

For Our Customers,  
For Society

Epson Group

**Sustainability Report 2010**

April 2009 – March 2010

# About Sustainability Report 2010

## Editorial Policy

This report describes Epson's CSR initiatives oriented around the Epson Management Philosophy. In compiling this report, we selected key issues and Epson's responses to them based in part on their importance to the community and the environment. We also took into account the opinions of outside experts in deciding important matters to report.

We have introduced our most important initiatives in two feature articles. The first one is "Create, Produce and Deliver." The second one, titled "Steps Toward Realization of Environmental Vision 2050," describes Epson's response to one key social issue. The overall report has been arranged to facilitate understanding of our concert-

ed effort to achieve the goals of SE15, a long-range business vision established in 2009. We have also made an effort to report the results and the progress we are making toward our goals.

## Referenced Guidelines

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2006)
- Environmental Reporting Guideline issued by the Japanese Ministry of the Environment (2007)

## Epson Group Sustainability Report 2010

### Reporting Period

April 2009 to March 2010

Note: Contains some information on activities conducted after March 2010

### Scope

This report describes the sustainability efforts of the Epson Group, including Seiko Epson Corporation and 95 affiliates (consolidated subsidiaries in which Epson owns a majority of voting stock). The scope of environmental reporting, however, covers Seiko Epson Corporation, 21 of its affiliates in Japan and 50 of its affiliates overseas that have acquired ISO 14001 certification and in which Seiko Epson owns a majority of voting stock.

Note: "Epson" and "the Company" refer to the Epson Group, unless indicated otherwise.

### Previous Reports

Epson has been published a report every year 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

July 2011

## Memberships

Global Compact Japan Network  
Japan Electronics and Information Technology Industries Association  
Japanese Business Federation (Nippon Keidanren)  
Japan Business Machine and Information System Industries Association  
Japan Environmental Management Association for Industry  
Communications and Information Network Association of Japan  
Center for Information on Security Trade Control

## Major Organizational Changes in This Reporting Period

Liquidation of two consolidated subsidiaries  
Time Tech (Hong Kong) Ltd.  
Epson Electronic Technology Development (Shenzhen) Co., Ltd

## Inquiries about Sustainability Report 2010

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

CSR activity web page

<http://global.epson.com/community/>

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# Overview of the Epson Group (As of March 31, 2010)

## Corporate Profile

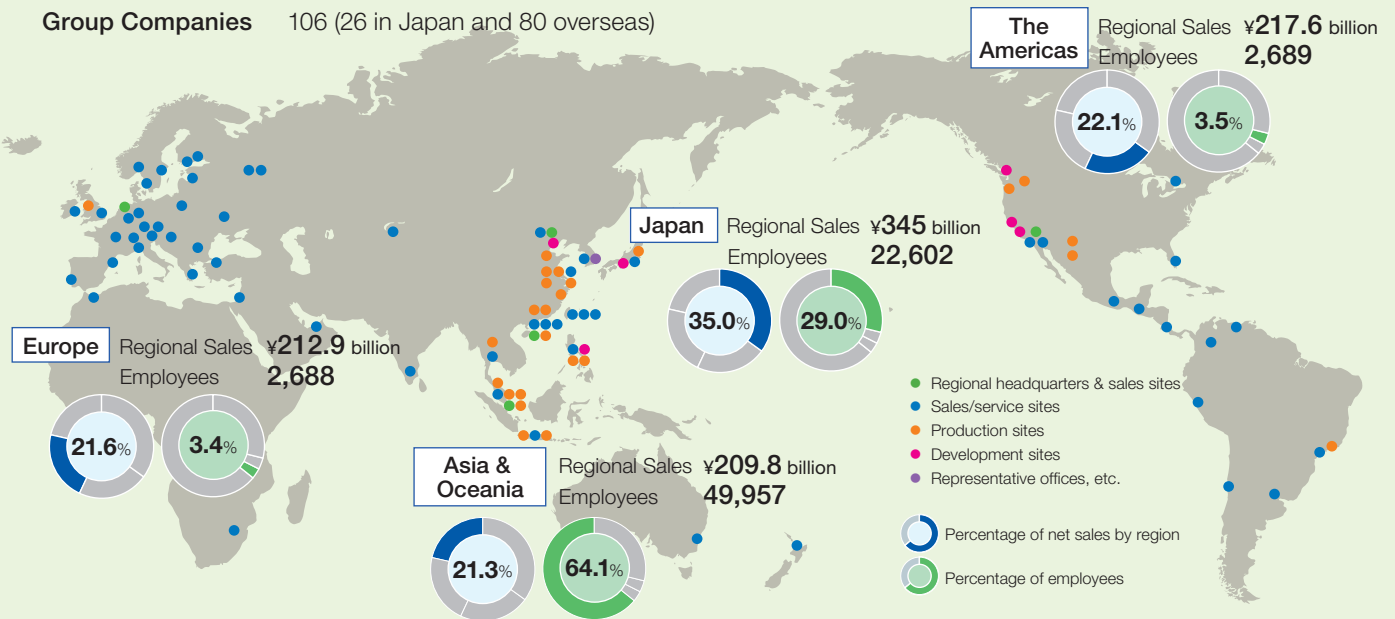
**Company** Seiko Epson Corporation  
**Founded** May 18, 1942  
**Head Office** 3-3-5 Owa, Suwa-shi,  
 Nagano-ken, Japan 392-8502  
**Capital** ¥53,204 million

**Number of Employees**  
 Consolidated: 77,936  
 Parent Company: 13,502

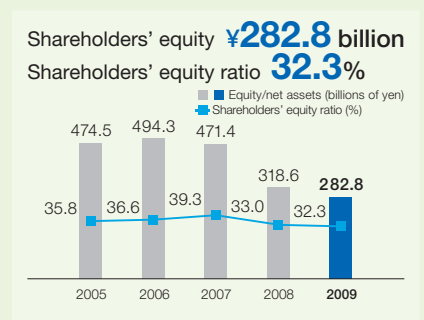
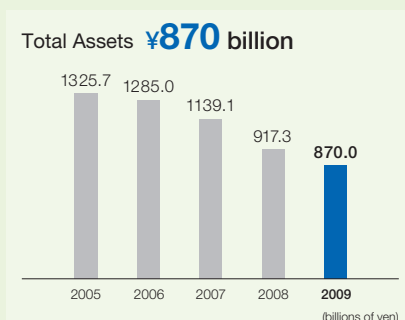
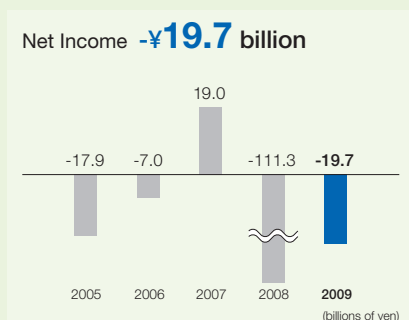
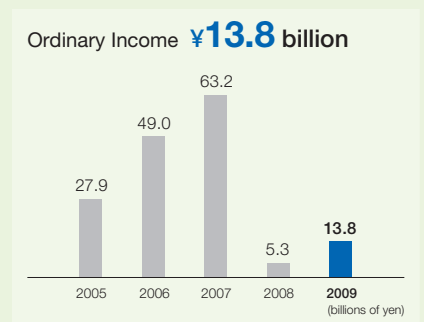
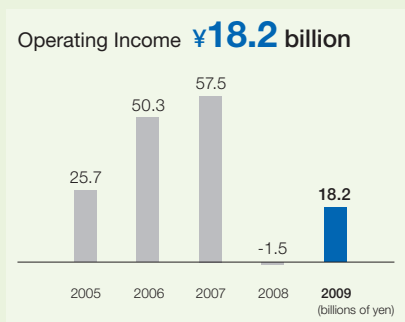
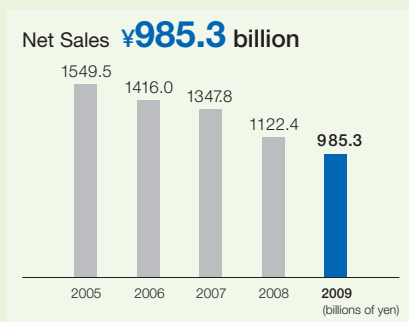
**Sales / Operating Income**  
 Consolidated: ¥985.3 billion / ¥18.2 billion

## Global Network

**Group Companies** 106 (26 in Japan and 80 overseas)



## Consolidated Results Highlights



## Major Businesses

Epson has three core business segments: Information-Related Equipment, Electronic Devices and Precision Products.

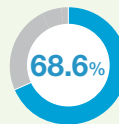
### Information-Related Equipment

Net sales: **¥712.6 billion**, Operating income: **¥38.0 billion**

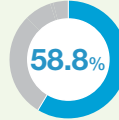
Products built around technologies that put still and moving images on paper and screens



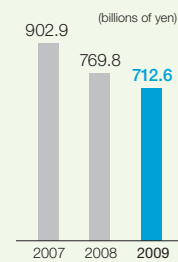
Proportion of Consolidated Net Sales



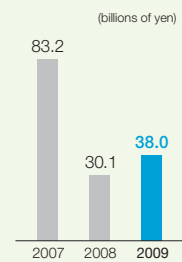
Employee Breakdown by Business



Net Sales



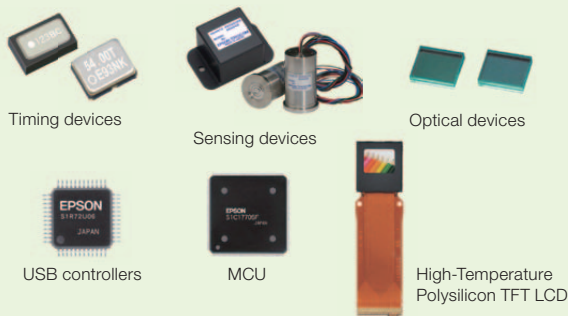
Operating Income



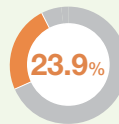
### Electronic Devices

Net sales: **¥248 billion**, Operating income: **-¥9.2 billion**

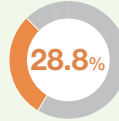
Products built around Epson technologies that save power, space, and time by reducing power consumption, operating voltages, product form factors, and product development cycles and lead times



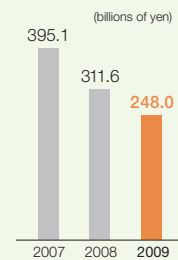
Proportion of Consolidated Net Sales



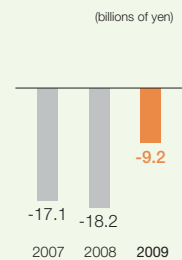
Employee Breakdown by Business



Net Sales



Operating Income



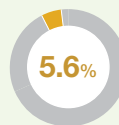
### Precision Products

Net sales: **¥57.7 billion**, Operating income: **-¥4.1 billion**

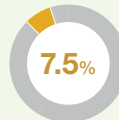
Products built around technologies and know-how that enable ultra-fine, ultra-precise machining, high precision and high reliability



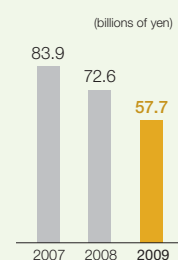
Proportion of Consolidated Net Sales



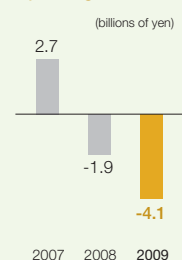
Employee Breakdown by Business



Net Sales



Operating Income



## To Our Stakeholders

# EPSON

Maximizing team strength  
and excelling together to  
become a company that is  
indispensible to customers  
and society



## Tying Change to Growth

The 2009 fiscal year started out in difficult circumstances, with net sales and income continuing to suffer from the effects of the global recession. In the second half, however, the economy began to pick up and, with the help of a range of earnings improvement initiatives, we managed to achieve the financial objective we had set at the beginning of the fiscal year by reaching break-even in full-year ordinary income.

