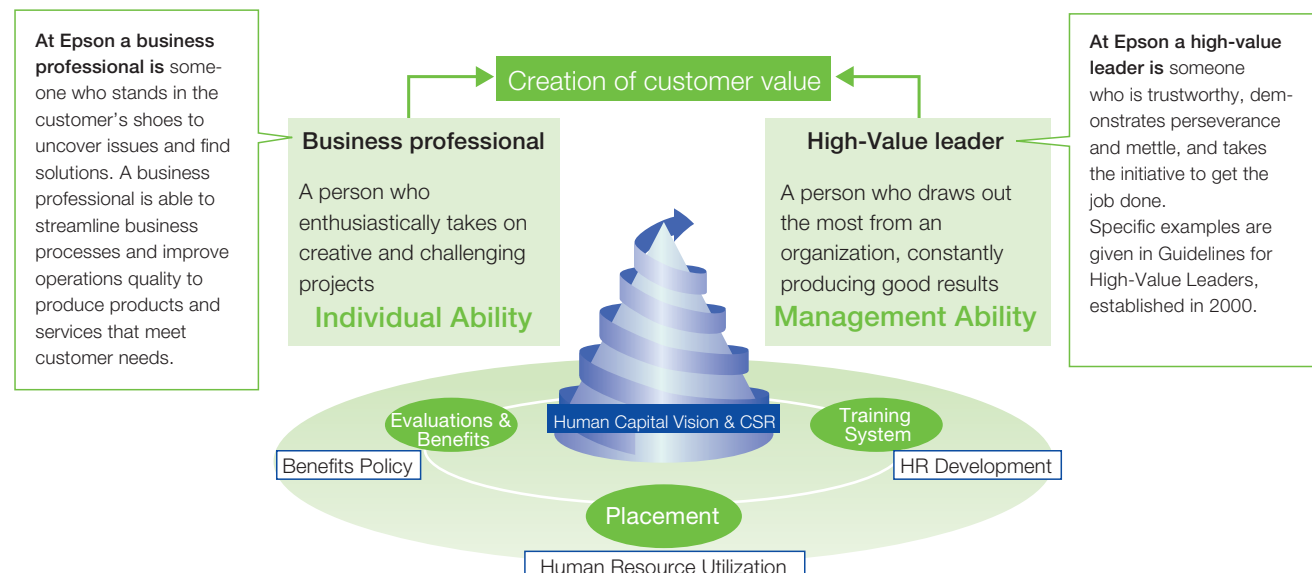
Regarding our employees as assets on loan from society and as the driving force behind the realization of our corporate vision, we maintain an organization that encourages self-reliance and personal growth, and that enables people to make the most of their unique abilities. Human development is the basis for product development.

Epson's Human Capital Vision, established in 2004, expressly states that our people shall endeavor to "...offer superior customer satisfaction...and be business professionals who are trusted most by their customers." Employee obligations are set forth in our Employee Code of Conduct and the Principles of Corporate Behavior on which they are based. We work to educate and instill

these values in our people through level-based training and workplace programs.

Going forward, we will look for ways to innovate work to accommodate Japan's rapidly aging society. At the same time, we will key in on a pair of issues: the upgrading of the managerial skills of people in management positions, and the development of the next generation of leaders.

HR Policies and the Ideal Employee for Inspiring Customer Trust and Happiness



Global Human Resource Development

Every year since 1999 Epson has held a “Global Incubation Seminar” at our Japan headquarters. The seminar is used to groom promising middle-management personnel from around the world for leadership roles at Epson and to increase motivation.

The four-day seminar provides participants with an opportunity to hear from chief executives and to revisit Epson’s manufacturing roots and technologies by touring our on-site archives and by visiting the Monozukuri-Juku, where employees receive training in the art and science of manufacturing. The fiscal 2008 seminar had multiple sessions at which the Epson vision (SE15) and Epson values were discussed and studied to increase understanding. On the final day the participants gave a presentation to the executive team.

Epson has made strides in localizing its global management team. Roughly half the executives and one-third of the chief executives at our overseas affiliates are now locals. In addition, before personnel from our Japan operations are transferred overseas to assume managerial duties, they are provided with training and other forms of support to enable them to smoothly transition into their role.

While our efforts to date have delivered a variety of benefits, we recognize that we need to develop our key young talent at an early stage. We are thus laying the groundwork for a program to develop future leaders, not only through classroom training but through strategic job placement, assignments, promotions, and on-the-job training.



Seminar discussion

Hands-on Training at the Monozukuri-Juku

Epson established a training facility called the Monozukuri-Juku in 2002 to capture and pass down certain intangible assets, such as Epson’s ultra-precision machining technologies and a kind of manufacturing intuition owned by certain highly skilled employees.

The Monozukuri-Juku has an orientation course that new employees take to learn the basics of manufacturing. It also offers instruction in areas such as assembly efficiency improvement, machine tool setup and maintenance, and production control.

A small number of selected young employees undergo intensive training to turn them into highly skilled technicians in a short time. These employees have gone on to participate in the National and World Skills Competition. In addition to technical skills, this training program emphasizes self-discipline and the ability to work under pressure. The aim is to develop individuals who are well-balanced mentally, physically and in terms of technical skills.

Epson has also established an Advanced Technologies Dojo, where about 10 new-hires with engineering backgrounds undergo two years’ worth of production engineering training. Trainees study Epson’s latest technology, methods for setting up production lines, and means for improving throughput. The objective is to raise their consciousness and ability to deal with delivery, quality control and cost issues faced in actual manufacturing operations.

We also dispatch trainers from the Monozukuri-Juku to our overseas manufacturing affiliates, to promote the transfer of intangible assets to our machinists and maintenance personnel overseas.



World Skills Competition

Voice of the Employee

The Global Incubation Seminar was a very motivating experience. I plan to break down Epson’s vision into its elements and convey them to my colleagues at Epson Telford. To succeed in our jobs, we need the ability to



David Eccleston
Epson Telford Ltd. (England)
Assistant Unit Manager

understand customer value, as we learned here.

At the Global Incubation Seminar I learned that Epson’s businesses span the globe, learned about Epson values, and came to a deeper understanding of why I am here in this company. I plan to share the knowledge I have ac-



Vilma Monzon Sasis
Philippines Epson Optical Inc.
Manager

quired with others in my organization and tie this to achieving the vision.

Co-creating with Our Business Partners

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

Building Relationships Based on Procurement Guidelines

Epson is committed to practicing socially responsible procurement. Based on the concepts of fairness, coexistence and co-prosperity, we seek to build mutually beneficial trusting relationships with our business partners around the world. From the perspective of a customer or other stakeholder, "Epson" does not stop at Seiko Epson Corporation and its subsidiaries but extends up and down Epson's entire supply chain, including all companies associated with Epson products. For us, this underscores the importance of driving socially responsible partnerships with our suppliers.

Epson has established Procurement Guidelines based on its basic procurement policy. In 2008, we updated the Procurement Guidelines, incorporating our own Supplier Code of Conduct, which outlines our commitment to compliance with laws and social norms, respect for human rights, acting ethically, health and safety, and environmental conservation. The Supplier Code of Conduct conforms to the Electronic Industry Code of Conduct (EICC) and contains additional provisions unique to Epson. Seminars were held to help suppliers comply with the Procurement Guidelines and Epson Supplier Code of Conduct.

In 2008, we organized our suppliers by control level. Suppliers were categorized into five levels depending on their impact on our CSR initiatives and on our ability to sustain production. We then took the various people in charge of making decisions on suppliers and consolidated them under one department that represents Epson on matters pertaining to supplier management. In October of the same year, we subsequently conducted a thorough fact-finding investigation of suppliers that were determined to be high risk. We have also continued to provide

training for employees involved in procurement, with nearly 13,000 people across Epson having participated in the compliance training so far.

Supplier Control Levels

Control Level	Guidelines
Level 1	Low impact on CSR & compliance, no impact on production
Level 2	Some impact on CSR & compliance, no impact on production
Level 3	Some impact on CSR & compliance, indirect impact on production
Level 4	Some impact on CSR & compliance, direct impact on production Alternative supplier available
Level 5	Some impact on CSR & compliance, direct impact on production Alternative supplier not available, major problems maintaining production

Working with Suppliers on Socially Responsible Procurement

Epson evaluates its suppliers' compliance with the requirements of our Procurement Guidelines. Suppliers are selected for evaluation based on control level. In 2008, we evaluated approximately 3,000 companies, including 1,000 suppliers of parts directly used in our products and 2,000 suppliers of indirect items.

Suppliers are evaluated on an annual basis. If necessary, we conduct a detailed evaluation of a supplier's performance once every few years. In the periodic evaluation, we ask our suppliers to complete a self-check using a checklist and, based on the results, evaluate their performance in terms of management, the environment, quality, cost and delivery. We also perform additional interviews and on-site audits when necessary. We then issue the supplier a request for improvement based on the evaluation results.

The detailed evaluations check for compliance with the CSR-focused Epson Supplier Code of Conduct that we established in 2008. Most of the requests for improvement involve appointing someone to be responsible for CSR, performing CSR risk assessments, and establishing a CSR training system. In 2008, we analyzed the self-checks of 290 suppliers and requested improvements when necessary.

Epson performs on-site audits at particularly important suppliers to gain a deeper understanding of their CSR performance. In 2008, these audits were extended to nearly 70 suppliers for eight of our key businesses.

Auditors must undergo in-house training on supplier evaluations before they can conduct on-site audits. A total of 184 people in Japan, China and Southeast Asia had

completed the auditor training by the end of fiscal 2008.

Going forward into 2009, we will continue to conduct supplier evaluations, ensure they become an integral part of operations, and verify the effectiveness of the evaluation criteria. We will also provide necessary support for our suppliers to raise the level of their CSR performance. In the results of the 2008 supplier evaluations, relatively poor levels of control in labor management, corporate ethics and information security demonstrated the need for ongoing improvement in these areas. We are also committed to laying the groundwork for similar programs overseas.



Supplier seminar

Voice of the Employee

I work for the department that procures watch dials and other parts. I am also in charge of working with suppliers on the CSR procurement program.

This role has not been an easy one for me. When I hold supplier seminars, I am always uncertain whether my explanations are sufficient. Due to my lack of a deep understanding of CSR, it takes time for me to explain complicated questions to suppliers and request improvements. Even so, I was eventually able to meet the initial objectives by explaining the meaning and goals of this program to suppliers and getting them to understand its

importance. CSR will continue to play an important role in the future and I would like to continue this program not only because it supports Epson's future development but also because it benefits society.



Shi Zhenyu
Manager,
Production Control Dept.
EPH/FIF Watch
Factory (China)

Initiating Honest Dialogue with Our Stakeholders

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

See page 40 for more details

Our Basic Approach to Communication

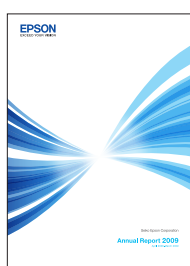
Epson has taken a number of actions to ensure good communication with our stakeholders. In addition to establishing a Global Communications Standard and complying with laws and regulations, we strive to be “a progressive company” that upholds the ethical standards of the international community in all of our business activities.

In November 2008, we established Global Environmental Communication Guidelines that cover all of our environment-related communications. We also unveiled our global environmental positioning statement, “Better Products for a Better Future,” demonstrating our strong commitment to environmental programs. Meanwhile, our public relations activities focus on the timely delivery of information on our activities and initiatives, even if the information is of a negative nature.

Tools for communicating with stakeholders



Sustainability Report
Summarizes Epson's CSR initiatives



Annual Report
Summarizes Epson's corporate vision, operations, and financial statements



Product catalogs
Explain product features and specifications for all our brands and detail the environmental performance of products

Web sites Used to disclose a wide variety of information



Epson home page



Investor information



Epson technologies



CSR initiatives



Environmental programs

Communication in China on Intellectual Property

As a global enterprise, Epson believes it is important to make sure its corporate image and brand are accurately communicated to our stakeholders throughout the world. In 2008, we engaged in a number of initiatives to help further stakeholders' understanding of Epson, especially in China. Our efforts in China focused on what we believe to be an important theme: providing information on intellectual property rights and improving awareness and understanding of IP-related issues.

In March 2008, a member of Epson Hong Kong Ltd. (EHK) delivered the keynote speech on intellectual property rights at the Enterprises Intellectual Property Rights Protection Strategy Seminar held in Shenzhen. The speech was well received by attendees, which included people from local small and medium enterprises, government agencies, law firms, patent agents, universities, and the media. One person commented on how useful it was to hear about Epson's experience in managing intellectual property rights, while another expressed appreciation for guidelines that could be used in the future to develop a strategy on intellectual property rights in Shenzhen.

In April of the same year, Epson sponsored and participated in the 2008 China High-Level Forum on Protection of Intellectual Property Rights held in Shanghai. This is the highest level of forum on intellectual property in China and is attended by high-level officials from the central and regional governments of China, as well as by top officials from the Japan External Trade Organization (JETRO) and Japanese Ministry of Economy, Trade and Industry (METI). Epson's president at the time, Seiji Hanaoka, delivered the first speech by the head of a Japanese enterprise.