Even so, the structural changes to our businesses are only half done, and I have to do everything in my power to drive these changes through to completion by carrying out the SE15 mid-range business plan, which maps out a course and milestones through the 2011 fiscal year.

The world has already passed through a major transitional period, with emerging economies replacing advanced economies as the main drivers of economic growth. Emerging economies are increasing their influence and presence as vast markets. They are also spawning a large number of competitors. The world is undergoing a transformation of another kind as well: radical change in consumer values. We are shedding the age of mass production and mass consumption, entering instead an era in which the global community aspires to sustainable growth.

Epson is reinventing itself in response to the changes in consumer values and the transformation of the competitive landscape, and we are intent on winning opportunities for growth from customers by providing them with the innovative products and services they seek.

## Leveraging Our Strengths to Create a Community of Robust Businesses and Delight Customers

Epson can grow in two ways. First, we can achieve growth by drilling down even farther on our already competitive technologies, then communicating advances and potential applications to prospective customers to expand our customer base. This means that we will create and offer new value to a new category of customer, one with whom our businesses have not intersected in the past.

Second, we can grow by establishing new strengths. Over the long term, we will, of course, look to add new core technologies that enable us to mine new domains as we develop our existing technologies, but we will also work to build other new business domains based on our strong platform technologies, such as those in production and automation.

For Epson to become indispensable to our customers and society, we have to exploit and accentuate our strengths and focus on actions that create unmatched customer value. The compact, energy-saving, and high-precision technologies we have accumulated over the years constitute our greatest strength. They have won wide acceptance and, I think, represent value that society seeks. The people involved in carrying out our “Create, Produce and Deliver” business cycle (see page 15) are concentrating on these strengths and are working together as a team to create value that will delight customers and build indispensable businesses. The strengths on which we are focusing our efforts have the potential to address issues that a multitude of our customers share.

Further, we have to develop shared platforms and build efficient processes wherever possible to open business opportunities with a larger pool of customers.

We want to use our strengths and implement a rapid “Create, Produce and Deliver” business cycle to provide our customers with true value in the form of products and services that satisfy their needs.

## Steps Toward Realizing “Environmental Vision 2050”

The global community is shifting away from mass production and mass consumption and toward eco-considerate products and a zero-waste ideal. Environmental problems will have to be dealt with more seriously as a part of corporate social responsibility.

In 2008 we established and presented Environmental Vision 2050. In fiscal 2009 we discussed and analyzed at length a range of more concrete initiatives designed to achieve the goals presented therein. Then, in April of this year, we established the SE15 Mid-Term Environmental Policy, which lays the foundation for concrete business activities. To achieve the policy goals and specific activity targets, we will need to develop methods for executing both our business and environmental strategies. First, always assuming that we must both mitigate environmental impacts and create products that deliver the value customers seek, we will leverage our strengths—compact, energy-saving, high-precision technologies—to efficiently create products of minimum necessary weight and size. Ultimately, this approach should help enhance the design and usability of our products while at the same time please customers. In addition, if we highlight the strengths of our technology and promote an on-demand approach to manufacturing, we can build production processes that have a smaller environmental footprint. Toward this end, we are driving actions that raise production efficiency and, hence, lead to improved environmental measures. For example, inkjet technology can revolutionize existing production systems and reduce energy use by increasing productivity per unit of floor space. In this way our business and our mid-term environmental policies are linked.

In 2008, in conjunction with our new zero-waste business model, Epson launched in some markets the revolutionary EC-01, an inkjet printer with built-in high-capacity ink packs. Instead of replacing ink cartridges every time the ink runs out, users return the printer itself to Epson for refilling and reconditioning. Improving the durability of our printers themselves extends their service lives even longer, and these improvements have enabled us to sharply reduce the environmental impacts associated with ink cartridges and printers. The EC-01 relieves customers of the burden of replacing cartridges while helping to minimize their environmental footprints. The product is thus finding a variety of uses in business as a valuable printing solution. Through initiatives like these, we intend to advance steadily toward achieving the goals of Environmental Vision 2050.

The United Nations declared 2010 to be the International Year of Biodiversity. The Japanese government also reaffirmed its commitment to biodiversity by enacting legislation designed to preserve biodiversity and by unveiling a national biodiversity strategy for 2010. These moves will shift a certain amount of responsibility for restoring and preserving biodiversity to private enterprise. We at Epson will carry out our existing environmental





measures in line with these basic policies and, starting this fiscal year, will identify and analyze how our business activities affect the preservation of biodiversity. Closer to home, we will also continue our cooperation in local forest conservation efforts at our business sites and other ongoing efforts to build greater environmental awareness among our employees.



### **Aiming to Be an Indispensable Company, Trusted Throughout the World**

In fiscal 2008 instances of improper accounting were discovered at Epson subsidiaries in Central and South America. This situation prompted a detailed, sweeping inspection of our Group-wide governance last year. Moreover, I bolstered our organization by establishing a new Trust-Based Management Office that reports directly to me as president, and started reviewing and rebuilding our governance systems for the Epson Group as a whole.

Epson is a global company whose management philosophy declares our commitment to being a company trusted throughout the world. Indispensable to earning the world's trust are concrete actions based on universally understood concepts and principles. Since 2004, Epson has participated in and has pledged to uphold the 10 principles of the United Nations Global Compact. In 2005 we established our Principles of Corporate Behavior, rules of conduct aligned with the principles of the Global Compact, followed by the Epson Code of Conduct for achieving our management philosophy. All employees are trained in these as the cornerstone of the Group's corporate activities. Epson exists to benefit customers and society. Through a shared commitment to these principles and conduct worthy of trust, Team Epson continues to work wherever we operate around the globe, to make Epson an indispensable company for our customers and society.

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

President  
Seiko Epson Corporation

# The Epson Corporate Vision

In 2009, in response to shifting global trends, Epson unveiled SE15, a long-range vision that crystallizes the company's vision for the year 2015 and outlines how we plan to become indispensable to our customers and society. At the same time, we also established the SE15 Mid-Range Business Plan (FY2009 – FY2011), a detailed three-year action plan to put us on track to achieving the goals of SE15.

## ■ SE15 Vision Statement

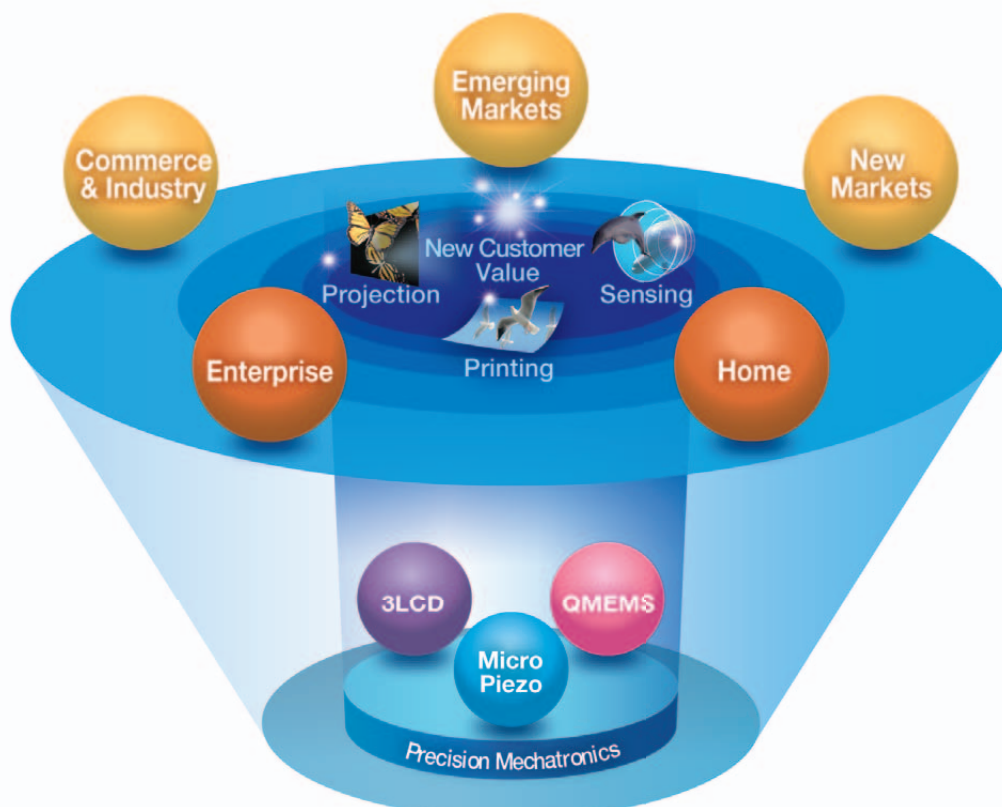
Epson is committed to the relentless pursuit of innovation in compact, energy-saving, high-precision technologies, and through the formation of group-wide platforms will become a community of robust businesses, creating, producing, and providing products and services that emotionally engage customers worldwide.

## ■ The Epson Envisioned in SE15

The graphic below illustrates how Epson is envisioned in SE15 in terms of technologies, business domains, and customer value.

We will pursue perfection of our three precision mechatronics-based core technologies (Micro Piezo, 3LCD, and QMEMS technologies) and create products and services that exceed customer expectations in the printing, projection, and sensing domains.

In addition, we will achieve growth by leveraging the potential of these core technologies so as to meet the needs of customers in emerging economies as well as in the commercial and industrial sector.





## Printing

Our aim is to deliver powerful yet easy-to-use printers that delight our global customers. We will do so by leveraging Epson's core Micro Piezo technology to serve the home and business markets, capture business in the commercial and industrial digital printing sectors, develop products that meet the needs of customers in emerging economies, and introduce innovative business models.

### ● Micro Piezo

Epson's proprietary Micro Piezo technology uses piezo elements arrayed in a print head to eject ink materials. The force needed to eject the ink is created by applying a voltage to the piezo elements, causing them to change shape, thus creating mechanical pressure that ejects ink droplets.

Known particularly for outstanding ink ejection control, the ability to accommodate a wide variety of ink materials, and head durability, Micro Piezo technology has the potential to satisfy requirements for applications in a wide range of fields, from the home to the commercial and industrial sectors.



## Projection

We will provide powerful yet easy-to-use projectors that delight our customers around the world by leveraging our 3LCD technology to move beyond the home, enterprise, and education markets and into the digital signage, large venue, and other high-lumen projector markets.

### ● 3LCD

3LCD projection systems compose images with the use of three liquid crystal panels.

Epson uses original technologies to deliver projectors that create bright, natural-looking images that are easy on the eyes.



## Sensing

Our goal is to provide our customers with a diverse range of products, modules, systems, and other device solutions that offer peace of mind, security, and ease of use. To this end, we will use our crystal-based QMEMS technology in the sensing of properties and quantities such as time, pressure, and angular velocity, to drive semiconductor and software technology toward convergence.

### ● QMEMS (Quartz + MEMS)

QMEMS, crystal devices microfabricated in a quartz material using a semiconductor fabrication process, offer the superb characteristics of quartz, including outstanding accuracy and frequency stability. Applying 30-plus years' worth of experience in photolithographic processing of tuning-fork crystal units, we will deliver crystal devices that offer high accuracy and stability in ultra-small form factors.



## New Customer Value

Meeting market needs for peace of mind, security, and ease of use, Epson is pursuing and perfecting its compact, energy-saving, high-precision technologies to create and deliver new customer value.

### ● Compact, Energy-Saving and High-Precision Technologies

Epson's expertise and the source of its strength lie in technologies that save energy, time, and unnecessary labor. These technologies enable Epson to create products that are increasingly precise, accurate, and compact and, moreover, that have a reduced environmental footprint.

## Mid-Range Business Plan

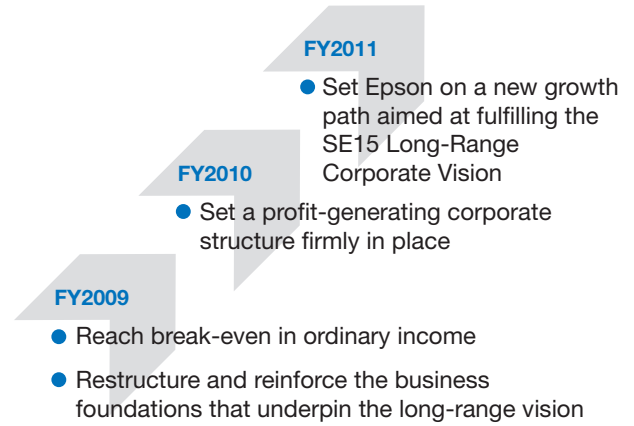
Epson has set various goals in the mid-range business plan to ensure we realize the Epson envisioned in SE15.

### Overall 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.

### Goals by Fiscal Year



## FY2010 Initiatives

In FY2010 we will be capitalizing on the foothold we established in FY2009 and driving actions to set a profit-generating corporate structure firmly in place. We will also be focusing squarely on efforts to set Epson on a new growth path in line with our goal for FY2011, the final year of the mid-range plan.

In parallel to their own specific initiatives, each business has also started making progress toward achieving the goals of the group-wide SE15 initiatives. (See pages 12 to 14.)

Epson is creating a roadmap for achieving the goals of the SE15 Long-Range Corporate Vision by accomplishing planned structural reforms aimed at rebuilding its business foundations.

### SE15 Group-Wide Initiatives

Group-Wide Initiatives	Drive initiatives to align business models and processes to create, produce and deliver customer-value-centric products and services	
	<b>Research &amp; Development</b> With an eye on macro-economic trends, identify customer value, set R&D objectives, and master our technology to establish strong technology platforms.	<b>Sales &amp; Marketing</b> 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.
	<b>Design &amp; Planning</b> 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.	<b>Management</b> Provide a unified sense of direction for total optimization, and work toward realization.
	<b>Production</b> 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.	<b>Environment</b> 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.

## Approach to SE15 Group-Wide Initiatives

Key persons at Epson reflect on their efforts in FY2009 and discuss their actions going forward as they knuckle down to achieve the goals of the group-wide initiatives under the motto "Drive initiatives to align business models and processes to create, produce and deliver customer-value-centric products and services."



**Takahiro Kobayashi**  
General Manager  
Technology Development  
Promotion Dept.

### Research & Development

In FY2009 we demarcated development project responsibility between corporate R&D and division R&D and defined specific courses of future action. Corporate R&D will focus on (1) core basic technologies to launch new businesses indispensable to customers; and (2) core basic technologies and shared platform technologies to unearth new customer bases and new strengths that expand our existing business domains.

We launched various new projects overhauling our R&D system. We are looking to not only deliver thoroughgoing customer value and competitive advantage but also to manage project progress according to concrete milestones. The thrust of the R&D initiative is to work with persistence and perseverance while tracking global trends and technical developments. We will drive R&D focused on establishment of new businesses and expansion of existing ones to create products that delight customers and are recognized as quintessentially Epson.



**Yasunori Ogawa**  
General Manager  
VI Planning and Design Dept.

### Design & Planning

The SE15 goal for our projectors and the transmissive panels that underpin them is to become the overwhelming number one in 100 inch+ displays. In the design department we are breaking that goal down for each product. We kick off each product development project with a meeting attended by everyone who will be involved so that we can better discern customer needs and build consensus on what kind of products will increase customer value. The meetings foster a shared sense of ownership of projects and help build team unity.

We believe a virtuous cycle is essential to maintaining a sustainable business. We must please our customers and ourselves, since happy employees are motivated to please their customers even more. We are putting our heads together in order to know the customer and increase customer value, and we are enjoying the challenge of working to achieve the lofty targets we set ourselves. This is the key to achieving the goals of SE15.



**Low Jun Sen**  
Plant Manager  
ETMY (Malaysia)

## Production

One of the key phrases in SE15 is “Create, Produce and Deliver.” Therefore, our main responsibility as one of Seiko Epson overseas’ electronic devices manufacturing plants is to “produce and deliver” value to our customers.

To fulfill our responsibility of delivering electronic devices to support our customers’ activities, we have established and developed a strong “produce and deliver” structure. As such, ETMY always places special emphasis on Quality, Cost, Delivery and Flexibility in order to respond flexibly to sudden and rapid changes in quantity, specifications, delivery and special requirements in process control.

To deliver greater value to many customers faster, ETMY established a team three years ago to support other Epson companies and learn best practices from them. So far, we have managed to deploy many good and innovative improvements to our sister companies.

Finally, all our activities are carried out with the untiring efforts of ETMY’s strong human resources. We always believe that the key to achieving greater and better improvements is to continuously develop our human resources.



**Mike Helm**  
EAI Director of  
Sales and Marketing  
System Device Group

## Sales & Marketing

Business Systems Division is committed to listening to our customers and understanding their current issues and needs. We go to great lengths to ensure that we stay in touch with evolving market dynamics, including exhibiting at key industry trade shows and conferences and actively participating in all major retail and financial standards organizations.

By engaging in an ongoing dialog with customers, we can stay abreast of the future technology needs of end users and channel partners in every market. Through this listening and problem-solving approach, we can continue to provide the printing and imaging solutions that deliver the highest value and return on investment.



**Akira Iwanami**  
General Manager  
Corporate Planning Dept.  
General Manager  
Trust-Based Management Dept.  
(in charge of Group governance)

## Management

We are responsible for the overall structuring of Epson business operations so that we achieve the goals of the corporate vision. After more than six months of continuous talks with relevant corporate departments and key figures in operations, we have narrowed down issues with organizational structure, human resources, IT, compliance, policy transparency, and the management cycle; and we have put certain courses of action in place to address each.

The key point for resolving these issues is that the management to take us to 2015 should not be static. Management of Epson operations needs to be dynamic, not just so that we can respond appropriately to ongoing external and internal change, but also so that our proactive approach can actually influence conditions and situations to our benefit. We have engineered the new Group governance-focused organization, in effect from April, with this key point in mind.



**Koichiro Yokoyama**  
General Manager  
Imaging & Information  
Planning & Design Dept.

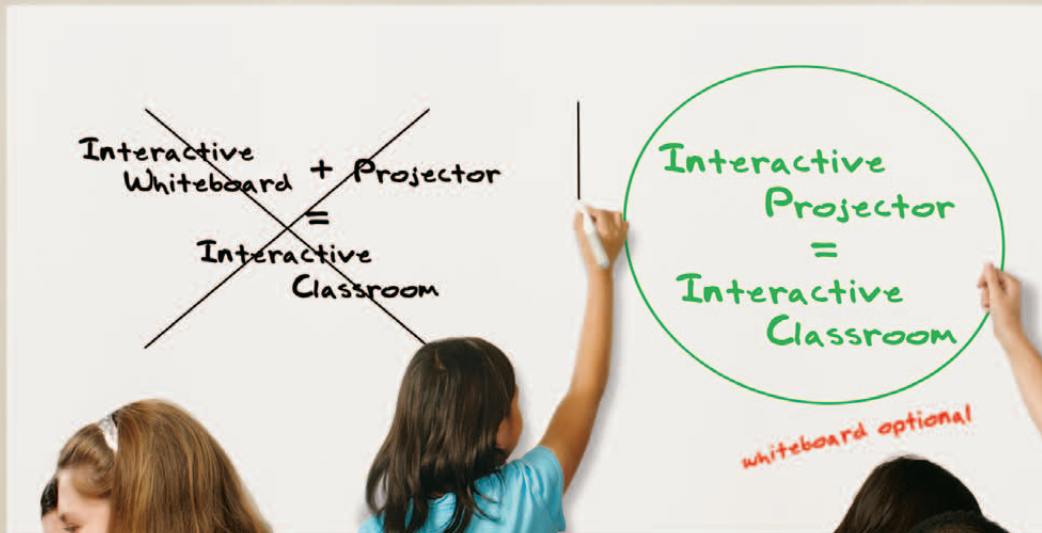
## Environment

As I see it, the most important consideration for product planning and design is to far exceed customer expectations of value. Eco-considerate products and services in particular are influenced by prevailing trends, which manufacturers are powerless to stop. I believe it is our mission to maximize the potential of the compact, energy-saving, and high-precision technologies we have accumulated over the years to deliver smaller, lighter, and more energy-efficient products to our customers.

For our inkjet printers we have adopted a family development approach, whereby we plan all the models of a lineup as a single family. We standardize components, boards, and units to be shared across the lineup, ensuring all products in the family share reduced size and weight characteristics. Family development reduces the waste associated with traditional individual development at every stage, from design to after-sales service, and this reduces our environmental footprint. The environmental performance of our products is an important value consideration for customers, and this is something we keep firmly in mind in the course of our daily work.

# For Our Customers, For Society

Pursuing Perfection  
in the Eyes of the Customer



## Strengthening Customer Value-Centric Manufacturing

In 2003 Epson established the Direction for CS & Quality Management, which sets forth our vision of the products and services we will seek to deliver to customers. Since then, we have been driving our operations according to the concepts of customer perspective and customer value.

In the course of extensive dialogue with our customers, we have sometimes encountered instances in which we

were falling short in terms of customer value. In response, we have instituted multiple initiatives to orient Epson culture even closer to the customer perspective, including the SE15 CS / Quality Mid-Term Action Guidelines (see page 17) that we established in 2009. Moving forward, we will continue to bolster our capacity to create and deliver true customer value.

Reflecting the voice of the customer

### BrightLink™ 450Wi

Interactive projector

This high-performance projector brings interactive learning to virtually any classroom without the constraints or expense of an interactive whiteboard. With its ultra-short throw distance, size flexibility, and innovative technologies, the BrightLink 450Wi is a true all-in-one solution for educational settings.





## Epson Manufacturing

“Create, Produce and Deliver”  
—the Epson doctrine

Masayuki Morozumi  
Senior Managing Director

# Genuinely Understanding the Customer, Breaking New Technological Ground

As changes in the fabric of society unfold, the habits, values and lifestyles of our customers are constantly evolving and diversifying. As an executive, I am focusing my efforts on the creation of true customer value to take Epson manufacturing to the next level. The challenging times in which we find ourselves present an opportunity for Epson to ensure its survival. To make Epson an indispensable company, we are directing our manufacturing operations according to two key themes.

## Exceeding Customer Expectations

The first theme is “customer value.” We are proud that Epson products have always delivered value to customers. As we reposition ourselves to meet the needs of a society on the brink of major changes, however, continuing with a manufacturer-centric approach to technology and quality will result in attempts to force technology onto customers, and technology itself that invites ambivalence.

To achieve the goals of the SE15 Long-Range Corporate Vision, customer value must underpin everything we do. We need to properly surmise the diversity of customer needs and tear down traditional technological barriers so we can deliver the products that customers truly want. If engineers achieve challenging targets, it bears technological and quality improvements that lead to even better products. This is embodied in Epson’s “pursuit of perfection” approach to R&D, and our “Create, Produce and Deliver” manufacturing mantra.