Also in April, Epson (China) Co., Ltd. (ECC), EHK and

Epson invited ten journalists from Chinese IT, economic and intellectual property rights-related newspapers and magazines on a press tour of Epson in Japan to learn about our intellectual property rights and CSR initiatives. The five-day tour also included presentations on Micro Piezo technology, an introduction to the inkjet cartridge collection and recycling program at our Kanbayashi Plant, and a visit to Epson Mizube, a special subsidiary that employs a high percentage of persons with disabilities. This press tour afforded members of the Chinese media a deeper understanding of Epson's various IP and business activities.

Epson is currently engaged in a joint research project with Peking University. As part of the project, a class was established at the School of Journalism and Communication to research news coverage of intellectual property rights with the goal of encouraging objective reporting on the issue. In 2008, the second year of the program, 20 editors and reporters participated in the class, which teaches the basic theory of intellectual property rights, government policy, recent developments, and corporate case studies. Some of the lectures were on Epson's initiatives in this area.

These initiatives were cited by the METI Patent Office as reasons for selecting Epson as the winner of the 2008 Excellence in Intellectual Property Award.

Epson will continue its efforts to expand protections for intellectual property rights in China and other countries and regions while also working to increase recognition of our business activities.



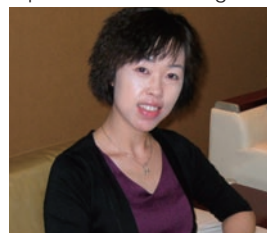
Members of the IPR news coverage project

Voice of the Employee

I am in charge of planning, running, and reporting IP communication activities at ECC. Leading this tour reminded me how effective IP communication can be as a platform for communicating with our stakeholders. One thing that left a lasting impression on me was the level of interest and enthusiasm journalists expressed for Epson's IP programs during a training session. When I asked one of the journalists why, he responded that this provided a view of Epson that we don't usually get to see. He went on to say that Epson's innovation, leadership and experience in the field of intellectual property provides an excellent example for Chinese companies and can contribute to the development of IP in China. He expressed hope

that we would continue to share Epson's initiatives in the future.

Working in public relations, I find great meaning in building a platform to exchange ideas and contribute to society by communicating information on Epson to a large number of people.



Tang Qing
Epson (China) Co., Ltd.
Manager,
Public Relations
Department

Prospering with the Community

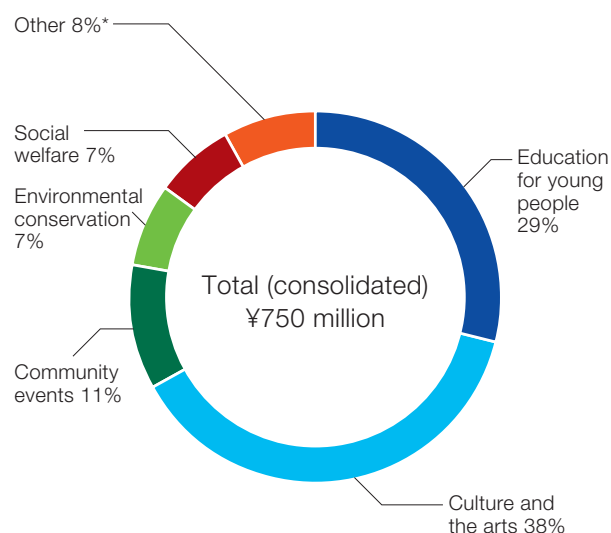
We will actively contribute to the communities in which we operate, as well as the international community, facilitating mutually beneficial relationships.

See pages 41-42 for more details

Basic Policy on Corporate Citizenship

Epson established a Corporate Citizenship Philosophy in 2004 that encapsulates our desire to develop in harmony with communities and help build a better society as a socially progressive company. We concurrently established our Corporate Citizenship Policy, in which we outlined five primary areas for ongoing engagement and philanthropy: education for young people, culture and the arts, community events, environmental conservation, and social welfare.

FY2008 Corporate Citizenship Expenditures



*Includes disaster relief

Temporary School for Victims of the Sichuan Earthquake

In May 2008 the Sichuan area was hit by a massive earthquake. To help children devastated by this disaster get back to school, Epson donated money to the China Youth Development Foundation. Donated funds went to building a temporary "Hope" school to be used until permanent schools could be rebuilt. Turning out forty 50-student classrooms, the project provided a learning environment for 2,000 children.

Delegates from Epson (China) Co., Ltd. (ECC) attended the opening ceremony for the temporary Hope school in Mianyang in September, in which representatives of the victims and the foundation expressed their gratitude and praise for Epson's support. In response, the Epson delegates commented on how heartwarming it was to see the children studying in their new classrooms and how Epson will continue to support school rebuilding and other efforts in the affected communities.



Hope school opening

190 Days of Social Commitment Begin

Epson Deutschland GmbH (EDG) has inaugurated a “190 Days of Social Commitment” program. The program involves 190 EDG employees each taking one day off work to volunteer their time at social welfare facilities or schools in the area around the Meerbusch office.

The impetus for the project was the fact that a number of EDG staff had been setting aside some of their own time to help local housing projects or volunteer at local kindergartens. Activities in 2008 included helping to renovate Haus Miteinander, a local facility for persons with physical disabilities, and undertaking an environmental responsibility initiative. This initiative was designed to help deepen local kindergartners’ appreciation for the environment, and involved EDG sales staff teaching about proper garbage separation, and planting an herb garden together with the children.



EDG staff helping to renovate a local facility

Support for Photo Therapy

Epson is a supporter of the photography-based therapeutic work of the Clover Leaf and Japan Photo-Therapists Network NPOs. With their ability to soothe and motivate, photographs can be used as a therapy aid to nurture personal development and empowerment. Photo therapy seeks to heal through the act of taking and viewing photographs, and it can even be a path to renewed self-discovery.

Both Clover Leaf and the Japan Photo-Therapists Network are primarily engaged in therapeutic work with children battling illness, the elderly, and persons with disabilities. Epson is very supportive of their efforts and has donated printers and scanners for producing the photographs, as well as projectors for viewing them in large groups. Epson staff also volunteer their time in support of photo workshops for students who attend school in the Nagano Prefecture Childrens’ Hospital. The smiles on the faces of the children as their works come to fruition are not easily forgotten. Epson will continue its support of these efforts as part of our commitment to education for young people and to social welfare.



Children at a workshop

Voice of the Stakeholder

Photographs have the power to soothe and motivate. Since 2004 Clover Leaf has been using photo therapy in its volunteer activities at hospitals, senior citizens homes, and other welfare facilities to bring joy to a range of people, including those with serious illnesses or disabilities. In 2007 the Japan Photo-Therapists Network was established to promote photo therapy and conduct research and training. Both Epson and Clover Leaf have been instrumental in supporting these efforts.

Epson’s support extends far beyond the equipment they donate and includes promoting our activities, dispatching staff to events, and being a corporate network member. Using photography in a therapeutic context is not yet widely known, and almost all of our events are held on a volunteer basis, so corporate support is much appreciated.

We want to help as many people as possible through the joy of photography, which makes us truly grateful for the wonderful support that Epson provides.



Yoshiko Sakai

Clover Leaf Director
Japan Photo-Therapists Network
Representative Director

Preserving the Natural Environment

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

See pages 43-52 for more details

Environmental Stance

At Epson we recognize that our operations impact the environment. We attempt to minimize these impacts through cooperative, rather than competitive, environmental programs in every region in which we operate. These programs are carried out under the same standards and with the same targets around the world. The approach to environmental affairs is explicitly stated in our Environmental Philosophy and in our Environmental Action Policies.

The programs we have implemented to reduce our environmental footprint are closely tied to our cost-cutting initiatives and operational innovations. We are trying to make our company stronger by managing our environmental performance so that we meet both our ecological and economic objectives and do our part to help create a sustainable society.

At Epson we control and improve our environmental performance in line with an ISO 14001-compliant environmental management system. All of our major manufacturing, sales and service sites in Japan and abroad are ISO 14001 certified.

In 2006, Epson began implementing "Action 2010," a strategic plan that maps out the company's environmental actions to 2010. We are working toward defined targets in three key areas: global warming, resource recycling and conservation, and substance management.

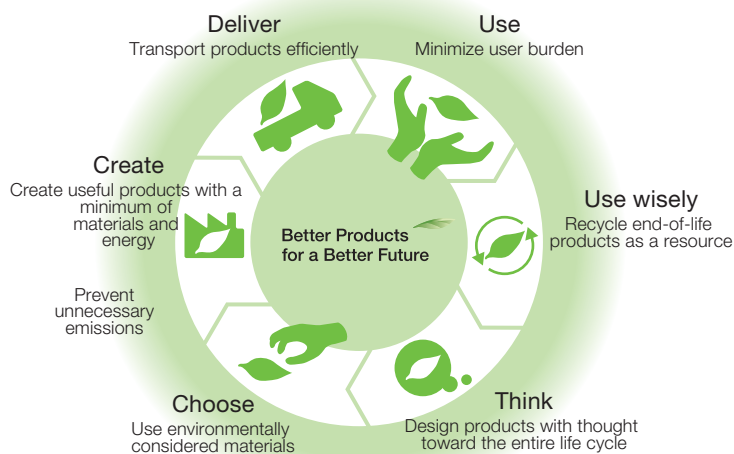
In 2008, we published "Environmental Vision 2050," a long-range environmental policy that clearly lays out a target of reducing CO₂ emissions by 90% across the life-cycle of all products and services by the year 2050.

In fiscal 2009 we will move forward on "Environmental Vision 2050" by establishing and scheduling specific actions in conjunction with the vision outlined for each

business in the SE15 Mid-Range Business Plan.

Essentially, we will continue to apply our compact, energy-saving, high-precision technologies to reduce our environmental impacts and improve our eco performance in every stage of the product lifecycle.

Product life cycle stages



Epson defines "eco-considerate product" as a product whose environmental impacts are considered from cradle to grave; that is, a product whose environmental impacts are weighed in every phase of the life-cycle, from design and manufacture through to transport, use and recycling

Preventing Global Warming

Epson is reducing greenhouse gas emissions across the life-cycles of its products.

Product Initiatives

3LCD projectors, increasingly popular for both business and entertainment applications, have to project bright, crisp images. While brightness can be raised by increasing wattage, Epson has elected to deliver higher lumens by increasing the efficiency with which light is used. Our highly efficient E-TORL (Epson Twin Optimized Reflection Lamp) is a byproduct of this approach. E-TORL lamps feature a redesigned reflector that improves light collection and usage efficiency by 20%. In addition, these lamps consume 90% less power than 1995 lamps with comparable brightness.

Epson manufactures and sells a large number of electronic devices that are built into electronic equipment. Our devices are used in mobile information equipment such as cell phones and cellular base stations; in automotive equipment such as car navigation systems and in-vehicle control systems; and in healthcare devices such as pedometers. The size and power requirements of electronic equipment are shrinking, driving demand for smaller, lower power electronic devices that nevertheless deliver greater functionality and reliability.

Epson uses its compact, energy-saving, high-precision technologies to provide products that meet these modern requirements.



EB-1735W / PowerLite 1735W projector with E-TORL lamp



OX-6501GG oven-controlled crystal oscillator produces 75% less CO₂ during use than previous products

Initiatives in Manufacturing

Even small actions, such as turning off unnecessary factory lights and making simple equipment modifications, can play a significant role in reducing global warming gases.

Epson Facilities Engineering ("EFE") Corporation designs, manages and maintains Epson buildings and facilities. It also tracks energy usage, implements energy-saving improvements and provides advice on facilities and equipment to help sites improve their environmental performance. For example, EFE installed new energy-efficient equipment at Epson's Semiconductor Operations Division fabrication facility in Sakata (Yamagata Prefecture) and improved cleanroom efficiency to maximize existing capacity. EFE studied the energy used by the system that supplies pure water and the ventilation systems, reviewed individual operating procedures on the fab floor to identify system waste, and searched for ways to improve efficiency without adding to costs, often in tandem with equipment manufacturers. These efforts resulted in 11 *kaizen* improvements that reduced annual CO₂ emissions by 1,271 tons.



Steam reduction activities

Voice of the Employee

I am in charge of electrical safety and energy conservation, primarily at production sites. I was introduced to energy conservation a decade ago when I would visit sites to remove excess fluorescent lamps. The significance of was not widely recognized at the time.

I find that the biggest challenge is changing perceptions. If people are satisfied with the way things are, they will not attempt to change or make changes. For this reason, I work closely with production departments to uncover and address opportunities for saving energy. Even small actions, such as removing unneeded lamps, can result in

significant savings, but today I am working with production departments to address larger and more complex issues, such as optimizing the operation of cleanroom air handling units.



I look forward to continuing to identify opportunities to conserve energy and reduce CO₂ emissions in our manufacturing processes.

Tatsuya Sugawara

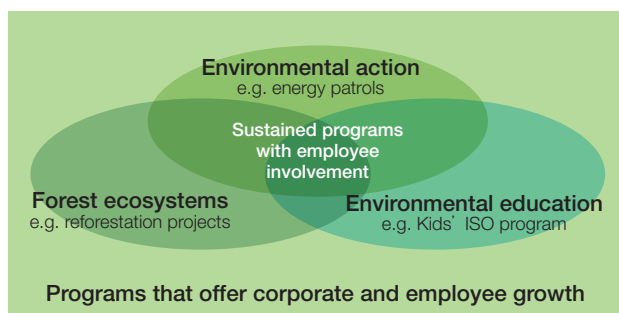
Epson Facilities Engineering Corporation
Sakata Group

Environmental Citizenship

Environmental conservation initiatives are an important part of Epson's corporate citizenship program. In particular, Epson supports long-term, sustained initiatives in which our employees can become involved.

In fiscal 2008 we summarized our basic policy on environmental citizenship, identifying therein three primary areas of support: environmental action, forest ecosystems, and environmental education for upcoming generations.

■ Basic Policy on Environmental Citizenship



Environmental Action – Energy Patrols

Epson has been participating since 2000 in the Shinshu Energy Patrol Team, a group of energy conservation experts that provides free energy assessments and advice to local enterprises to help them reduce their energy consumption. This energy-conservation program began in Suwa, the site of Epson's headquarters, but has expanded to cover all of Nagano Prefecture. To date, the patrol team has assessed and assisted more than 200 companies. The team has grown to include 50 members from a variety of businesses within the prefecture. The Shinshu Energy Patrol Team was awarded the 2008 Minister of the Environment Award for Global Warming Prevention, for providing free, effective advice for conserving energy.

Forest Ecosystems – Reforestation and Forest Management Projects

Epson, which has pledged to help restore and preserve biodiversity in Environmental Vision 2050, has been adopting environmental programs around the world that match the local climate and needs. In Indonesia, for example, we have been supporting a tree-planting project on Kalimantan Island for many years. In Japan, meanwhile, Epson became involved in 2008 in a program to maintain and preserve a local forest in Suwa.

Environmental Education – Kids' ISO 14000 Program

Since 2002 Epson has partnered with the International Art & Technology Cooperation Organization ("ArTech") to implement an environmental education program called the Kids' ISO 14000 Program at local elementary schools. More than 1,400 local children have enrolled in the program so far. Seventeen Epson employees have become ArTech-certified instructors. Instructors help by evaluating the children's workbooks.



Shinshu Energy Patrol



Kids' ISO 14000 Program



Reforestation project on Kalimantan

Voice of the Stakeholder

The Kids' ISO 14000 Program, which began in 2000, touches the lives of more than 30,000 students in Japan every year and has expanded to the U.S. and Middle East. Epson, which has supported this program from the start, has been extremely influential. Management and labor have worked as a team to set a good CSR example that other companies are now following. In 2008, Nagano Prefecture launched a program with the cooperation of local companies, municipal governments and NGOs that is widening the scope of activities from corporations to municipal governments. I am very excited about working with Epson in the future to expand this program overseas.



Ms. Miyuki Koyama
International Art & Technology
Cooperation Organization (ArTech)
Secretary General of the
Kids' Project

Epson CSR Data Book

35	Acting Ethically, Building Trust
37	Generating Value for Our Customers
38	Creating a Safe, Healthy and Fair Workplace
39	Fostering Diverse Values and Teamwork
40	Initiating Honest Dialogue with Our Stakeholders
41	Prospering with the Community
43	Preserving the Natural Environment

This section contains supplementary data for the articles on pages 15 to 33.

Acting Ethically, Building Trust

Governance System

Management system

Epson has a board of directors and a board of statutory auditors. Our nine-member board of directors meets once a month and convenes extraordinary meetings as needed. A pair of committees has been put in place to explore director selection and compensation issues. 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.

To ensure the greater independence and transparency of audits, Epson has assigned three outside statutory auditors to its five-member Board of Statutory Auditors. In addition to requiring that auditors attend and express opinions at board meetings, Epson is implementing measures to increase the effectiveness of audits. Statutory auditors must:

- Attend Corporate Strategy Council sessions, corporate management meetings, and other important business meetings.
- Conduct periodic reviews of important documents related to management decisions.
- Hold regularly scheduled meetings with the internal Audit Office and our independent public accountant.
- Hold regularly scheduled meetings with representative directors to ensure awareness of business operations.

In addition, Epson established the Audit Staff Office to assist statutory auditors in the execution of their duties, thereby making audits more effective, and leaving no-doubt as to the independence of the audits.

Epson has further established an internal compliance system to prevent potential legal and internal regulatory violations in the operations of any of its departments, as well as an internal Audit Office that directly reports to the president the results of routine internal audits, including those conducted at Epson subsidiaries. The Audit Office evaluates the effectiveness of the governance process and requests improvements where needed.

Compliance management

Epson has established management compliance regulations and set up a compliance system. Our Employee Code of Conduct and the principles of corporate conduct on which it is based are cornerstones of Epson's trust-based management.

The president holds overall responsibility for management's legal compliance. The heads of individual businesses and departments are responsible for compliance

with all applicable laws.

Epson has installed a legal compliance hotline and other counseling services to facilitate internal compliance-related inquiries and reporting. Employees are required to take web-based and other in-house compliance trainings.

A forum has been instituted in which issues related to management's legal compliance are discussed under the president's leadership. Standing statutory auditors also attend this forum, which allows them to corroborate the actual content of legal compliance programs.

The president periodically reports to the board of directors on compliance-related issues and formulates appropriate measures as needed.

Audit system

Based on corporate regulations governing auditors and audit procedures, statutory auditors have the authority to conduct hearings with directors and other key personnel whenever they deem such hearings necessary. Statutory auditors are also authorized to attend sessions of the Corporate Strategy Council, the corporate management meeting and other important business meetings. Attendance at these meetings enables the auditors to conduct audits based on the same information as directors. Statutory auditors also routinely review important documents related to management decision making.

Epson has established an Audit Staff Office with specialized personnel to assist the statutory auditors in their duties. The views of the board of statutory auditors are given a great deal of weight in the evaluation and transfer of personnel assigned to this office. To improve the effectiveness of their audits, statutory auditors consult on a regular basis with the internal Audit Office and independent public accountants. In addition, the holding of regularly scheduled meetings with representative directors allows statutory auditors to directly assess business operations.

Audit Office and internal audits

Internal audits are used to assess and verify evidence and to identify and suggest opportunities for improvements, thereby adding value to operations and help consolidated Epson Group companies achieve their business objectives.

The audit office assesses the risk management, control and governance processes at the Epson head office, operations divisions and subsidiaries in terms of compliance, effectiveness and efficiency. It then offers advice on improvements and conducts follow-up audits until the improvements are implemented. Audit results are reported to the president and then to the Trust-based Management Council and at Corporate Management Meetings.

Compliance Helpline

The Compliance Helpline (formerly the Compliance Hotline) provides a means for employees to discuss and report internal compliance and ethics concerns. It is intended to promote self-policing so that internal problems can be quickly detected and resolved. The Audit Office, which operates the helpline, investigates and resolves compliance problems per the wishes of the whistleblower. The Whistleblower Protection Act and company regulations protect the privacy of whistleblowers and prohibit termination and other forms of reprisal.

Epson improved the usability of the helpline in 2008 based on employee survey findings. We have providing web-based information and specific examples of issues that can be discussed.

Risk management

One of the critical missions of management is to institute preventive measures and manage business risks and to create a crisis response system.

In Epson's system of risk management, the president holds overall responsibility, with the heads of each business and department responsible for the management of risk in their respective consolidated businesses.

Under the president's leadership, a forum has been established wherein risk management-related issues are discussed. This forum routinely deliberates to identify and assess important Group risks and implements activities appropriate for their control. When major risks become apparent, the president leads the entire company in mounting a swift initial response in line with Epson's prescribed crisis management program.

J-SOX (Financial Instruments and Exchange Act) compliance

Epson's long-standing commitment to CSR is reflected in its efforts to comply with applicable laws and regulations and to maintain the trust of the community. Our compliance with J-SOX goes beyond the scope of legal compliance to include the development of an infrastructure to reduce risks and strengthen the business platform. We are working not only to increase the reliability of financial reporting but also to establish systems and a tone in our organization that protects our valuable employees against the possibility of becoming involved in fraud.

In 2008, the first year of mandatory J-SOX compliance, Epson completed the management's assessment and external auditor's audit and successfully submitted its internal control report. We will continue our ongoing efforts to assess risks and improve checking mechanisms as we aim to strengthen the reliability of our financial reporting.

Compliance policy on J-SOX

Basic Policy

Position J-SOX activities as a part of our infrastructure-building activities to strengthen the business platform and build a system that complies with the legal requirements.

Objectives

1. Enhance the reliability of financial reporting
2. Establish more secure business operations through a system of risk assessments and internal checks
3. Develop a system to provide assurance on confirmation documents signed by the company president
4. Establish systems and a tone in the organization that protect employees from becoming involved in fraud

Participation in the UN Global Compact

Respecting the principles of the Global Compact

As a participant in the United Nations Global Compact since July 2004, Epson has pledged to uphold the UN's universal principles in the areas of human rights, labor standards, the environment and anti-corruption in a letter submitted to the Secretary General.



Companies that endorse the 10 principles in the Global Compact voluntarily adhere to these principles in an effort to achieve sustainable growth. Epson will continue to operate in line with its Principles of Corporate Behavior and the 10 principles of the Global Compact as it strives to further its standing as a trusted company.

In July 2007, Epson became a signatory and supporter of "Caring for Climate: The Business Leadership Platform," a statement prepared by three parties of the Global Compact, together with the WBCSD¹ and UNEP².

¹ WBCSD: World Business Council for Sustainable Development

² UNEP: The U.N. organization that coordinates global environmental activities

 UN Global Compact
<http://www.unglobalcompact.org/>
Epson & UN Global Compact
http://www.epson.co.jp/e/community/un_global_compact2.htm

Generating Value for Our Customers

Epson Quality Philosophy and Quality Policy

Quality Philosophy

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

Quality Policy

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

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

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

Basic product safety policy

We work hard to ensure the safety of all our products because we understand the need for customers to trust the safety of the products we manufacture and sell. Our Basic Product Safety Policy reflects this recognition and expresses our commitment to customer satisfaction – a core belief of Epson's Management Philosophy.

Product Safety Initiatives

Enhance customer satisfaction through continuous safety evaluation and testing

Epson pursues product safety improvement at every turn in the belief that safety and reassurance are the keys to customer satisfaction. In fiscal 2005 we established a product safety testing facility at our Hirooka Office in order to identify the causes of field incidents by recreating them in the lab. Apart from helping to prevent accidents, the work being done at the facility is also being applied in the development of even safer products. In the same year we also introduced equipment for analyzing volatile organic compounds, which are thought to cause sick house syndrome. Epson has instituted a strict, independent testing regime, and we are committed to providing ever safer products for our customers.

Strict, unified global standards for customer security, safety and satisfaction

Epson has established regulations governing quality assurance and product safety management to help ensure that we offer the same quality to customers in every country and every region around the world. In the areas of product safety and environmental compliance, we follow the Epson Quality Standard (EQS). This unified Epson Group standard specifies independent controls that meet or exceed legal and regulatory requirements in each country. Epson is also highly proactive when it comes to training. Previously, we dispatched trainers from Japan to conduct programs on quality management at overseas affiliates, but now we are developing more and more local trainers to provide Epson standard instruction in-house.

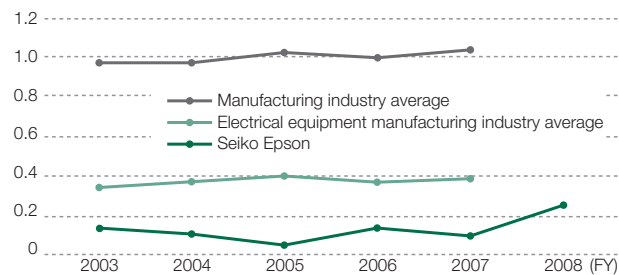
Important Notices Issued in Fiscal 2008 (in the Japanese market)

- Epson identified a firmware error in the hard disks of certain personal computers that had the potential to render them inaccessible. Epson desktop models known to have been shipped with the problematic hard disk are the Endeavor AT970, CM970, MR3300, MR3500, MR6000, MT7800, MT7900, LX7900, Pro4300, Pro4350, Pro4500, and Pro7000. We have updated the firmware in question and are providing guidance to owners of affected models on how to fix the issue.
- Epson identified an error in some Officio LP-S300/LP-S300N model printers that can cause the toner warning lamp to come on and the printer to go into cartridge replacement mode soon after its toner cartridges have been replaced. We are therefore undertaking repairs of affected models at no extra cost.
- Epson identified an error in some Officio PX-B300/PX-B500 model printers whereby certain feeder mechanism parts could fail and affect paper feeding. We are therefore performing on-site repairs of affected models at no extra cost.
- Epson identified a hazard in its ELPDC02 document imager that could potentially result in smoking or fire. We announced a no-cost inspection and repair program through newspapers and other media starting in August 2007. In 2008, however, there were incidents of smoking from units that we had not yet repaired and fires involving non-Epson brand products with the same specifications. We are therefore again undertaking inspection and repairs of affected models.

Creating a Safe, Healthy and Fair Workplace

Occupational Safety and Health

Occupational Injury Accident Trend



Occupational injury accident frequency: the number of injury accidents per 1,000,000 work hours, where an injury accident is defined as an accident that causes a worker to miss one or more days of work

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

Initiatives from our Basic Policy for Health Management

Epson developed a three-year "Healthy Epson 21" plan based on the Basic Policy for Health Management that we established in 2005. In line with Healthy Epson 21, we have been focusing on three health priorities:

- Reducing the number of employees at risk of developing a lifestyle-related disease
- Preventing the adverse health effects of overwork
- Preventing the adverse health effects of stress

Workplace Equity

Labor-management cooperation

Epson is a union shop whose employee union representatives work cooperatively with management. Joint committees are formed to discuss and hammer out mutual resolutions to issues on a variety of topics, such as development of the next generation, wages, self-reliance and vitality, and the prevention of long working hours.