At Epson we embrace the challenge of delivering customer value and, as detailed in our SE15 CS / Quality Mid-Term Action Guidelines (see page 17), we will be driving a holistic, customer-centric approach across our entire range of products and services.

## Commitment to Recycling

The second key theme for Epson manufacturing is our commitment to delivering products and services that contribute to an environmentally sound materials cycle. As a manufacturer, Epson is dedicated to a sustainable society. We envision a cycle in which all Epson products are returned to us once they have served their useful lives to minimize waste of the Earth’s limited resources.

Epson established its Environmental Vision 2050 in 2008, and then its SE15 Mid-Term Environmental Policy in 2010 (see page 24). It is critical that we take responsibility as a manufacturer through our business operations. By delivering products and services based on our compact, energy-saving, high-precision technology platforms, we can reduce our environmental footprint and contribute to the realization of a sound materials cycle and a sustainable society.

In line with this theme, we launched a new type of inkjet printer equipped with high capacity ink packs instead of cartridges. Talk is cheap. The key is to do what we can, little by little, and let our products and services speak for themselves as we work to turn our vision into reality.

# Create, Produce and Deliver

## The Process of Creating Customer Value

Customer Satisfaction and Quality Guidelines



### Establishment of SE15 CS / Quality Mid-Term Action Guidelines

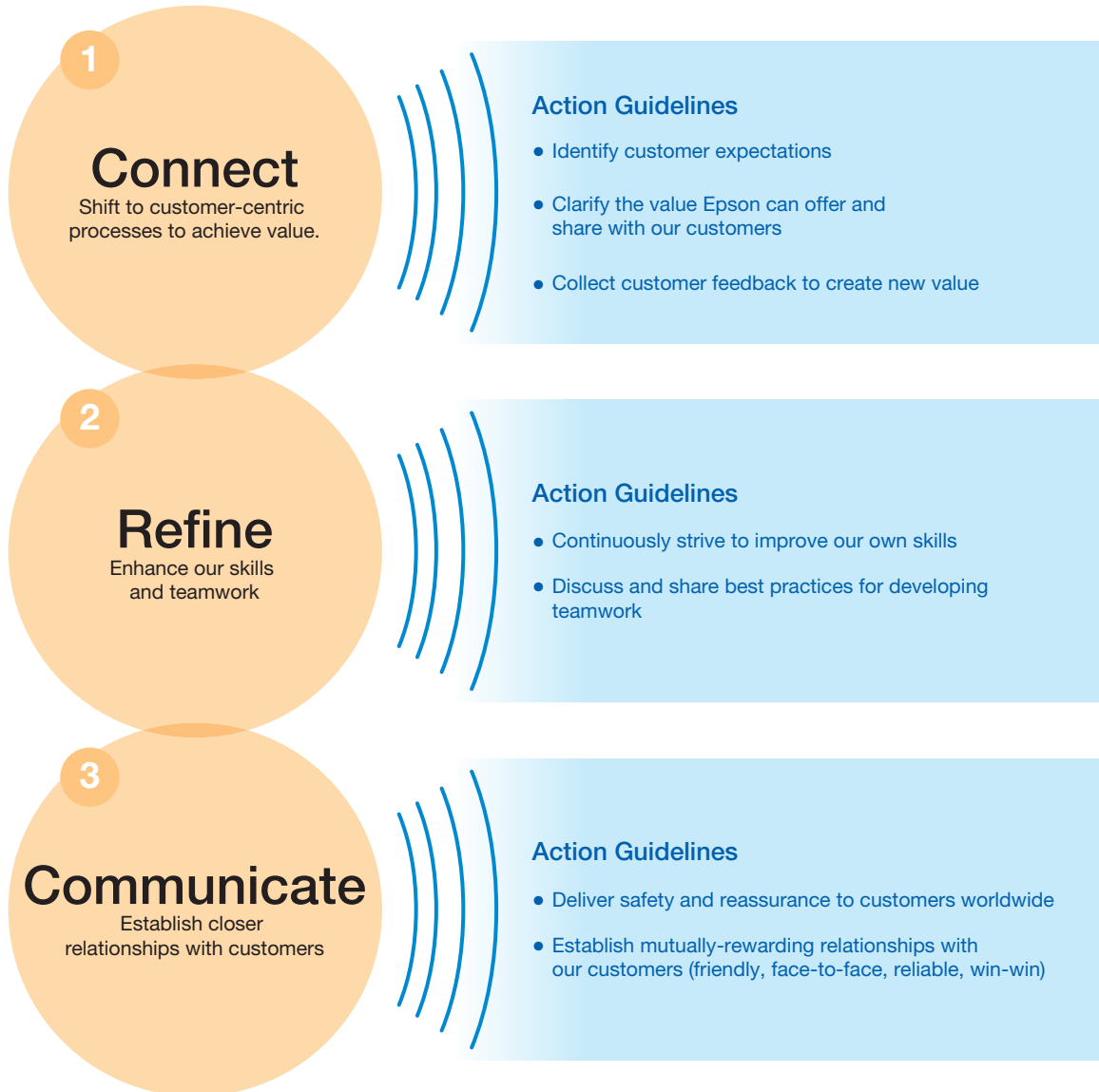
In 2009 Epson established SE15 CS / Quality Mid-Term Action Guidelines, which declare our commitment to the group-wide initiatives of the SE15 Long-Range Vision under the motto: “Drive initiatives to align business models and processes to create, produce and deliver customer-value-centric products and services.”

In the Guidelines we have challenged ourselves as to how deeply we can think about what the customer

wants, to what extent we can create the value that is expected, and whether we can use our products to build trust and share happiness with customers. Focusing on the customer, we have defined concrete initiatives in key areas so we can achieve our goals and put strong, dynamic, reliable value chains in place. Every Epson employee is committed to pursuing optimization in their respective areas of responsibility, and we are all working together as a team to achieve our goals, turn the SE15 vision into a reality, and share delight with our customers.



■ Initiatives in Key Areas to Achieve Goals



### Thinking from the Customer's Perspective to Maximize Value

Epson employees focus on maximizing customer value. We internalize the Epson approach to and declarations regarding CS/quality assurance, and we understand the

needs of customers by putting ourselves in their shoes or imagining them as someone close to us.

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In the next section, two Epson department managers who engage with customers on a daily basis discuss how they are working to maximize customer value.

# Customer Value in CS/Quality Assurance



**Masaaki Kawada**  
General Manager  
IJP/CS Quality  
Assurance Department

## Customer Value Creation Starts with Listening to the Voice of the Customer

I am in charge of improving product, process, and service quality for inkjet printers, one of Epson's mainstay products.

The mission of the Customer Satisfaction (CS) / Quality Assurance Department is two-fold: 1) defining and ensuring delivery of a customer-centric level of product and service quality, and; 2) identifying and addressing issues in operational processes of relevant departments, such as design or engineering, along the entire product development sequence. Amidst constant changes in our business environment, there are always areas for improvement. This is precisely why we need to listen carefully to the voice of the customer, execute our mission, and deliver products and services that earn customer trust.

## Meeting Customer Expectations

Our information centers field inquiries from customers regarding Epson products. Common inquiries include questions about product operation, printer output, and faults. The centers also analyze repaired units and early life failures returned from retailers. Recently, feedback that products are complicated and difficult to use is more common than inquiries related to faults. In particular, we have come to realize that more forethought than usual needs to be applied when adding new features to a product. Specific feedback we have had in relation to printers, for example, points to difficulties in setting up wireless LAN printing, and not being able to fully exploit postcard printing functionality without the use of a PC. Measures to address these issues are already in place, and we will continue driving improvement of all our products in the future.

## Organizational and Operational Reform

Our approach previously was for upstream departments to devise strategies and plan products, which they would then pass on to downstream departments to execute. The problem with this method is that, not only is it impossible to proceed with the consensus of all the departments involved, but the motivation of the project members is diluted, ownership of issues is deflected, and team strength can not be maximized. This has resulted in past failures to fully meet customer expectations, which we deeply regret, and we are making organizational and operational changes to redress the situation.

## Customer Voice to Customer Value

The needs of our inkjet customers are as diverse as the backgrounds of the customers themselves. Parameters of printer use are varied too. Venues include the home, school, or office; uses range from hobby and leisure, to preparation of reports and other business documents. Other factors to consider are the printing medium, the printing volume, and whether the customer wants to print photos or text.

The relevant Epson departments are working day in, day out to understand the key value considerations of different customers, differentiate Epson products from those of other companies, set quality targets, price points, and schedules, and to provide servicing and repairs.

Though we may simply say "customer," the customer who purchases an Epson printer, for example, may not be the customer who uses or looks after it. There are also customer differences depending on the country or region. At Epson, we value the voices of all our customers.



Epson Stylus Photo PX710W / Artisan 710  
(wireless LAN capability standard)

**“Create, Produce and Deliver”:  
What, How and to Whom**

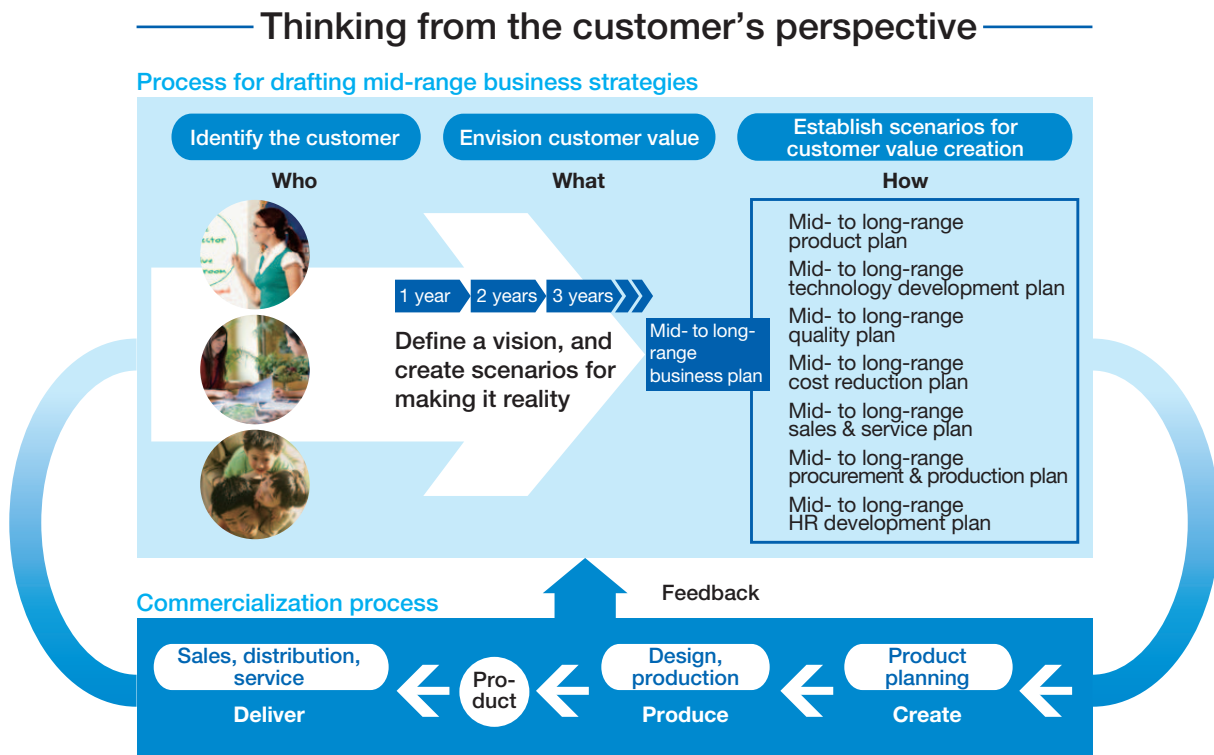
The Imaging & Information Operations Division, of which we are a part, is reconfiguring the customer value creation process. The customer value creation process is the process for drafting mid-range business strategies combined in series with product commercialization processes (product planning, design and production, sales, distribution and service) (see Figure 1).