Monitoring and controlling working hours

Epson management and staff have joined forces to establish a committee whose charter is to prevent long working hours. Our field guide to overtime is fully compliant with labor laws, and we have programs to build awareness among employees of the importance of regulating working hours appropriately. Epson is fully committed to maintaining a well-balanced working environment.

Non-discrimination and unfair labor practices

Epson is dedicated to the eradication of discrimination and unfair practices in all their forms around the world. This stance is reflected in our participation in the United Nations Global Compact since 2004. In 2005 we documented policies that outline Epson's strong convictions in areas including respect for human rights, elimination of harassment, eradication of all forms of discrimination, respect for local culture and customs, prohibition of child and forced labor, and maintenance of positive labor relations. There were 22 inquiries to our harassment hotline in 2008, and all were handled in the strictest

confidence, in line with privacy protection laws. Meanwhile, Epson has also been using in-house criteria to assess the ethical, human rights, and labor standards situations at its worldwide manufacturing affiliates since 2005 to ensure they are free of unfair practices.

Equal gender opportunity initiatives

Epson was an early advocate of equal employment opportunity for men and women. We abolished gender-based remuneration in 1983, and the return to work rate for employees who have taken parental leave is 95% (100% in 2008).

Parental Leave Trends

Fiscal year	Individuals on childcare leave				Individuals on caregiver leave
	Overall	Females	Ratio of females granted leave ¹	Males	
2008	73 ²	62	98%	11 (10) ³	4
2007	77 ²	70	100%	7 (6) ³	3
2006	59	57	97%	2	2
2005	85	82	100%	3	5

¹ Number of individuals granted childcare leave / eligible* individuals

*Individuals who have had a child and are eligible for childcare leave

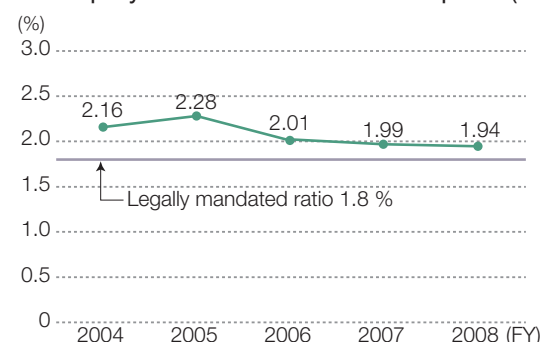
² Includes employees who took well-being leave.

³ Numbers in parentheses indicate employees who took well-being leave.

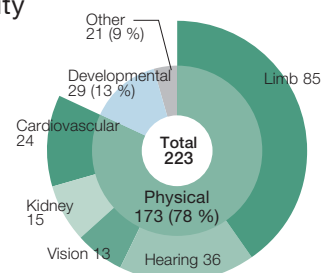
Employing Persons with Disabilities

Epson provides a wide range of employment opportunities for persons with disabilities, including at two special subsidiaries set up to cater for persons with special needs in Japan, Epson Mizube Corporation and Epson Swan, Ltd., and at a dedicated department at our operations in Suzhou, China. We also take steps, such as providing sign language interpretation, so that persons with disabilities have the same conditions as other employees for training and promotion interviews.

Employees with Disabilities at Epson (Japan)



Employees with Disabilities (Japan), by Type of Disability



Fostering Diverse Values and Teamwork

Human Resource Development and Organizational Climate

Personal and organizational change and growth

To provide products and services that surprise and delight customers, Epson seeks to drive personal and organizational change and growth. One key to this is an organizational climate that encourages employees to think, feel and act of their own accord. Another way we do this is by developing people who are able to independently create customer value and achieve business strategies.

We have been conducting employee motivation surveys since 2004. In response to the results of these surveys, many departments have instituted a problem-solving process wherein department members gather to talk over problems, come up with solutions, and implement corrective action as a team. Analyzing examples in which this problem-solving cycle has worked effectively, we found that resolving problems unearthed through dialogue requires a self-driven organizational climate that values cooperation and a strong commitment to teamwork.

Moving forward, therefore, Epson will continue to expand support mechanisms that foster independent problem-solving within our business units. At the same time, our management and union will work even closer together to develop our human resources and invigorate our organization.

New employee training

Epson provides its new employees with extensive training. The training program, which includes both personnel and manufacturing training, focuses on imparting a solid understanding of Epson's core values, as well as on shaping their awareness and conduct as full members of society.

New employees learn the basics of business and study Epson's management, quality and environmental philosophies, as well as our Employee Code of Conduct. They also get hands-on manufacturing experience by taking apart and reassembling printers and watches, using tools, and practicing production control techniques. Finally, they engage in team-building activities.

■ Training Schedule

Training Schedule							
Oct.		Apr.		May		Mar.	
Recruit training	Self-development	Orientation	Orientation training <ul style="list-style-type: none">• Collective training• Manufacturing training• Lake Suwa walk ▲Dispatch to division	Departmental assignment	Division orientation	OJT based on development plan Professional training and practicum (e.g. mechanical, software, electronics training; in-store training; factory training) ▲7/1 End of probation; full employment	Follow-up training

E-KAIZEN program

Our global E-KAIZEN program is designed to make

continuous improvement activities by every employee an engrained part of our day-to-day operations. Every year, best practices are shared, awards are given for important contributions, and study sessions are held.



E-KAIZEN presentation

Personnel System

Evaluations and wages

Under Epson's wage system, compensation is determined on the basis of evaluations of job performance and the process by which objectives were achieved. Compensation is not dependent on factors such as age, schooling, or gender. In 1997 we introduced a "management by objectives" process that encourages employees to set high goals. These individual goals, which are linked to organizational goals, increase employee motivation and commitment. Management and employees work closely together to set objectives, fostering a stronger sense of unity and leading to better communication.

Internal recruiting and job challenge system

Epson introduced an internal recruiting system in 1990 and a "job challenge" system in 2002 as means to enable employees to realize their full potential. These systems help promote internal mobility through job rotation and offer motivated employees the opportunity to develop their careers. In the 2008 fiscal year, 48 of the 86 employees who responded to notices on the internal recruitment system, and seven of the 12 employees who sought job changes through the job challenge system, were transferred.

Workforce Composition & Online Learning

Seiko Epson Corp. workforce data (as of 3/09)

Male/Female Ratio		Management Ratio		Management Diversity	
Male	82%	Management	15%	Male	99%
Female	18%	Non-management	85%	Female	1%

Main Online Courses Offered in Fiscal 2008

Course	Offered From	Enrollment ¹
Information Security	2/2008	13,611
Introduction to Pandemic Flu	10/2008	10,919
Import-Export Control	1/2009	10,000
Security Trade Control	2/2009	6,089
Asset Management	2/2009	5,334
Workplace Harassment	3/2009	3,556
Product Safety	3/2009	1,871

¹ Number of employees who completed the course by March 2009

In addition, Epson offers more than 120 different courses and trainings.

Initiating Honest Dialogue with Our Stakeholders

Dialogue with Our Shareholders

General Shareholders' Meeting

The General Shareholders' Meeting provides an excellent opportunity to communicate directly with our shareholders. We have been listening to the "voice" of our shareholders by handing out questionnaires at the meetings since 2006. Incorporating feedback from these questionnaires, we set up a number of displays at the 2008 meeting to facilitate even better communication.

In January 2008, we renewed our Web site and added a page for individual investors. We were able to communicate with shareholders in new ways by streaming video of the 66th General Shareholders' Meeting and by creating a Web-based questionnaire to reach as many of our shareholders as possible.

Going forward, we at Epson will continue to create various opportunities to communicate with our shareholders.



Dialogue with Our Customers

Dear Epson

Beginning in 2008, the company newsletter began carrying a new column titled, "Dear Epson." The column, based on interviews and dialogue with customers, provides our employees with insight into how our customers think and feel about Epson as a company and about our products. Opinions are gathered from Epson's entire range of customers, from individuals to corporations, and from distributors to trading companies worldwide. Customers often bring attention to both positive and negative things that may have gone unnoticed. Epson will continue to strive for honest communication and look for new ways to convey the thoughts and feelings of our customers.



Color Imaging Contest

In 2008, Epson marked the 15th year of its Color Imaging Contest, an event for artists to exhibit their digital works. This year's contest, which had 10,956 entries from 12 countries and regions, again provided a wonderful opportunity for artists to express themselves through their work.



Dialogue with Our Employees

Discussions during Corporate Ethics Month

Since 2005, Epson has implemented programs to boost awareness of the Employee Code of Conduct. These programs take place during October, which has been named Corporate Ethics Month by Keidanren (the Japan Business Federation). In 2007, individual departments began holding discussions on selected topics in the Code of Conduct.

This year, 470 groups submitted 3,065 comments on the Code of Conduct, including recommendations and questions for the department responsible for drafting it. Going forward, this department will use the corporate intranet to provide feedback on the comments from employees.

CSR workshops

In 2008 the Watch Operations Division, Epson Sales Japan, and Epson Imaging Devices held CSR workshops. As of March 2009, over 6,600 employees have participated in the workshops since they began in 2006.

These workshops give employees the opportunity to think about CSR after reading the sustainability report. They are also a great way to hear employee opinions and suggestions on how CSR initiatives could be improved.



CSR workshop

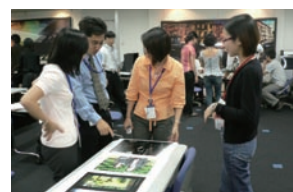
Overseas Initiatives

Dialogue at ETT

Epson Taiwan Technology & Trading Ltd. (ETT) has engaged in ongoing dialogues with "influencers" who impact Epson. One example of this is a program jointly organized by ETT and several Taiwanese universities since 2007 to help develop international imaging designers.

In 2008, ETT invited design students, professors and a journalist to visit Epson in Japan, to meet with senior management and tour our manufacturing museum, recycling center, and inkjet photo gallery.

We explained our commitment to customer value and our technological and environmental initiatives. ETT's sustainability efforts were covered by the influential Taiwanese magazine CommonWealth, which ranked ETT 7th on their list of benchmark IT companies in Taiwan.



Inkjet-printed artwork



Tour of Manufacturing Museum

Prospering with the Community

Education for Young People

J8 Summit support

The Junior 8 Summit, or J8, was held in Chitose from July 1 – 10, in parallel with the annual Group of 8 (G8) Summit of world leaders, held in nearby Toyako. Using Epson inkjet printers, we cooperated with local school children to design commemorative yukata (lightweight cotton robes) that we donated to the participants from each country. We also donated two laser printers that were used at the summit venue, and 24 projectors to local elementary and junior high schools. Employees from our Chitose Plant, which produces the LCD panels used in the projectors, visited the schools to present them with the donated 3LCD projectors and explain how they work while interacting with the students.



J8 Summit reception

Culture and the Arts

Official partner photo service at The National Museum of Western Art OPEN museum

Epson is the official partner of The National Museum of Western Art OPEN museum project in Japan. This project was inaugurated to help deepen appreciation of art among a wider segment of the population. Over March 28 and 29, 2009, Epson offered families, children and other museum visitors complimentary commemorative photos printed out on an Epson inkjet printer.



OPEN photo service

Community Events

Sightseeing flight

In November 2008 Epson took a group of local elementary and junior high school students on a sightseeing flight aboard its corporate aircraft flying out of Shinshu Matsumoto Airport. The event was held in conjunction with Nagano Prefecture and Junior Chamber International Matsumoto, with Epson as a corporate airport sponsor. The flight was intended to remind the students of the beauty of the Nagano area and give them an opportunity to make new, exciting discoveries. The event was a rousing success. Each student wrote his or her dream or wish on one of the aerial photographs taken on the day. The photographs, which were printed using Epson inkjet technology, were then put on display at the airport and the prefectural government office.



Boarding the corporate plane

Environmental Conservation

Support of the Jinguji 100-Year Forest Project

Epson began supporting the Suwa Jinguji 100-Year Forest Project in November 2008 as a corporate sponsor through Nagano Prefecture's "adopt-a-tree" program. As part of this project, Epson has pledged to protect and nurture approximately 50 hectares of Suwa area woodland that is in need of care. In addition to financial support, we also have many employees who actually go into the forest and get their hands dirty. Through these efforts we are hoping to restore and preserve local biodiversity, and to raise awareness of environmental issues.



Wrapping a bark protector

Other Initiatives in Japan

Field	Region	Activities	Company
Education for young people	Sakata	Kids' environment workshop	Tohoku Epson Corporation
	All areas	Internships for local junior and senior high students	Seiko Epson Group and affiliates
Culture and the arts	Matsumoto	Saito Kinen Festival Matsumoto sponsor	Seiko Epson Corporation
	Tokyo	Equipment sponsor for photography exhibition documenting International Red Cross rescue efforts	Epson Sales Japan
Community events	Matsumoto	Sponsorship of local football team	Epson Imaging Devices Corporation
	All areas	Employee participation in local cleanup activities	Seiko Epson Group and affiliates
Environmental conservation	All areas	Participation in the ECOCAP program	Seiko Epson Group and affiliates
	All areas	"Candle Night" (turning off business site lights, etc.)	Seiko Epson Group and affiliates
Social welfare	Suwa	Matching contributions to the Suwa charity marathon and walk	Seiko Epson Corporation
	Suwa	Regular snack food sales run by persons with disabilities	Seiko Epson Corporation

Epson participates in hundreds of corporate citizenship programs in addition to those listed above.

Education for Young People

German elementary school energy education

Epson Deutschland GmbH (EDG) supports a practical energy education program for elementary schools in Germany. How does electricity get to our outlets? How is that related to global warming? The program uses fun, hands-on experiences to teach children about such complex topics. Among the many environmental programs EDG is involved in, Epson sees environmental education as an indispensable investment for everyone's future based on the axiom of "think globally, act locally."



Investigating steam power

Education for Young People

Epson Foundation awards 75 scholarships

The Epson Foundation was established in 1990 as a way to give back to the community by fostering young talent. In 2009 we commemorated the 19th year of the scholarships, which this time were presented to 75 students at higher education institutions in Hong Kong and South China in a February ceremony held at The Hong Kong Polytechnic University. So far more than 400 people have been awarded scholarships, with recipients chosen based on their academic performance and community engagement.



Scholarship ceremony

Social Welfare

Participation in Australia's "Movember"

November 2008 marked the fifth year for employees of Epson Australia Pty. Ltd. (EAL) to participate in the "Movember" event. The month-long annual event, which has spread to Europe and North America, involves the growing of moustaches to raise money for charities that support men's health issues. Participation in this event is just one example of the many ways in which EAL staff proactively contribute to the community.



The "Movember" moustaches

Environmental Conservation

Earth Day electronics recycling

In April 2008, Epson Portland Inc. (EPI) again collected electronics for recycling as part of the annual Earth Day event. In what was the collection's seventh year, EPI smashed the previous year's record haul. Continuing from that previous year, EPI was lucky to be joined by more than 50 volunteers, including college students and people from nearby Intel. People were waiting at the doors a full two hours prior to the official start, and the event ran over schedule. At the end of the day EPI had collected a total of 24,870 kg of unwanted electronics, batteries, and other waste.



Collecting electronics

Other Initiatives Worldwide

Field	Region	Activities	Company
Education for young people	Mexico	Graduation ceremony at in-house school	Epson de Juarez, S.A. de C.V.
	China	Commenced a rural education program	Epson (China) Co., Ltd.
	Indonesia	Support of children's environmental education	P.T. Indonesia Epson Industry
Culture and the arts	Italy	Support for preservation of historical sites	Epson Italia S.P.A.
	Russia	Organized contest for aspiring professional photographers	Epson Europe B.V. Moscow Representative Office
Community events	Spain	Support for local hockey club	Epson Iberica S.A.U.
	Brazil	Major sponsor of new soccer museum	Epson do Brasil Industria e Comercio, Ltda
Environmental conservation	Philippines	Reforestation project on Mount Makiling	Epson Precision (Philippines) Inc. and others
	Portugal	Started forest biodiversity restoration project	Epson Europe B.V.
Social welfare	United States	Coordinated with charitable organizations to donate Epson products	Epson America, Inc.

Epson participates in hundreds of corporate citizenship programs in addition to those listed above.

Preserving the Natural Environment - Fiscal 2008 Achievements

“Action 2010,” which lays out the company’s environmental actions from fiscal 2006 to fiscal 2010, is one of Epson’s mid-range business plans. Fiscal 2008 results for key actions are summarized below.

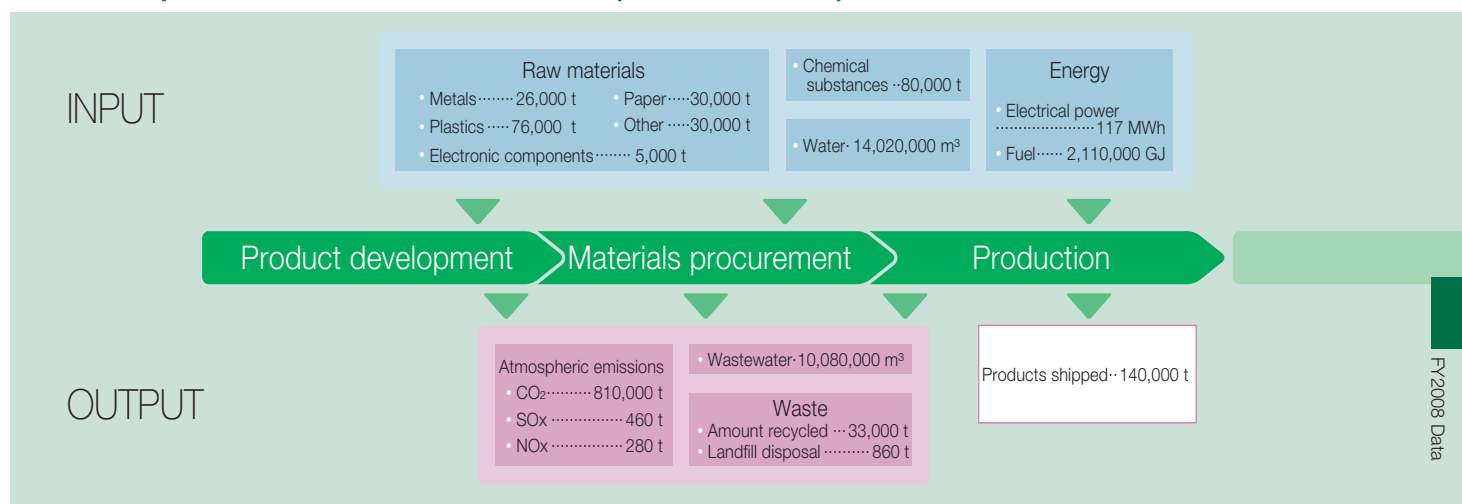
Action 2010 General Environmental Policy Results for FY2008

Area of Initiatives	Key Measures	Measure Details
Prevention of global warming	Seek to achieve the industry’s greatest reduction in greenhouse gas emissions through product and factory countermeasures	
	1. Pursue environmental technology development and secure intellectual property	① Apply for and win environment-related patents
	2. Reduce CO ₂ emissions from factories and sites (further CO ₂ emissions reductions in global business activities)	① Reduce energy consumption (including through production process innovations)
		② Reduce greenhouse gases (PFCs, etc.)
	3. Reduce CO ₂ emissions associated with logistics	① Reduce CO ₂ emissions via logistics improvements
Resource recycling & conservation	4. Effectively use environmental performance (quality) data as sales promotion tool	① Acquire environmental labels
	Contribute to the building of a society having an environmentally sound material cycle with thoroughgoing, effective use of resources	
	1. Develop and design products that conserve resources and are easy to recycle (Further pursue resource-saving and recyclable design)	① Maintain the recyclable rate & recoverable rate (at design phase) ¹
	2. Promote resource-saving initiatives (maximize resource efficiency)	① Reduce waste through the effective use of resource inputs (materials, production materials, etc.) ② Reduce waste by taking measures against the source of waste ; e.g. improve process design, increase yield
Chemical substance control	3. Strengthen the recycling business model	① Build, operate and follow through on a recovery and recycling system in the five major regions (Japan, Europe, Americas, Asia, China) based on region-specific action plans
	Reduce environmentally harmful materials and maintain and further strengthen their management	
	1. Reduce chemicals in line with environmental policies and measures for reducing the environmental impact of products (making greener products)	① Meet REACH compliance requirements for chemical preparations
		② Meet REACH compliance requirements for articles (both finished products and devices)
Education / social contribution	2. Reduce the environmental impact of sites (make sites greener)	① Reduce site emissions
	3. Build and implement a general management system for chemical substances	① Establish a supplier management system
	1. Perform actions that effectively contribute to communities in each region	① Promote unique tree-planting events
		② Provide environmental education for children in various countries & regions
		③ Conduct Shinshu Energy Patrol Team activities

¹ The recyclable rate and recycling rates do not include thermal recycling. The recoverable rate includes thermal recycling.

² Resource efficiency = consolidated net sales divided by emissions volume

FY2008 Epson Environmental Burden (Material Flow)



Action 2010 General Environmental Policy Overview and Future Initiatives

Prevention of global warming

Achieved CO₂ emissions targets per unit of price-adjusted sales (both global and in Japan). Created and instituted a system for determining the amount by which emissions were reduced in logistics. Ensured that domestic emissions trading scheme complies with Japan's amended Energy Conservation Law. Further measures to be promoted in FY2009.

Resource recycling & conservation

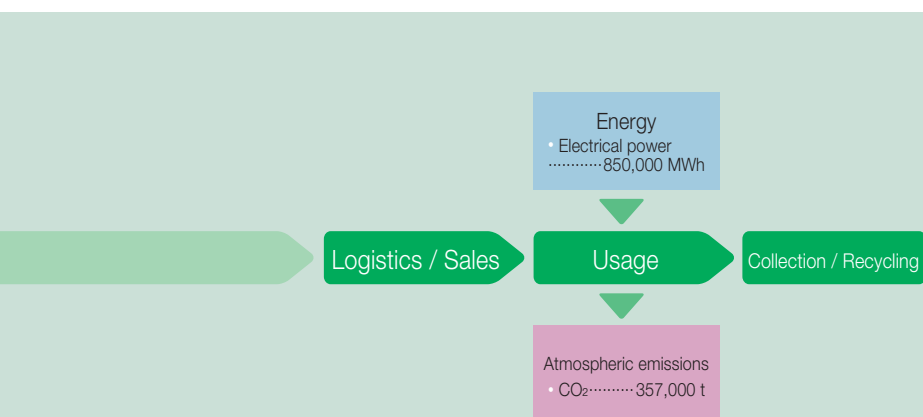
Launched joint ink cartridge collection and recycling program in Japan. Missed resource efficiency target but reduced absolute volume of waste. Will continue driving initiatives to reduce resource inputs and waste and increase resource recycling.

Chemical substance control

Pre-registered chemical preparations in compliance with the REACH. Provided information on article content of 15 substances listed as SVHCs. Established a policy for action after substances are listed as SVHCs. JIG/JAMP schemes to be used to conduct surveys and communicate information.

Grades assigned according to rate of target achievement: A=90-100% B=70-89% C=50%-69% D= 49% or less

	FY2008 Targets	FY2008 Grade	Grade (Achievement Ratio)
	Increase the number of applications by 10% over FY2007	Achieved 81.6%	B (81.6%)
	Global consolidated: 50% reduction per unit of price-adjusted sales (vs. FY1990)	Reduced by 51.1%	A (102%)
	From energy used in Japan: Reduce by 35% per unit of price-adjusted sales (vs. FY1990)	Reduced by 43.5%	A (124%)
	Reduce by 1% vs. FY2007 on a price-adjusted sales basis (in Japan)	Reduced by 8.7%	A (870%)
	Acquire labels based on consolidated plan	Conformance rate Type I: 97.0% Type II: 96.4% Type III: 66.7%	A (95%)
	Achieve 100% with products covered (recyclable rate 75%wt)	Achieved 96.6%	A (96.6%)
	Achieve 100% with products covered (recovery rate 85%wt)	Achieved 98.9%	A (98.9%)
	Improve resource efficiency by 20% over FY2004 ²	Reduced by 2.4% [in terms of absolute quantity, waste was reduced by 5,600 tons (13.6%) vs FY2007]	D (-12%)
	Recycling rate 65% (Japan)	78.4% (Japan)	A (121%)
	Supplier arrangements + pre-registration	Completed pre-registration of chemical preparations	A
	Check the composition of raw materials (acquire details information on their composition)	Provided information on articles containing any of the 15 substances listed as SVHCs. Established an action policy after substances are listed as SVHCs	A
	Maintain emissions of PRTR substances and VOCs at the FY2005 level	Reduced PRTR substances by 45.7% and VOCs by 22.6% vs FY2005	A
	Build a general management system for chemical substances	Updated the Green Purchasing Standard (Ver. 3.2 and 3.3) Conducted new and maintenance audits	A
	Continue distinctive tree-planting programs	Checked growth of forest on Kalimantan Executed a five-year agreement to sponsor the Suwa Jingui 100-Year Forest Project	A
	Provide Kids' ISO training (major countries & regions)	Provided Kids' ISO training to 357 children in Japan	A
	Assess 40 or more business sites during the year	Assessed 43 business sites during the year Won the 2008 Minister of the Environment Award	A



The material flow summarizes the environmental impacts of Epson's business activities by charting material and energy inputs, as well as outputs such as greenhouse gases and wastes. Source material inputs are estimated from actual measurements and product LCA data and then analyzed. The results are used in actions to reduce impacts by improving product performance and business environmental efficiency.

Product shipments declined compared to FY2007. Atmospheric emissions of CO₂ during product use declined commensurately.

Preserving the Natural Environment – Approach to Environmental Action and Environmental Management

Environmental Philosophy and Major Activities

Environmental Philosophy

(established October 1994 & revised June 1999)

Epson 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 activities will be pursued by the entire Epson Group in keeping with our 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 environmental information and contributing to regional and international conservation efforts
5. Continually improving the environmental management system

Environmental & Economic Efficiency

Aiming for qualitative improvement in our environmental management, Epson introduced environmental and economic efficiency indicators in 2006. For global warming we are aiming for a 50% increase (a factor of 1.5) in environmental and economic efficiency (as measured by environmental impacts from manufacturing plants and from transport) by the end of FY2010, using fiscal 2004 as a benchmark.

The global warming factor in fiscal 2008 was 1.2.

Environmental & economic efficiency = consolidated net sales / environmental impact (e.g. CO₂ emissions)

Recognition of Environmental Initiatives

- Tohoku Epson was commended in 2008 for promoting an environmentally sound material cycle.
- Epson de Juarez S.A. de C.V. received a Certificado de Cumplimiento (environmental achievement award).
- Epson Korea Co., Ltd. received an “Energy Winner Award” sponsored by Consumers Korea for the Epson Stylus Photo RX610.