All departments are deeply involved in the reconfiguration, which is based on a customer-centric approach to setting business strategy and bringing products to market. There has been a huge shift in awareness over the past year, but also no shortage of misgivings, anxiety and distress during actual product development. Moving forward, we will continue to tackle issues as they arise, and work with our frontline engineers to resolve them. We will also find and develop future leaders within the company as people directly involved with projects get closer to the customer and resolve problems in the field.

A further initiative of the Imaging & Information Operations Division in the past year was the Reliable Output (RO) session, which was attended by everyone in management as a working discussion on division-wide actions aimed at eliminating quality issues altogether. Attendees reflected on past quality failures and shared examples of improvements they had made to operational systems and methods, and everyone present reaffirmed their commitment to delivering products that earn customer trust.

Moving forward, I will lead the Imaging & Information Operations Division in continuing to fine-tune our customer value creation process to break new ground and deliver even better products to customers.

■ The Customer Value Creation Process (Figure 1)



## Customer Value in Sales & Marketing



**Rebecca Wilson-Peirce**  
Pan-European Account Manager  
European Sales Division

### Working for a socially responsible company with a focus on creating lasting customer relationships is a breath of fresh air

While it is true that customer relationships have always been important, today we are operating in an environment in which both customers and consumers are becoming increasingly savvy. Beyond cost, considerations regarding added value, reliability and social responsibility have become king.

Epson has always been synonymous with quality, reliability and technological expertise, and today, I am increasingly aware of the value this reputation holds.

Having worked for Epson on a pan-European basis, in a customer facing role, for almost two years now, I have been impressed by the genuine affinity and affection that customers have with our brand. The acknowledged technical and engineering excellence associated with Epson, coupled with the reliability and breadth of our products, has allowed us to build solid relationships with customers who return again and again, as reflected in our Pan-Europe Projector Market Share (See Figure 1).

But it would be naive to think that brand recognition and product quality alone make a company successful. The social responsibilities we take on and the relationships we forge are invaluable, and there is no other role in which this is more critical, or apparent, than in a customer facing sales role.

### Building Trust-Based Partnerships to Continuously Add Value

In many instances, it has been our ability to add value to our customers beyond the products themselves that has made us successful and proven our worth. Often this has been in the ability to provide sales support to reseller teams putting together large tenders and our willingness to work hand-in-hand with our customers to ensure these tenders are won. Similarly we're committed to offering our resellers sales training as well as point of sale marketing and sales support materials to ensure that in the retail environment it is our products that are promoted and sold to the end user ahead of our competitors.

The sales process is complex, and relationships are fundamental in navigating and surviving within it. In this environment, supporting the customer is crucial, but so is ensuring that what we offer makes us profitable as a business and that we remain true to our values and uphold our ethical beliefs. It is a balancing act and one that can only be achieved through great, open and honest customer relationships. Flexibility is key, and while customers are increasingly keen to forge European relationships, our local relationships must also remain as solid as ever. It is within these relationships that we can add value; understanding the customer needs beyond pricing structures and working with them to create solutions to support these requirements.

Last month, I worked with my European colleagues in product management to deliver a detailed roadmap presentation, covering our plans in all product categories including visual imaging products, to a leading reseller. This presentation, and our willingness as a company to share product planning information with them—allowing them to better understand the product sectors, future developments within them and the products they will receive from us—ensured that we became a primary listing within their product range. It is this type of partnership approach, and our capacity to share information with our customers, that is valued by them, and helps them to trust not only our products and brand, but also the Epson people they work with day to day.

## Creating Varied Customer Value

For other customers the value we can add to them comes in other forms. Increasingly environmental concerns and ethical practices are coming to the fore. Customers value our green credentials and our commitment as a company to improving sustainability.

Many of our customers, both on the retail and reseller side, are placing increased focus on the 'green agenda' and capabilities within our products such as automatic stand by mode in projectors, duplexing capabilities and ENERGY STAR®<sup>\*1</sup> credentials have stood us in good stead to be valued and bought ahead of competitor products.

Customers and end users who produce their own sustainability commitments and guides have worked with us, valuing our ability to help them select products that will improve their own credentials, while others have welcomed our advice and product capabilities in appealing to the values of the end consumer.

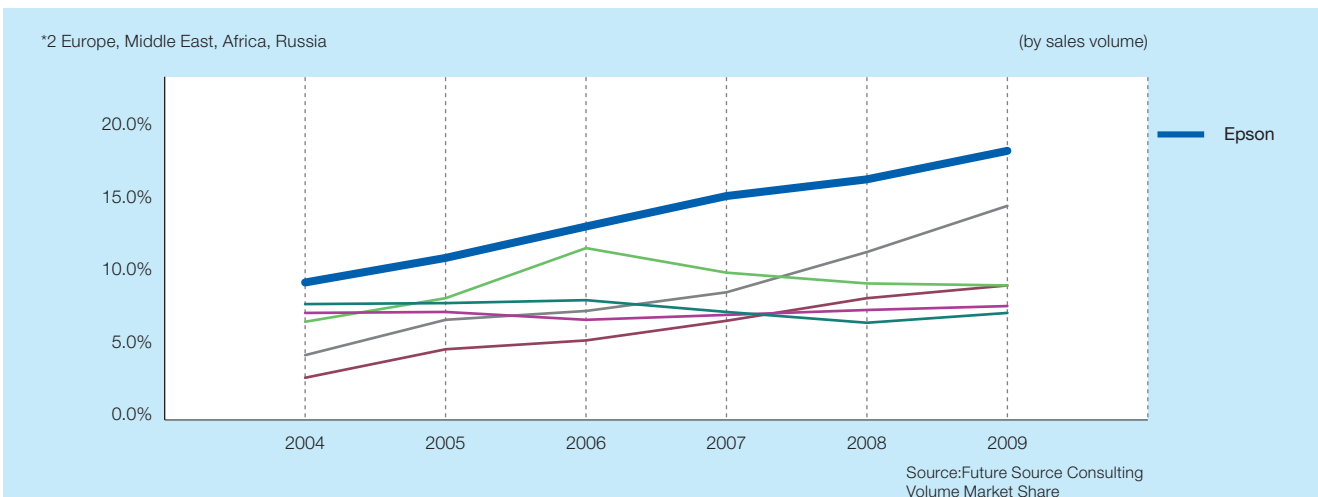
\*1 ENERGY STAR is a U.S. registered mark of the United States Environmental Protection Agency.

Similarly, our outward commitments to supporting environmental and ethical practices, such as our drive to make our packaging more easily recyclable and our written commitments laid out in the Environmental Vision 2050, further demonstrate our desire to be a fair and trustworthy organization. So does our commitment to finding similarly minded partners who can work alongside us to demonstrate best practice uses for our products and technologies. Working at Epson I have been privileged, and proud, to represent a company so committed to creating products and solutions that genuinely address the needs of our customers while still impressing them with our fine attention to detail, quality and engineering prowess. Beyond this, our dedication and culture towards building lasting, mutually beneficial relationships with our customers and our commitment to supporting the social and ecological environments in which we operate is both refreshing and inspiring.



EB-X7 projector for the European market  
A representative business model sold within European countries

### ■ (Figure 1) Pan-Europe<sup>\*2</sup> Projector Market Share



# Steps Toward Realization of Environmental Vision 2050

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

Epson has unveiled a vision of where it wants to be in 2050 and has begun concrete initiatives to achieve its goals.

## The Environmental Vision 2050 Commitment

Environmental Vision 2050, announced in June 2008, is a strategic vision that outlines what Epson needs to accomplish as a business enterprise in view of the anticipated deepening of the global environmental crisis.

We know that if we simply continue with our current methods, it will be extremely difficult to realize our vision. In fiscal 2009 we drew up a scenario outlining the initial steps we are taking toward achieving the challenging goals we have set.

## Omiwatari (Passage of the Gods)

The Epson Head Office is located near Lake Suwa in Nagano Prefecture, Japan. The surface freezes when the temperature drops in the winter, and the layer of ice grows thicker when temperatures stay around -10°C for several days. As the ice expands and contracts due to daytime temperature differences, a 10 cm meandering ridge of ice called Omiwatari (lit. Passage of the Gods) forms on the surface of the frozen lake. In recent years, this natural phenomenon has become rarer, possibly due to global warming. Protecting this winter feature of Lake Suwa is just one of many reasons why Epson takes environmental issues seriously.

February 2, 2008  
Provided by Suwa City Museum (Nagano Pref., Japan)



## Environmental Vision 2050

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 reducing CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions by 90%, and elimination of global warming gas emissions other than CO<sub>2</sub>
- 4) Restoration and preservation of biodiversity as a member of the ecosystem, together with local communities

 Detailed outline of "Environmental Vision 2050"  
<http://global.epson.com/community/environment/vision2050.htm>

## A First Step Toward Realization of Environmental Vision 2050

Epson's SE15 Long-Range Corporate Vision, which outlines the company's goals and aspirations for the year 2015, comprises six group-wide challenges.

In 2009 we focused on the "Environment" challenge, and in April 2010 we established our SE15 Mid-Term Environmental Policy, which spells out our environmental goals for the year 2015. These goals are the milestones for

2015 as we work toward realization of Environmental Vision 2050, and we will be actively driving our business in accordance with the mid-term policy.

## SE15 Mid-Term Environmental Policy

### Basic Policy (SE15 Environmental Statement)

**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.**

### 2015 Environmental Goals

- **Halving of life-cycle environmental impacts**
  - **Expansion of recyclable products and services**
  - **Environmental applications of advanced technologies**
  - **Legal & regulatory compliance**
  - **Fostering of an environmental community**
- ▶ Achieve customer satisfaction by aiming to create new products and services whose environmental impacts across their life-cycles are reduced by 50%.
  - ▶ Expand the resource reuse and recycling loop by delivering new recyclable products and services.
  - ▶ Help society mitigate its environmental impacts by pursuing advances in compact, energy-saving, high-precision technologies and applying these technologies in various fields.
  - ▶ Respond quickly and without fail to new environmental regulations and social movements around the world.
  - ▶ Try new socially and economically sustainable practices through environmental actions centered on products and services.

## Commitment to Recycling

### New Epson Initiatives for a Recycling-Oriented Society

One of our Environmental Vision 2050 goals is “inclusion of all products in the resource reuse and recycling loop.” Epson firmly believes in the importance of resource recycling and it has a history of deploying various initiatives for reducing environmental impact, such as the Ink Cartridge Home Coming Project described on page 73.

Conserving and recycling the resources used in products limits the injection of all-new resources, which helps to conserve biodiversity.

As society comes to place more emphasis on realizing an environmentally sound material cycle, Epson will be contributing to the effort through its products.

Epson has embodied its environmental philosophy in an innovative new inkjet printer that dispenses with ink cartridges altogether, the EC-01.