Environmental Risk Management

We follow Group-wide regulations and standards for pollution control and ensure that all employees are well acquainted with the ideas and laws of environmental risk management.

Environmental Education

We want our employees to remain mindful of the environment while on the job. We feel it is important for them to consider how their conduct, both at work and at home, affects the environment, and we want to empower them to contribute to environmental solutions. Toward that end, Epson provides environmental education and promotes correct understanding and eco-friendly practices.

Environmental Education Provided in FY2008

Training Name	Start Date	Trainees
ISO 14001 environmental auditor training	–	164 (cumulative: 2,251)
e-Basic Environmental Training (“Co-existing with Nature”)	2002	567
e-Global Environment Technology (environmental regulations)	2003	632
e-Basic Environmental Training (FY2008 version)	10 / 2008	12,518

Environmental Accounting

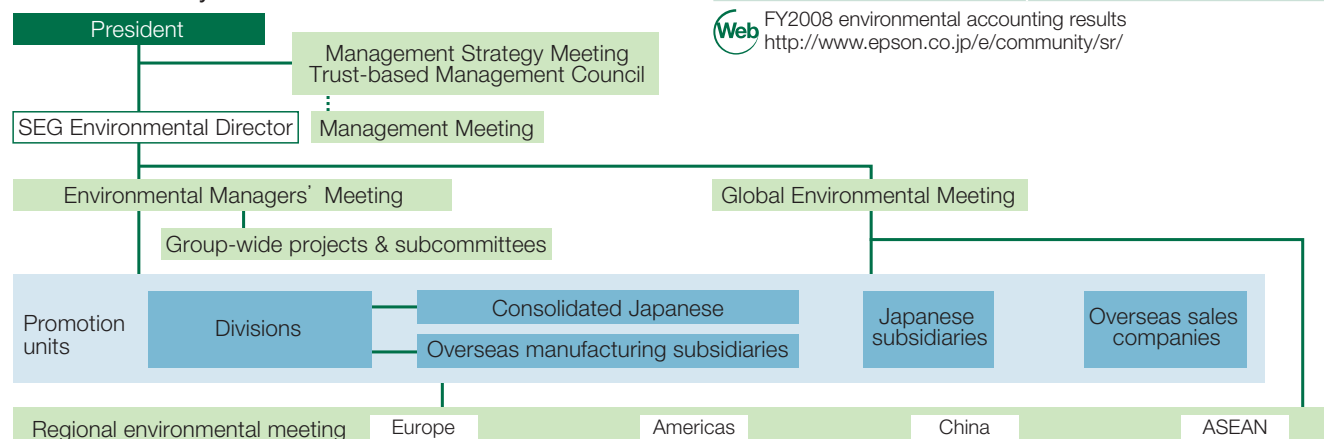
Epson’s environmental accounting statements promote environmental management by quantifying and evaluating environmental costs and effects and reporting them in categories corresponding to the General Environmental Policy.

Environmental Accounting Statement

	FY2008
Environmental preservation investments	¥400 million
Environmental preservation costs	¥6,350 million
Economic effects	¥3,040 million

 FY2008 environmental accounting results
<http://www.epson.co.jp/e/community/sr/>

Promotion System for Environmental Activities



Preserving the Natural Environment – Think

Basic Product Development Policies

A product's environmental impacts across its life cycle are largely determined at the planning and design-engineering stages. Epson seeks to reduce these impacts with product designs that save energy, save resources, and eliminate harmful substances.

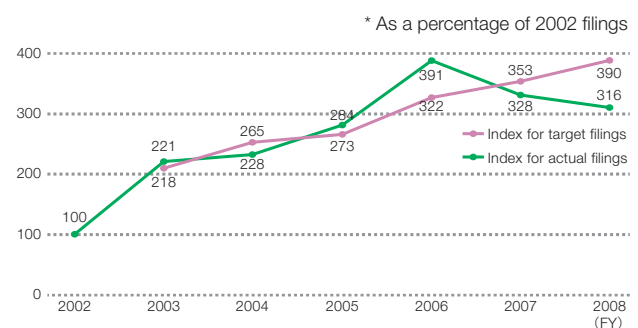
Basic Policy	Actions
Energy-saving design	The power consumed during use accounts for a large portion of a product's total environmental impact across its life cycle. With this in mind, we set energy-saving performance goals for each product and work to ensure steady progress.
Resource saving	We set goals for recyclable rates (the ratio of total product weight calculated as recyclable based on a product's design drawings). We also consider ways to reduce the cost of disassembly and sorting and ways to reduce impacts by making products smaller and lighter.
Elimination of harmful substances	Epson standards specify substances that are prohibited from inclusion in products and substances whose inclusion must be controlled. Information on these substances is gathered in a database to help ensure safety in all processes, from design and procurement to mass production.

Eco-inventions

Epson also reduces its environmental footprint by offering incentives for "eco-inventions." By offering incentives, Epson aims to contribute to the well-being of society by becoming the industry leader in developing technology to mitigate environmental impacts. Since establishing our own criteria for eco-inventions in 1998, we have seen the number of qualifying inventions steadily rise.

In fiscal 2008 we focused on improving the quality of patent applications for eco-inventions. So, although the number of applications fell below target, we will continue to pursue quality inventions.

Patent Applications for Eco-inventions



Eco Labels Acquired in Different Product Categories

Type	Country / Region	Eco Label	Inkjet Printers (incl. MFPs)	Page Printers Laser & LED	SIDM Printers	POS Printers	Scanners	Ink/Toner Cartridges	Paper	Projectors	Large-screen LCD Projection TVs	Other
Type I	Germany	Blue Angel		●								
	Taiwan	Green Mark	●	●	●			●		●		
	China	Chinese environmental label	●		●							
	South Korea	Korea Eco-Label	●	●				●		●		
	Singapore	Green Label	●	●								
	Japan	Eco Mark	●	●	●			●	●			
Type II	Europe	The Eco Declaration	●	●	●	●	●			●		
	Japan	PC Green Label									●	
	Worldwide	The Epson Ecology Label program	●	●	●	●	●			●		●
Type III	Japan	Eco-Leaf	●	●			●			●	●	
Other	Japan, America, Europe (EU)	International Energy Star Program ¹	●	●	●		●				●	
	China	Energy saving regulations	●	●	●					●		
	Japan	FSC certification							●			

Type I label: Indicates that the product has met the criteria set by a certified third-party organization

Type II label: A "self-declaration" label that indicates a company volunteers environmental information about its products

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

¹ The International Energy Star Program is also being implemented by Canada, Australia, New Zealand and Taiwan.

Preserving the Natural Environment - Choose

Green Purchasing of Production Materials

In line with our environmental action policy, we seek to create and provide products that demonstrate eco-care. So, when choosing the parts and raw materials that make up our products, we give preference to lower-impact alternatives.

We buy green production materials (including all parts, raw materials, packaging materials, and OEM products used in our products) based on the same standards around the world and have maintained a worldwide green purchasing rate of 100% since the second half of fiscal 2004.

We updated the SEG Green Purchasing Standard for Production Materials to version 3.3 in January 2009 with an eye toward shoring up our product substance assurance system in particular. Specifically, we are driving our assurance system across our supply chain, from first-tier suppliers all the way back to raw materials manufacturers.

Assuring that harmful controlled substances are not included in our products requires the building and maintenance of a system that reaches beyond Epson to encompass suppliers. We ask our suppliers to provide declarations stating that the materials they deliver to us do not contain banned substances, that banned materials are not used in their manufacturing processes, and that they build and maintain their own assurance systems to ensure compliance with product content restrictions.

As part of our trade terms, we also require our suppliers to provide information on the substances being included in and eliminated from each type of material delivered to us. We use this process to help select suppliers who can reliably assure compliance with our product content requirements.

Preventing the Commingling of Harmful Substances

To maintain product quality, Epson maintains a database containing chemical substance data collected from suppliers. A staff of about 800 across Asia verifies the systems used by suppliers at their manufacturing sites to prevent material contamination due to commingling. Some 2,000 suppliers were checked by the end of fiscal 2008.

Responding Globally to Environmentally Sensitive Materials

Nations and regions around the world are adopting more and progressively tougher restrictions on chemicals and substances. Epson is staying on top of the new legislative and regulatory requirements with the aim of building and shipping products to a single global standard that satisfies compliance requirements worldwide.

REACH Compliance

Epson has been complying with the requirements of REACH (the Registration, Evaluation, Authorization and Restriction of Chemicals), a European Community regulation that entered into force last year.

Under REACH, enterprises that manufacture or import more than one ton of a chemical per year are required to register it in a central database. For 10 or more tons a chemical safety report must be prepared. Epson collaborated with suppliers to complete pre-registration of ink, toner and ribbon materials in fiscal 2008.

On October 28, 2008, the European Chemical Agency (ECHA) published a list of 15 substances of very high concern (SVHC) as candidates for authorization. Manufacturers are required to provide customers and consumers with information on the safe use of products in which an SVHC is present in an amount exceeding 0.1 wt%. Epson is fully committed to meeting this obligation.

Reporting on articles is in the offing for 2011, requiring additional preparations.

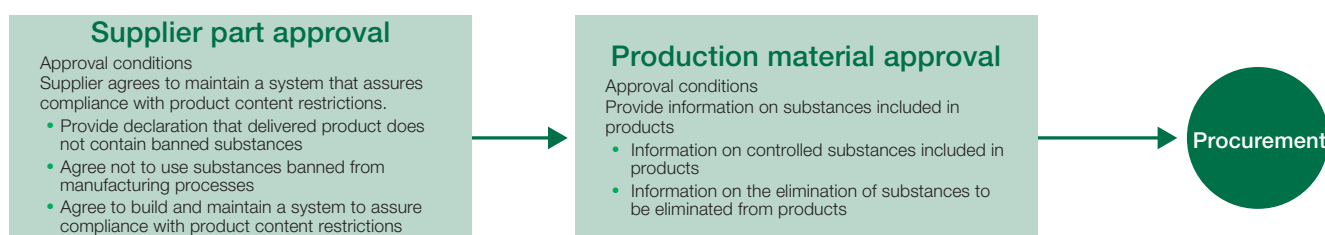
The REACH legislation is indicative of the trend toward requiring the management, tracking and control of all materials, including chemicals and other substances, throughout their life cycles. Epson recognizes this trend and is staying positioned to respond.

System for Providing Substance Information

For finished products Epson will continue to use the Joint Industry Guide (JIG) scheme to conduct surveys and communicate substance information.

For devices we will use disclosure mechanisms developed by organizations such as JAMP (Japan Article Management Promotion consortium) to enable us to respond to a broad range of customer needs.

■ Green Production Material Purchasing Flow



Preserving the Natural Environment - Create

Global Warming

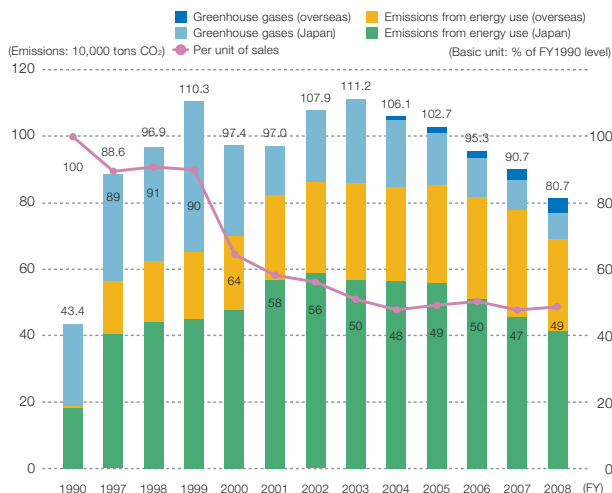
Epson seeks to reduce CO₂ and other greenhouse gas emissions from its worldwide operations.

As part of our efforts to cut our CO₂ emissions, we are conserving energy by improving monitoring and controls, increasing the energy efficiency of our plant facilities and production equipment, innovating our production processes, and introducing new energy sources.

To reduce emissions of greenhouse gases other than CO₂, we are using abatement technologies or simply finding ways to use less of these gases in the first place.

In fiscal 2008 we reached our domestic and global consolidated targets for reducing global warming gases.

Greenhouse Gas Emissions



NOTE:

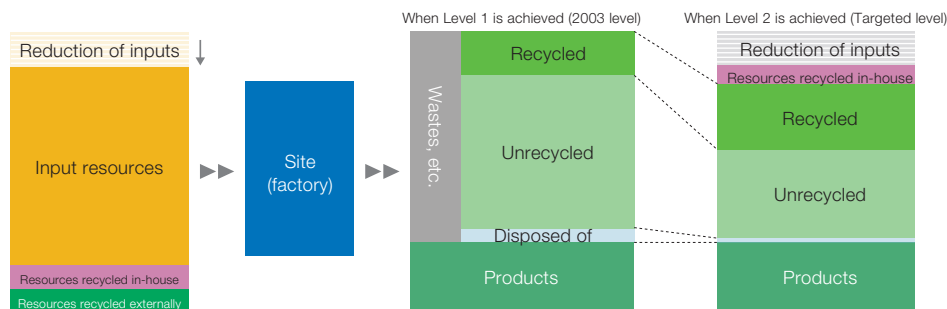
FY1990 greenhouse gas emissions from sources other than energy use are calculated using the corresponding emissions in FY1995.

In Japan we used an average value published by the Federation of Electric Power Companies as a conversion factor to calculate equivalent CO₂ emissions from energy consumed. Outside Japan we used national emissions factors provided by the Japan Electrical Manufacturers' Association (JEMA).

To calculate CO₂ emissions from fuels both in Japan and abroad, we used the CO₂ conversion factors published jointly by the Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry in Version 2.4 of a global warming gas emissions calculation and reporting manual.

To calculate the CO₂ equivalent of emissions of greenhouse gases other than CO₂, we used conversion factors published by the Intergovernmental Panel on Climate Change (IPCC) in 2001.

Zero Emissions Level 2 Activities at Epson



"Level 1" defined

- 100% of wastes reused or recycled
- Maximum of 50g of combustible waste per person per day

"Level 2" defined

- Resource productivity¹ 50% improvement over FY2002
- Maintenance of Level 1

$$\text{Resource Productivity} = \frac{\text{net sales}}{\text{unrecycled emissions}}$$

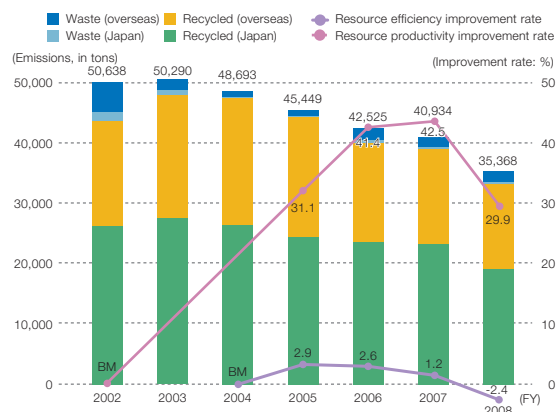
Zero Emissions

Epson instituted a "zero emissions" program to promote the effective use of resources, reduce waste levels, and help extend the lives of final disposal sites.

Our zero emissions program is carried out on two defined activity levels. Level 1, which targets improvements at the emission stage, is defined as the 100% recycling of all waste material (excluding personal wastes) generated from business activities. By the end of FY2003, all Epson sites and companies in Japan and all Epson manufacturing companies outside Japan had achieved Level 1. Sites that recently came under the Epson umbrella are also working to reach Level 1.

We are now shifting as a company toward actions to reach Level 2, which targets improvements in production processes. In Level 2, the aim is to reduce resource inputs by keeping an eye out for opportunities to reuse a factory's waste on-site as an ingredient in the manufacturing process.

Waste Emissions Trend



Preserving the Natural Environment - Create

Energy Management Awards

In March 2009, employees of Seiko Epson, Epson Toyo-com, Epson Facilities Engineering, as well as a pair of sites, Akita Orient Seimitsu (renamed Akita Epson on April 1, 2009) and Epson's Fujimi Plant, received energy management awards sponsored by the Energy Conservation Center of Japan and local bureaus of Economy, Trade and Industry.

Recipients
Factories recognized for energy management excellence: Akita Orient Seimitsu & Fujimi Plant
Excellent Energy Conservation Manager Award: 4
Excellent Energy Conservation Engineer Award: 3
Excellent Energy Conservation Technician Award: 2

Factory Environmental Risk Management

Internal audits of pollution control and waste management operations

In 2008 we audited 58 sites (14 in Japan and 44 overseas) on the basis of internal pollution control and waste management standards. The audits did not turn up any significant problems.

Violations, complaints, and accidents

In fiscal 2008 Epson received several complaints, including a complaint about tree branches extending off the property, but all were resolved.

Exceeded regulatory limits: 0
Complaints: 3
Accidents: 0

Soil and groundwater remediation

We continue to pump and treat groundwater that was contaminated by trichloroethylene due to past business activities at four sites in Japan. We are also evaluating bioremediation as a means to hasten the cleanup. At our Matsushima Plant a reactive barrier has been constructed to filter out contaminants from groundwater.

Remediation Methods

Barriers	Head Office, Shiojiri, Fujimi, Suwa Minami
Pump and treat	Head Office, Shiojiri, Fujimi, Suwa Minami
Soil vapor extraction	Head Office
Monitoring	Head Office, Shiojiri, Fujimi, Suwa Minami, Matsushima

Groundwater Trichloroethylene Concentration (Trend) / Yearly Averages (Standard: 0.03 or Below)

Work site name	Aug. 1999	Jun. 2000	Apr. 2001	Apr. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007	Mar. 2008	Mar. 2009
Head Office	340	380	290	121	87	107	113	97	112	62	88
Shiojiri	3.3	0.81	0.39	4.5	4.4	3.5	5.5	6	7.9	5.2	2.8
Fujimi	0.77	3.5	2.6	0.96	0.86	0.89	0.36	0.27	0.17	0.25	0.26
Suwa Minami	2.4	3.2	2.2	0.61	1.07	0.51	0.23	0.17	0.18	0.13	0.13
Matsushima	11	9.7	6.5	4.2	—	0.28	0.11	0.089	0.1	0.12	0.09

Substance Management

Epson recognizes that substances involve some risk. Accordingly, we categorize them as "use prohibited," "reduce use and emissions," and "replace with safer substances."

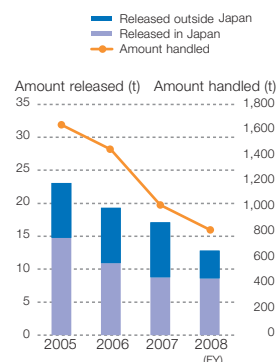
In 2003 we enacted a regulation that stipulates the proper control of substances. Two years later, in 2005, we built and introduced a data management system called "E-Chem" that allows us to centrally manage information on chemicals used at Epson sites around the world.

We continue to work aggressively to reduce substance emissions. In addition to programs to track, control and reduce chemicals subject to PRTR (Pollutant Release and Transfer Register) control, we are reducing emissions of volatile organic compounds (VOCs). We are also reducing emissions by identifying and adopting greener alternatives to certain chemicals, minimizing amounts used, and introducing combustion abatement systems.

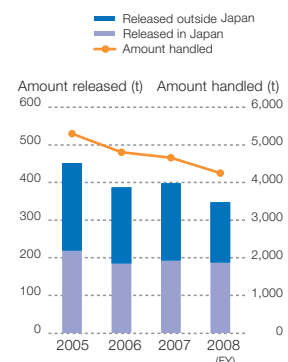
Starting in 2007, all Epson business units began programs to manage, track, and reduce their own chemical emissions. We use 2005 emissions as a benchmark. The goal of the programs is to moderate emissions around the globe.

Epson Imaging Devices Corporation (EID) eliminated 2-aminoethanol, a chemical subject to PRTR reporting, from its overseas manufacturing operations by the end of March 2009. EID had already eliminated this chemical in July 2007 at its sites in Japan.

PRTR Substances: Amounts Handled and Released Group-wide



VOC Amounts Handled and Released Group-wide



Preserving the Natural Environment – Deliver

Reducing Transport CO₂ Emissions

Using methods recognized under the Revised Law Concerning the Rational Use of Energy, Epson has been monitoring its shipping volumes, energy usage, and CO₂ emissions while working to shrink its environmental footprint with the aim of reducing emissions by 1% versus the previous year per unit of price-adjusted sales.

In FY2008, CO₂ emissions from transport within Japan totaled 11,000 tons, 8.7% lower than in FY2007 per unit of price-adjusted sales.

We have been collecting logistics data since FY2006. In the interest of greater efficiency, seven of our business units were using an automated data collection and tabulation process as of fiscal 2008.

Epson Sales Japan Initiatives

Epson Sales Japan (ESJ) is reducing its CO₂ emissions by carrying out initiatives in compliance with Japan's amended Energy Conservation Law.

Primary measures in fiscal 2008

1. Consolidated product distribution centers in Japan, reducing the number from seven to five, and reduced the amount of materials transported between our own factories, warehouses or other non-customer destinations
2. Executed measures to improve transport efficiency
 - Improved internal operations to shorten transport distances
 - Reviewed and selected transport methods appropriate for the amount of materials (combined and consolidated shipments)
 - Cooperated with receivers to reduce shipping frequency
3. Implemented modal shifts

Packaging Material Reductions

Epson Logistics Corporation, an Epson subsidiary that handles the company's distribution operations, devised a hand truck for multifunction page printers. The hand truck, which won the Logistics Award at Japan Packaging Contest 2008, is used to safely and efficiently deliver any model of Epson page printer in a fully assembled and installation-ready state. Since no unpacking is required, the hand truck helps reduce installation time and produces no waste materials for disposal.

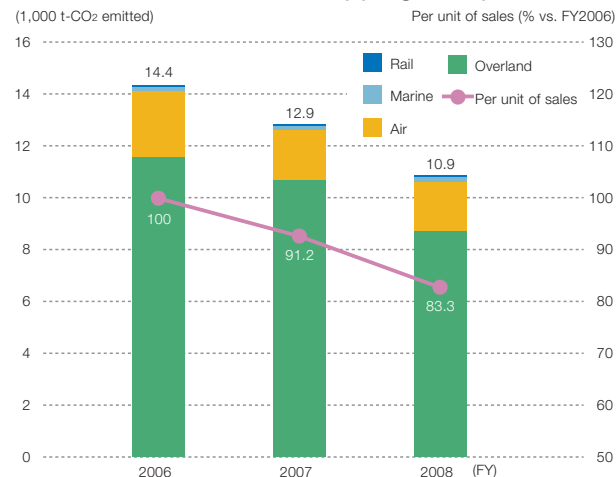


Hand truck for multifunction page printers

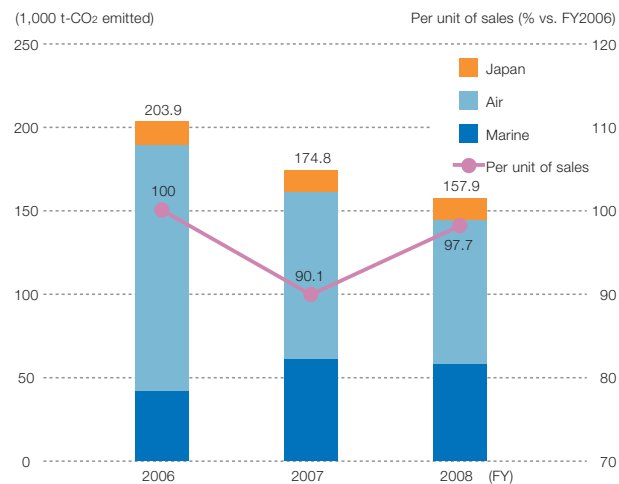
Initiatives Overseas

In FY2007, air transport accounted for about 60% of our total domestic and international CO₂ emissions from transport. Working with our affiliates around the world, Epson is making the modal shift from air to marine transport. Thanks to such efforts, we were able to reduce FY2008 CO₂ emissions by about 17,000 tons compared to the previous year.

CO₂ Emissions From Shipping in Japan



CO₂ Emissions, Domestic and International Transport



Preserving the Natural Environment – Use Wisely

Product Collection and Recycling

Building a recycling-oriented society requires businesses, government and consumers to cooperate in processing used products. Epson monitors local and international legal and regulatory trends, keeps an eye on consumer needs, and is building a system for collecting and recycling Epson products at the end of their useful lives.

Initiatives in Japan

Epson collects and recycles end-of-life personal computers as required by Japanese law. Since 1999 we have been voluntarily collecting and recycling used information equipment (e.g. printers, scanners, and projectors) from businesses. In fiscal 2008 we collected 86.7 tons of used equipment.

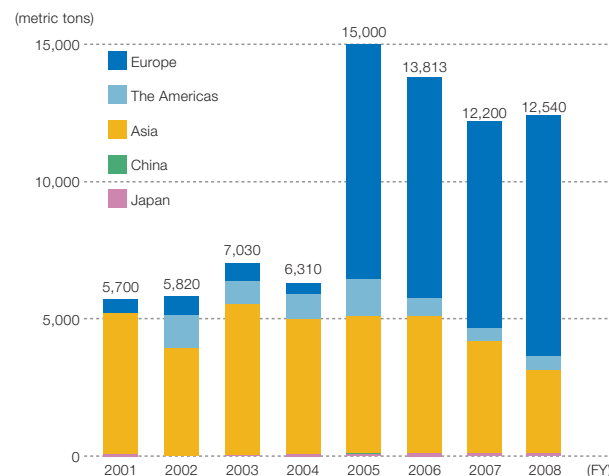
Used ink cartridges are also being collected and recycled as raw materials. To increase the rate and convenience of collection, six manufacturers in Japan joined forces in 2008 to form the “Ink Cartridge Home Coming Project,” a program that uses post offices across Japan to collect used ink cartridges.