**EC-01**  
Launched overseas in Feb. 2008  
Launched in Japan in May 2010

### EC-01 Features

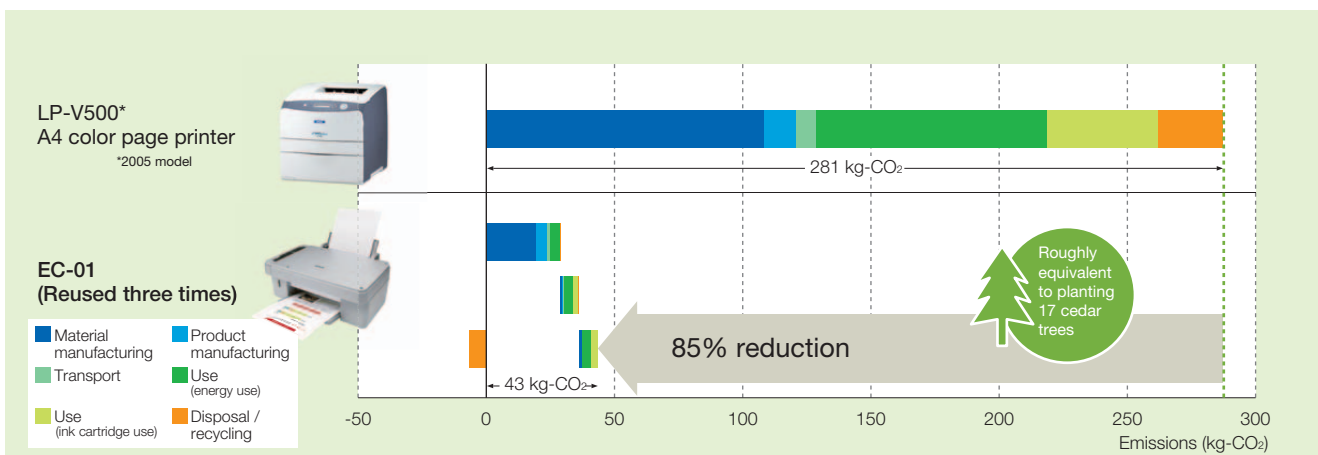
The EC-01 has built-in large capacity ink packs that can print 8,000 standard A4 pages. When the ink runs out Epson refills them. Moreover, the EC-01 shakes off convention because the printer itself is refurbished for reuse, which not only reduces its environmental impact, but also significantly cuts running costs.

### Benefits of reusing the main unit

By refilling and reusing the printer just three times, the EC-01 produces 85% less CO<sub>2</sub> across its lifecycle than the Epson LP-V500 A4 color page printer (according to Epson research).

The EC-01 transforms conventional inkjet printer wisdom and is one way in which Epson is helping to realize an environmentally sound material cycle.

### Environmental Performance: EC-01 When Reused Three Times (Over Six Years)



# Biodiversity

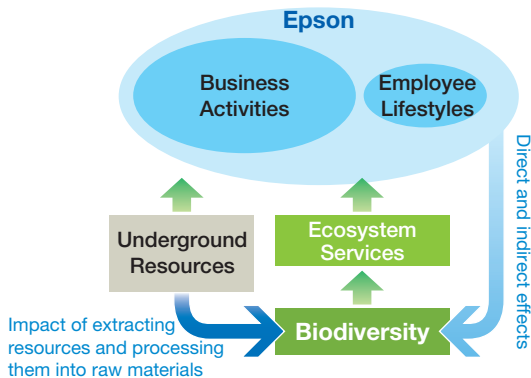
## Biodiversity Initiatives

2010 is an important year for biodiversity. The United Nations declared 2010 to be the International Year of Biodiversity, and Japan is due to host the tenth meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity. The COP 10 agenda will include a review of the 2010 Biodiversity Target, and deliberation on post-2010 targets. The international community is directing more attention to biodiversity and there are expectations for how business will respond.

### Epson and Biodiversity

Biodiversity underpins our very lives and neither our business nor the lifestyles of our employees are sustainable without it. Figure 1 shows how Epson businesses are involved with biodiversity.

■ Epson & Biodiversity (Figure 1)



### Epson's Approach

Our Environmental Vision 2050 states that “as a member of the ecosystem, Epson will continue to work towards restoring and protecting biodiversity together with local communities.” The Epson Management Philosophy also cites our “commitment to environmental conservation,” which reflects the fact that harmonious coexistence with nature has been a key concern for Epson since the company was founded. Development of inkjet printer paper certified by the Forest Stewardship Council (FSC) and involvement in agroforestry programs are just two examples of Epson's biodiversity-related initiatives.

Epson believes the best way to help conserve biodiversity is to steadily continue its existing efforts to reduce the environmental impact of its operations. Our approach to biodiversity centers on the following two initiatives.

### Epson Biodiversity Initiatives

- Conserve biodiversity throughout our business activities
- Raise employee awareness of biodiversity

### Initiatives Integrated with Business

The table below shows how continued effort in Epson's key action areas – global warming, resource recycling and conservation, and substance management – is essential for conserving biodiversity. Epson is always working to better understand the relationship between its business operations and biodiversity.

### ■ Environmental Measures and Biodiversity

Action areas	Main actions	Relationship to biodiversity	Preservation actions
Prevention of global warming	Energy-saving product designs, production processes & transport efforts	Global warming will lead to the extinction of many species.	Continue current initiatives to prevent global warming
Resource recycling & conservation	Product: saving resources & recycling Waste reduction	Biodiversity is harmed in the course of resource extraction	Reduce input of new resources
Substance management	Reduction of chemicals in products, reduction in volumes used in manufacturing	Some chemicals & substances harm ecosystems	Make chemical substance controls more rigorous

### Voice of the Employee

Greenhouse gas emissions are an accepted indicator of global warming. Our understanding of biodiversity is less developed: there are many schools of thought. Many people are concerned about biodiversity but few actually know what to do about it.

This is why we realized that employees need to discuss biodiversity in their own words and to interact directly with nature. The company needs to provide opportunities for discussion. We are working on ways to increase the visibility of the links between Epson and biodiversity because it is important to present the relationship in a straightforward manner.

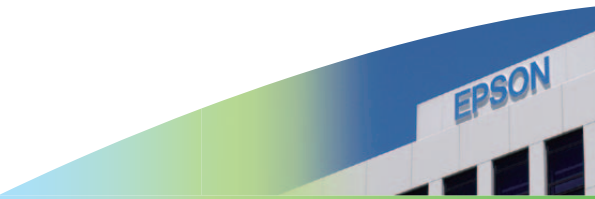


**Yasuhito Hirashima**  
Biodiversity Representative  
Global Environmental Policy Department

Awareness and understanding leads to action.

## Trust-Based Management

Practicing fair and transparent business management to grow and prosper with communities



### Seeking to Continuously Practice “Trust-Based Management”

## Management Philosophy

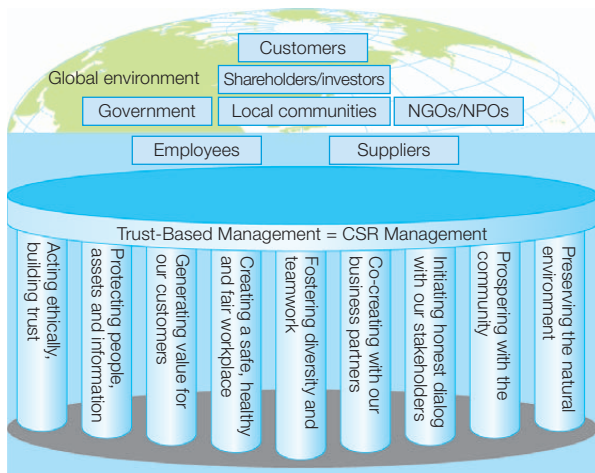
(established July 1989 & revised March 1999)

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 "Trust-Based Management" Concept

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 is good management and good business sense. To do so, we have embraced a fundamental concept that we call "trust-based management." Trust-Based Management is more than just legal, regulatory and ethical compliance. It is a commitment to building trusting relationships with and maintaining the trust of all stakeholders, to growing and prospering with communities, and to creating a better society.



### The Nine Pillars of Trust-Based Management

The practice of trust-based management is Epson's approach to corporate social responsibility (CSR), and this basic philosophy will not change.

Epson's trust-based management platform is underpinned by nine pillars, which represent Epson's key values in nine areas of corporate principle.

## Principles of Corporate Behavior and Employee Code of Conduct

To help ensure that socially responsible practices are followed, Epson established its Principles of Corporate Behavior in September 2005. The Principles broadly divide our business activities into nine areas and provide conduct guidelines for each. We also established the Epson Code of Conduct in 2001, which we revised in 2006 and again in 2009. The Epson Code of Conduct defines behavior rules and criteria for making decisions, and it has been implemented across the Epson Group.



**Web** Principles of Corporate Behavior  
[http://global.epson.com/company/corporate\\_behavior.htm](http://global.epson.com/company/corporate_behavior.htm)

## Ongoing Application of the Management Philosophy

Our goal is to make Epson an indispensable company for our customers and society. Epson works to fulfill its corporate social responsibility by practicing trust-based management, the bedrock of the Epson Management Philosophy, whereby the efforts of every employee are focused on building confidence in Epson as a company. In April 2010 we established a Trust-Based Management Office reporting directly to the president as part of a new Group-wide governance system aimed at reinforcing our foundation of trust-based management. The president chose to appoint me to head this office, and I am keenly aware of the gravity of the responsibility entrusted to me.

In 2008 we discovered instances of improper accounting at Epson subsidiaries in Central and South America, and in 2009 we concluded a plea agreement regarding an alleged breach of U.S. Anti-Trust Law by our display business subsidiary. We deeply regret the concern these incidents caused our customers and other stakeholders.

In the wake of these incidents we established an oversight committee to monitor operations, ensure proper accounting practices, and prevent any recurrence of improper conduct. We have also rolled out an ongoing anti-monopoly legislation compliance training program for all employees, including top management.

In October 2009 we revised our Epson Code of Conduct to ensure ongoing application of the Management Philosophy. We revised the Code to reflect the latest legislation and internal regulations, and to heighten awareness by, for example, expanding descriptions of the entire value chain. The Code is now even easier to follow as a reference for proper individual employee conduct.

The Japan Business Federation designates October as Corporate Ethics Month so, from 2009, Epson is designating October as "Trust-Based Management Month," in which we repeat aloud the Management Philosophy and conduct group readings of the Principles of Corporate Behavior and the Epson Code of Conduct to remind employees their individual actions are what constitute the practice of trust-based management. The key is for employees to feel a connection to the Management Philosophy and the Epson Code of Conduct so that they apply them in their daily work without even thinking about it. We plan to continue these collective activities to positively influence the mindset of our employees. We will also step up management training efforts so that our leaders take initiative and drive a healthy organizational culture that motivates employees.



**Masahiro Koyama**  
General Administrative Manager  
Trust-Based Management Office

## CSR Initiatives at Epson


Epson has an obligation to ensure that its businesses are conducted with integrity and that its practices are consistent with its trust-based management philosophy.

### Respecting and Enacting the United Nations Global Compact

Epson is a global company whose management philosophy declares our commitment to being a company trusted throughout the world. Therefore, we must meet international standards and societal expectations in order to be respected by customers and communities around the globe.

Epson has participated in the United Nations Global Compact since 2004. We have pledged to uphold the 10 principles of the Global Compact and independently drive initiatives in the areas of human rights, labor, environment, and anti-corruption. We have been analyzing issues and challenges at Epson, and making a serious effort to continuously improve. Specific actions being taken are closely linked to the Epson Code of Conduct, as well as to the Principles of Corporate Behavior that underpin Epson's practice of trust-based management.