Initiatives around the world

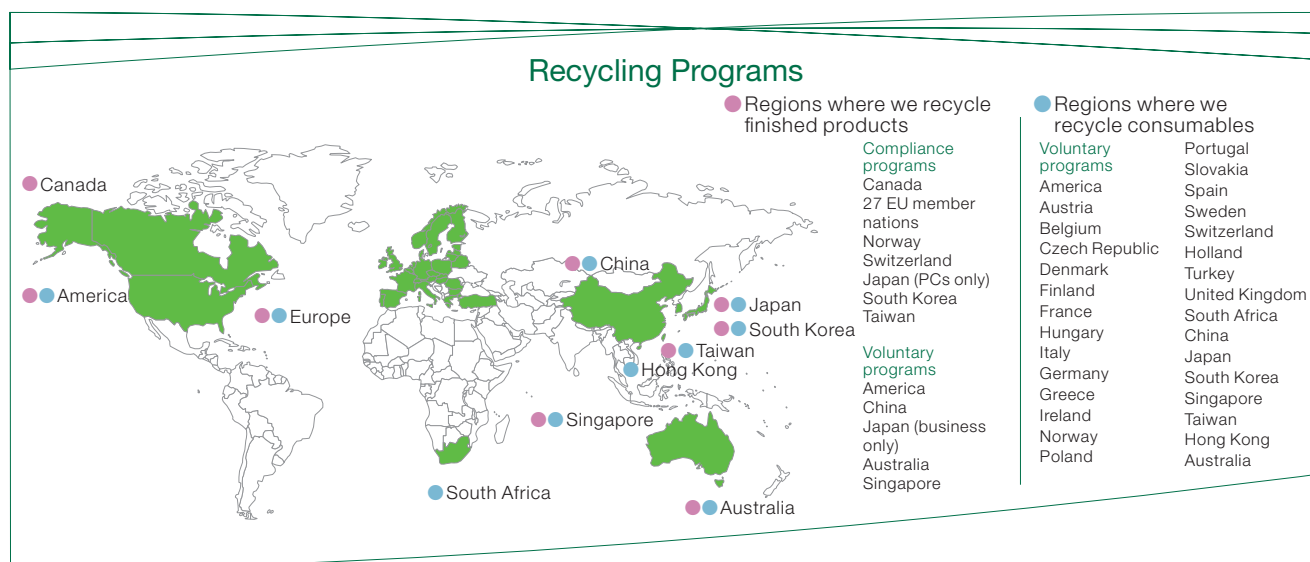
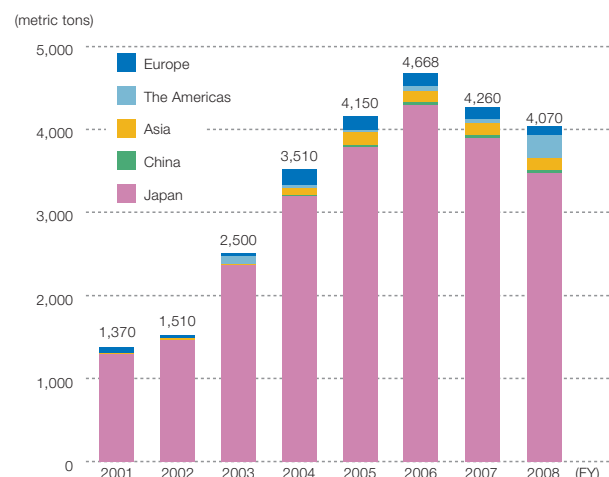
A worldwide move toward tougher laws on the collection and recycling of products prompted Epson to put in place a global system that enables us to remain informed and compliant. In the European Union manufacturers are required to build and pay for a collection and recycling system under the WEEE (Waste Electrical and Electronic Equipment) Directive. We are providing information to our partner recycling companies to remain compliant with the rules of each country.

Epson currently operates collection and recycling programs for products and consumables in 30 countries and regions.

Collection of Finished Products



Collection of Ink & Toner Cartridges



Corporate Profile

Name	Seiko Epson Corporation
Established	May 18, 1942
Head office	3-3-5 Owa, Suwa-shi, Nagano-ken, Japan
Capital	53,204 million yen (as of March 31, 2009)
Employees	72,326 (worldwide consolidated); 13,139 (non-consolidated) (as of March 31, 2009)

Net sales / operating income (for fiscal year ended March 2009)

Consolidated: 1,122.4 billion yen / -1.6 billion yen
Non-consolidated: 676.9 billion yen / -36.2 billion yen

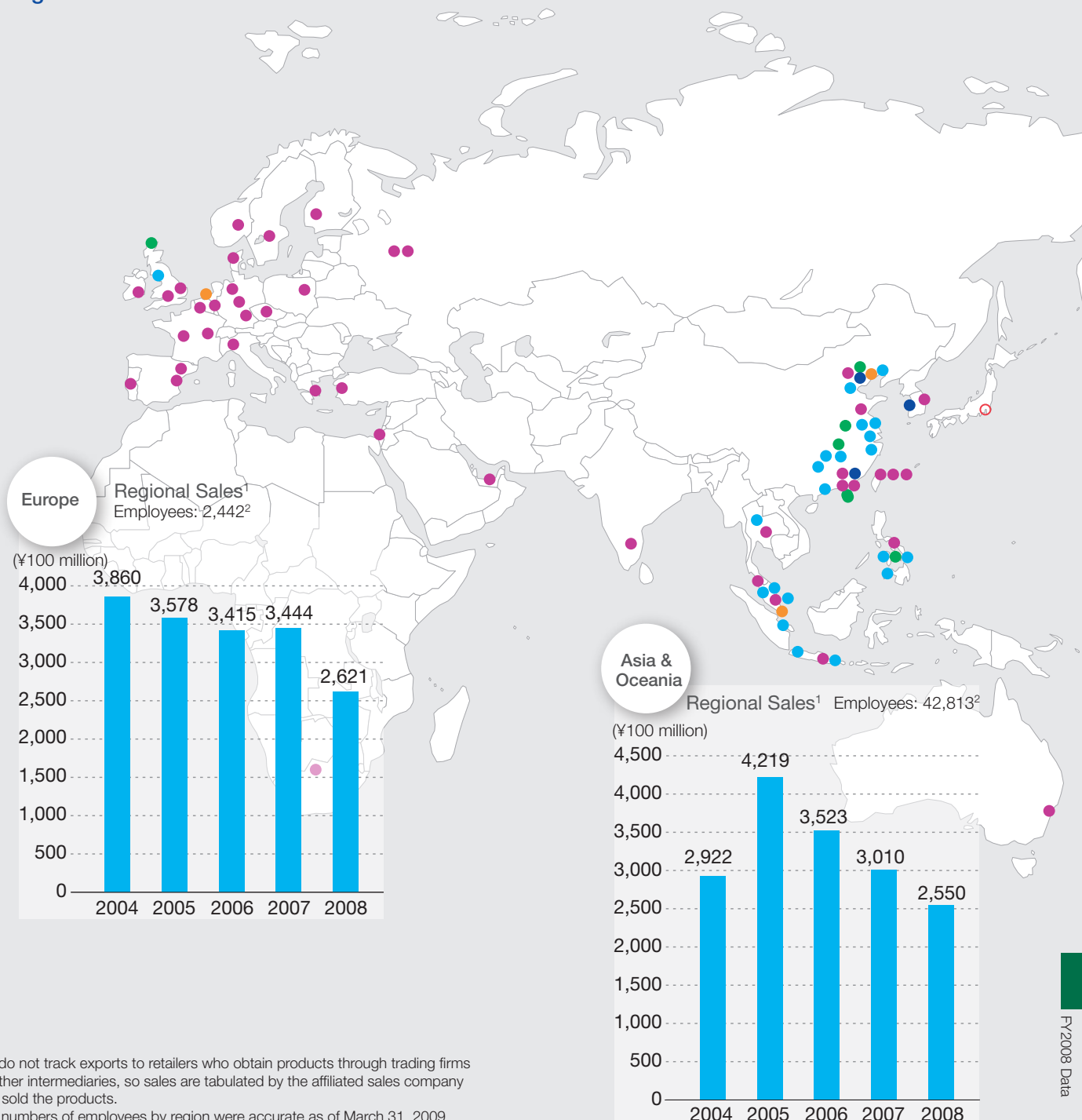
Memberships

World Business Council for Sustainable Development (WBCSD)
*Seiko Epson Corporation is a member along with Seiko Holdings Corporation and Seiko Instruments Inc.
Global Compact Japan Network
Japan Electronics and Information Technology Industries Association
Japan Business Initiative for Conservation and Sustainable Use of Biodiversity
Japan Association of Corporate Executives
Japanese Business Federation (Nippon Keidanren)
Japan Environmental Management Association for Industry
Japan Business Machine and Information System Industries Association
Communications and Information Network Association of Japan
Center for Information on Security Trade Control

Included in the following socially responsible investing (SRI) indices:

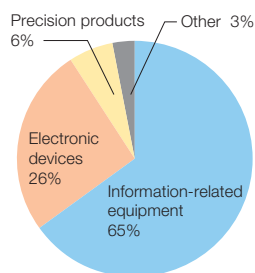
Dow Jones Sustainability Indexes (USA)
FTSE4Good Global Index (UK)
Ethibel Sustainability Index (Belgium)
Morningstar Socially Responsible Investment Index (Japan)

Epson global network

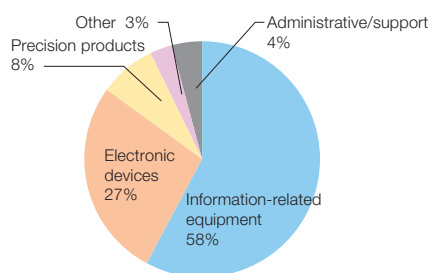


Sales

(FY2008, consolidated)

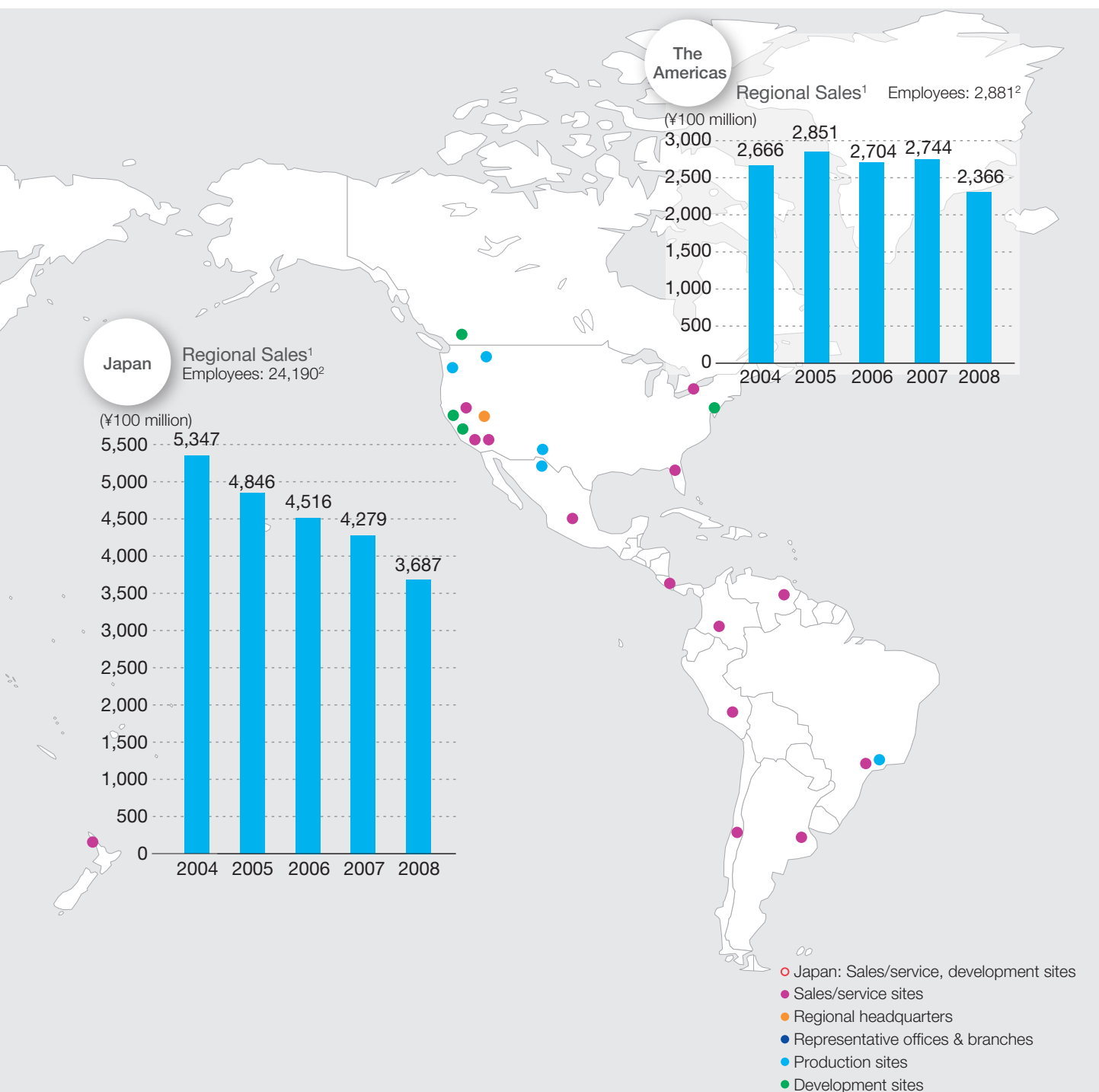


Employees



Editorial policy

The basic framework of this report is built around Epson's "Principles of Corporate Behavior." The feature articles near the beginning of the report were included in response to stakeholder interest regarding Epson's product initiatives and environmental approach, as indicated by a survey we conducted of 174 students, homemakers, business persons and employees.



Epson Group companies: 108 (26 in Japan, 82 overseas) as of March 31, 2009

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Better Products for a Better Future



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