#### Ten Principles of the UN Global Compact and Our Principles of Corporate Behavior

 WE SUPPORT	<b>United Nations Global Compact</b>	<b>Principles of Corporate Behavior</b>	Epson Code of Conduct
	Principle 1: Business should support and respect the protection of internationally proclaimed human rights . . . . .	1, 4 & 5	
	Principle 2: Businesses should make sure they are not complicit in human rights abuses . . . . .	2, 4 & 5	
	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining . . . . .	5 & 7	
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor . . . . .	4	
	Principle 5: Businesses should uphold the effective abolition of child labor . . . . .	4	
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation . . . . .	4	
	Principle 7: Businesses should support a precautionary approach to environmental challenges . . . . .	5, 8 & 9	
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility . . . . .	5, 8 & 9	
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies . . . . .	3, 5 & 9	
	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery . . . . .	1, 5 & 6	

In 2007, Epson became a signatory to "Caring for Climate: The Business Leadership Platform," a statement prepared by the United Nations Global Compact, together with the World Business Council for Sustainable Development (WBCSD) and the United Nations Environmental Programme (UNEP), a UN organization to address issues on global environmental protection.

-  The United Nations Global Compact  
<http://www.unglobalcompact.org/>
-  Global Compact Initiatives  
[http://global.epson.com/community/un\\_global\\_compact.htm](http://global.epson.com/community/un_global_compact.htm)

#### Global Compact Japan Network (GC-JN) Initiatives

As a signatory to the Global Compact, Epson submits an annual Communication of Progress (COP) report to stakeholders to detail how it is applying the principles of the Global Compact. In addition, Epson has been a member of the supply chain sub-committee of the Global Compact Japan Network (GC-JN) since 2008. Epson met with representatives of various different industries in FY2009 to share knowledge and experience while building grass-roots relations with other organizing companies. The fruits of these exchanges were summarized in "good practice" guides and other documents. We are making these summaries available publicly and independently convening a sub-committee to pare them down.

In April 2009 Epson represented the 11-member supply chain sub-committee and made a presentation on the sub-committee's achievements to the other members of the GC-JN at its annual general meeting. Sub-committee membership has grown to almost 20 companies that are working together to develop solutions



Presentation at a GC-JN general meeting

to supply chain issues and conduct company research and other projects in Japan and around the world.

# Meeting Challenges with Innovative and Creative Solutions

## 2009 CSR Initiatives

Epson seeks to build trusting relationships with all stakeholders and to grow and prosper with communities by practicing socially responsible “trust-based management.”

Epson’s 2009 CSR initiatives were oriented around the five tenets of the Epson Management Philosophy.

<b>Commitment to Customer Satisfaction</b>	<b>P31-36</b>
Epson constantly strives to create customer value, improve quality, and deliver safety and peace of mind.	
<b>Commitment to Environmental Conservation</b>	<b>P37-56</b>
Epson has a comprehensive set of environmental initiatives in place.	
<b>Individuality and Teamwork</b>	<b>P57-62</b>
Epson values its employees.	
<b>Trusted by People Worldwide</b>	<b>P63-68</b>
Epson practices “trust-based management.”	
<b>Prospering with the Community</b>	<b>P69-76</b>
Epson contributes to the communities in which it operates.	

## Creating Customer Value

We will keep the customer in mind at all times and make the quality of our products and services our highest priority.

We will devote ourselves to creating products and services that please our customers and earn their trust.



### A Good Relationship with Customers

Customer value is the surprise and delight we deliver to a customer via a product or service, and it is the shared happiness that accompanies mutual benefit. Customer value is defined by customers. At Epson we continuously strive to identify and deliver customer value by creating original technologies and by providing unique services and high quality support.

We are building trusting relationships with customers so that they can feel comfortable choosing Epson. Two ways we build trust with our global customers are by

- delivering quality they can count on; and
- building “neighborly,” mutually beneficial relationships.

At Epson, we live by a simple pledge:

**“Create products and offer services fit for the people closest to us!”**

### Approach to Quality

We believe that quality applies to more than products and can apply to any business activity or business facet, including employee conduct and attitude. Moreover, we think the fundamental key to reassuring customers and earning their trust is to look at product and service quality from a customer’s perspective.

This approach to quality is rooted in Epson's Quality Philosophy, which has been translated into 14 languages and is shared across the global Epson Group.

### 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.

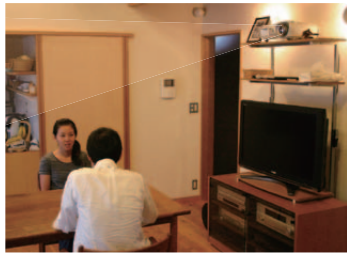


## Developing Products with Customers

Seiko Epson involves customers in product development from the planning stage to improve usability and ensure that Epson products deliver the value customers seek.

### Customer Interviews in the Field

Around the globe Epson employees interview people who have purchased Epson products. We visit these customers in their homes and offices to see the conditions in which our products are actually used and to note any requests or problems customers have.



Interviewing a customer at home (about projector use)

The information we gather is analyzed and fed back into the product development process to tailor future models to real needs.

### Evaluations and Verifications by Seniors

Seiko Epson aims to create products that are easy to use for all people, including senior citizens. Toward this end, we enlist the help of seniors to evaluate and verify the ease-of-use and intuitiveness of our products.

For example, we use engineering samples of inkjet printers at numerous points in the development process to verify ease-of-use, and we use what we learn to optimize the final design.

We also interview senior citizens about the labels and names used on control panels to ensure visibility and readability.



Evaluation using a simulator



Testing legibility/readability

## Making Our Products More Accessible to All

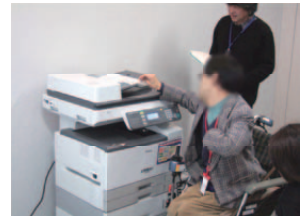
Epson optimizes the ease-of-use of its products by incorporating feedback from persons with varying physical abilities and characteristics. We gather feedback from our differently-abled employees, as well as from persons with disabilities in the community. We incorporate the valuable information they provide to make our products as accessible as possible to all.



Color blind person evaluating a user's manual



All-in-one panel being evaluated by a visually-impaired person



Wheelchair-user evaluating the operability of a digital all-in-one

### Internal Monitoring Program

Epson uses an internal monitoring system to gather unfiltered opinions from employees, their friends, and members of their families about products they are asked to evaluate as users. The information they provide is fed back into the product development process.

The evaluate-and-improve cycle of this program can be used for multiple iterations, thus leading to the development of products that will deliver greater customer satisfaction. The program provides an additional bonus in that it makes employees more conscious of customer-centric product creation.



Evaluation by an internal monitor

## Aiming for Products that Exceed Customer Expectations

### Interactive Projector BrightLink™ 450Wi

Epson's ultra-short throw interactive projector is being used in U.S. classrooms, where one teacher called it "a great tool that definitely increases motivation and learning."



Suggested revised copy:

With interactive capabilities built in, this ultra-short throw projector turns almost any surface into an interactive learning area, so there's no need for an interactive whiteboard. This product, with its included interactive pen, helps engage students, who wave their hands in the air, eager to get a chance to use the board to solve problems. (See page 15)

### Comments from the Development Team

#### Generating Excitement and Enthusiasm

The BrightLink 450Wi is not our first short-throw projector for classroom, but it is our best. Taking feedback from users, we redesigned the BrightLink 450Wi from the ground up. The product concept was stretched so that, instead of simply developing a projector, our goal would be to develop a projector that makes learning more fun.

The challenge for the development team was to create a projector with built-in interactivity that would allow teachers and students to write on the projected image with a special pen. Later, in developing and experimenting with interactive prototypes, we began really seeing the potential the product would have for generating excitement and enthusiasm. The project was challenging and covered a lot of ground, but what kept me going was my strong desire to help our customers and having an extremely well-defined objective.



The development team

## Dialog Spearheading Customer Quality

### Check Scanner

#### TM-S1000 (Sold in all regions outside of Japan)

"Create, produce and deliver for the customer."

Easy to say, not so easy to do. The TM-S1000

check scanner, however, launched in North America in 2007, is a prime

example of a product created on the basis of strong communication with customers, from the planning and prototype stages all the way to volume production.



### Comments from the Development Team

#### Dynamically Incorporating Feedback

In 2004 we were asked by a North American company to participate in a joint project to develop a dedicated check scanner for banks. In the beginning there was so much to learn. So, before drafting a product plan, we gathered facts from our U.S. partner, as well as from major U.S. financial institutions. Gradually we developed a clear picture of the market, and knew that we could tie the product to new sales to customers.

We then drew up conceptual illustrations and produced full-scale mock-ups, using them to solicit feedback. This enabled us to identify at the prototype stage the kind of product that would be convenient for customers to use. From prototype to volume production, we developed specifications based on operating procedures actually used by customers, printed the specifications out on paper, and then proceeded to mark them up with notes for improvements in every operation and process. We were able to evaluate and verify the quality of the check scanner with checks as they were being processed inside a bank. Even after the market launch of the TM-S1000 we are communicating with customers so that we can continue to exceed customer expectations in the future.



The development team with a mock-up

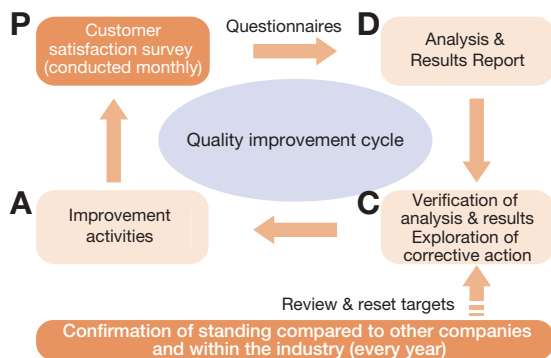
## Customer-Centric Services

Epson handles customer service inquiries at separate information centers for products such as personal computers, printers, scanners, and projectors.

Epson Sales Japan asks callers to rate the quality of information and service they received. This information is used to identify new issues and to continuously improve.

Continuous improvements are implemented in line with the PDCA management cycle.

### Customer Service Quality Improvement Flow



### Examples of Improvements in FY2009

When callers to information centers find out that their products need repairs, they do not want the bother of having to then call a repair center to request service.

Therefore, if a product needs repairs, some of our information centers can, with the permission of customers, arrange repair service on the spot. (This service is being introduced in stages.)

## Polishing Our Servicing Skills

Epson Sales Japan holds an annual Customer Engineer Competition as a way to encourage our service technicians to improve their skills.

Competition participants are judged on their technical skills, in events where they compete to see how quickly and accurately they can solve a given problem. But they are also judged on things such as how well they deal with customers and the level of care they pay to the working environment. For example, competitors are penalized for making loud noises as they work or for not keeping the work area sufficiently neat and clean.

Customer engineers from all over Japan compete for first, second, and third prizes. Judges look at three key areas:

- Knowledge of Epson products and the number of models the competitor can repair
- Ability to correctly identify where repairs are needed, and ability to work fast and according to the customer's situation.
- Ability to provide recommendations and advice that will win Epson loyalty

We will continue this event in the future to help ensure that customer engineers hone their skills and provide customers with top-notch service.

### Customer Engineer Skills Competition



Competing under pressure



Judges and observers



The 2009 champion's trophy

## Quality Improvement Programs

### Epson's "E-Kaizen" Activities

The global Epson Group is committed to continuous improvement of its operations on the individual and small-group level, through a program we call "E-Kaizen."

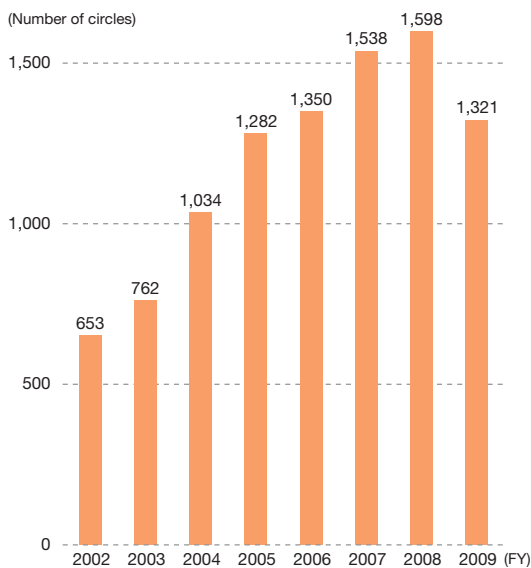
#### Breakdown of E-Kaizen Activities

Continuous improvement activities by individuals	Continuous improvement activities by small groups
Improvement proposals	QC circles, PM circles
	Organization-led improvement activities
	Improvement projects

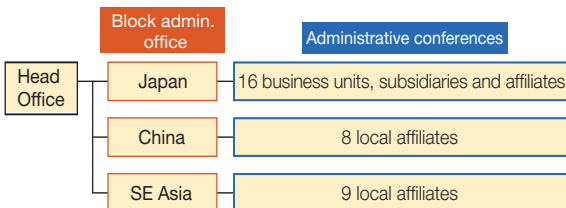
### Global Quality Improvement Activities

The number of QC circles overseas is currently 1,300, down slightly in 2009 following business consolidation and reorganization. Nevertheless, small group activities at our overseas manufacturing sites have grown more vigorous, in part due to increased interaction among circles as manufacturing has shifted offshore.

#### QC Circles Overseas



#### Block Promotion Organization



### Quality Control Training

To develop personnel who can improve operations and the workplace, Epson provides employees the world over with standardized quality control training programs. Trainers from Japan develop trainers overseas, who then provide instruction to local employees.



Quality control training overseas

### Continuous Improvement Activities at Overseas Manufacturing Sites

Our overseas manufacturing sites do not stop at improvements on the factory floor. They actively encourage line workers to jointly explore improvements with design engineers, facilitating rapid resolution of issues.



Production verification by line workers and design engineers.

### Worldwide QC Team Presentations

Once a year, Epson invites select QC teams from around the world to present their small-group activities and accomplishments. Thirty-one teams from 10 countries assembled in Japan for the FY2009 event. Teams from our overseas manufacturing affiliates have demonstrated vast gains in recent years, even to the point of winning Epson's coveted President's Award.



Worldwide QC Team Presentations

#### Winners of the Gold Prize and President's Award

FY2006	FY2007		FY2008		FY2009	
	Japan site	Overseas company	Japan site	Overseas company	Japan site	Overseas company
Semiconductor Operations Div.	★ Epson Shenzhen		★ Epson Batam		★ Tianjin Epson	
EID	Epson Shenzhen		Epson Shenzhen		Epson Philippines	
TFT Operations Division	Semiconductor Operations Div.		Tianjin Epson		Epson Shenzhen	
	Semiconductor Operations Div.		Semiconductor Operations Div.		TFT Operations Division	

## 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.

Our product safety and environmental compliance requirements are set forth in the Epson Quality Standard (EQS). This comprehensive set of unified standards is implemented across the Epson Group. EQS specifies independent controls that we implement to meet or exceed legal and regulatory requirements in each country.

Epson makes every effort to ensure its products are safe. We have analytic equipment and facilities to reproduce and isolate the cause of reported product safety problems. We have outfitted our labs with equipment and instruments that measure volatile organic compounds, including substances thought to cause sick house syndrome, to improve product outgassing measures. Findings are incorporated in the EQS, hazardous substances are eliminated at the product planning and design engineering stages, and safety is built into our products so that safety is assured even if products are misused.



Analysis using an X-ray CT machine

In addition, in line with our Basic Product Safety Policy, we make product safety information available to the public and make sure all employees receive product safety training.

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

### 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 they buy. Our Product Safety Policy reflects this recognition and expresses our commitment to customer satisfaction – a core tenet of Epson's Management Philosophy.

## Important Notices Issued in Fiscal 2009 (in the Japanese Market)

- Epson identified a hazard in its ELPDC02 document imager that could potentially result in smoking or fire. A recall announcement was issued in August 2007, and information on receiving free inspection and repair service was provided. 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. Since August 2009, Epson has placed announcements regarding the free inspection and repair service via its Web sites.
- Epson confirmed that an electronic component used in its LP-7500, LP-7700, LP-8100, LP-8700, and LP-8700PS3 monochrome page printers could fail, producing smoke and fire inside the printers. A notice instructing customers how to receive no-cost repairs has been on Epson Web sites since September 7, 2009.
- Epson confirmed that its ELPAP04/05 Quick Wireless USB Keys, optional products for Epson projectors, were infected with a virus that could be transmitted to a PC to which they were connected. A notice regarding the virus has been on Epson Web sites since October 14, 2009.
- Epson confirmed that smoke and fire can come from the vicinity of an exhaust port on the back of EDiCube BB and EDiCube MX series of desktop personal computers due to electrical tracking between connectors inside a power supply unit. A recall announcement was issued on November 11, 2009, and information on receiving free inspection and repair service was provided.
- Epson confirmed that smoke and fire can come from the vicinity of an exhaust port on the back of EPSON Type-SZ/BA/BD and Endeavor AT-900C/920C/930C desktop personal computers due to electrical tracking between connectors inside a power supply unit. A recall announcement was issued on April 13, 2010 (FY2010), and information on receiving free inspection and repair service was provided.

## Making the Environment a Core Part of Our Business

Epson delivers customer value through our business activities in the form of reduced environmental impact.



### Initiatives to Date

Epson has long been active in establishing socially aware environmental policies and setting specific environmental performance targets. In 1998 we announced “Action 07,” a general environmental policy that defined actions to address a range of environmental issues as part of our corporate responsibilities. Then, in 2006, we established Action 2010, which directly linked economic and ecological initiatives to reduce our environmental footprint and strengthen our company.

However, neither our achievements thus far nor our policy commitments alone will allow us to achieve the long-term goals set forth in Epson’s Environmental Vision 2050.

So, in 2009, we established SE15, a long-range vision for achieving corporate growth in a changing business environment, and, following that in April 2010, the SE15 Mid-Term Environmental Policy, which includes our SE15 Environmental Statement. The statement clarifies our vision as “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.”

### Environmental Actions Going Forward: Thinking from the Customer’s Perspective

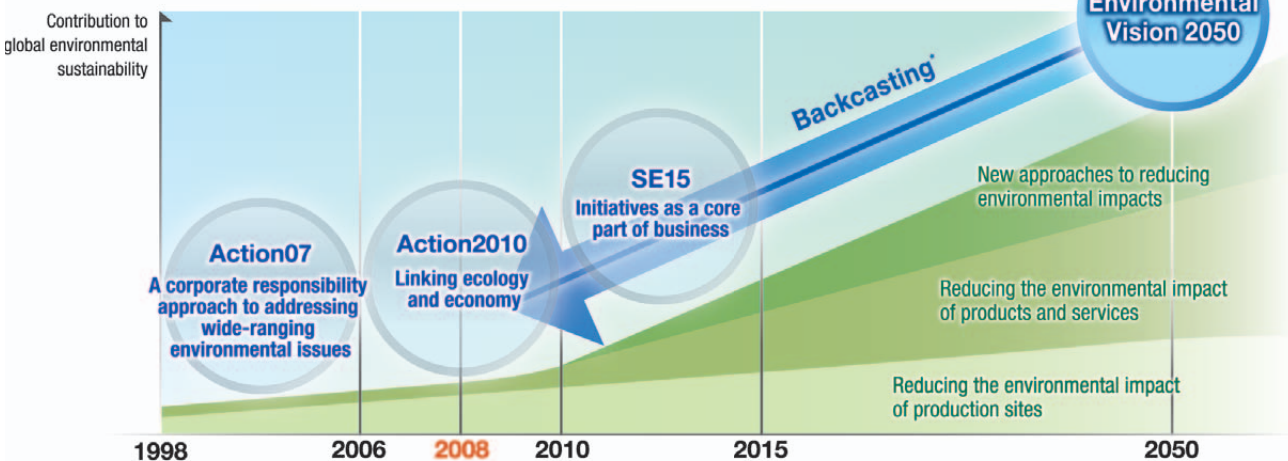
From fiscal 2010, we are building on existing initiatives and accelerating strategic efforts across our businesses to mitigate the environmental impacts of Epson products and services. We are making our products smaller, lighter and more recyclable to reduce the environmental impacts that customers feel and to deliver real economic value. For example, we launched the EC-01 inkjet printer, which turns conventional thinking on its head by using a refillable main unit instead of ink cartridges (see page 25). We have also commenced a redeemable points program for cartridge collection (see page 53).

Epson is optimizing its production sites and shifting to more eco-considerate infrastructure to reduce its direct CO<sub>2</sub> emissions. We are also making changes to basic technology as part of a complete reorganization of production aimed at achieving our environmental targets.



**Akio Owatari**  
Deputy General Administrative Manager  
(in charge of CS/QA and environmental affairs)

### Achievement of Environmental Vision 2050



\*A planning technique in which a desired outcome or goal is envisioned and planned before the scenario for achieving the outcome or goal is devised

## Environmental Approach

Guided by our sense of obligation  
to help conserve the global environment

Epson, established in the rich natural surroundings of Central Japan, has always been committed to conducting its business activities in a way that minimizes the company's environmental footprint. We will continue to manage our environmental performance under uniform standards and goals worldwide so as to protect our planet, and to help create a sustainable society. The Epson approach is spelled out in our environmental philosophy.

### 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.

We have defined major environmental activities so each and every employee can put our Environmental Philosophy into practice.

#### 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 end-of-life products
4. Sharing environmental information and contributing to regional and international conservation efforts
5. Continually improving the environmental management system

At Epson, we put our Environmental Philosophy into action by defining major environmental activities that the entire Group drives collectively. We have previously rolled out Action 07 (between 1998 and 2005), and Action 2010 (between 2006 and 2009).

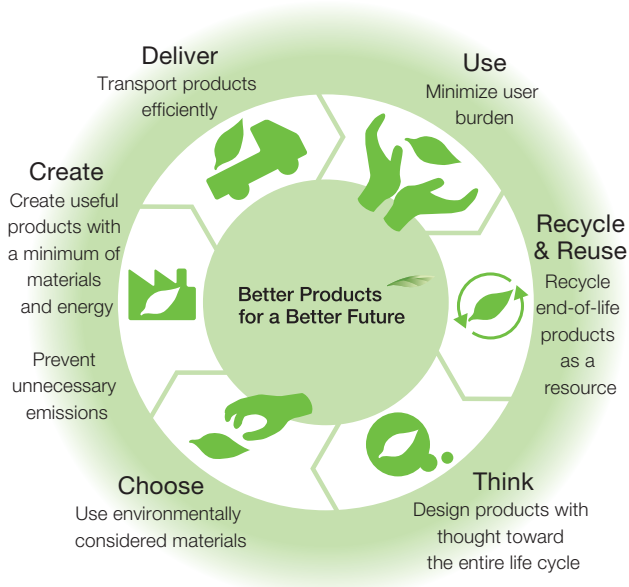
Going forward, we will continue our environmental approach to management by undertaking major activities that are based on the goals of the SE15 Mid-Term Environmental Policy (see page 24) and designed to realize ongoing coexistence between our business and the global environment.



## Eco-Consideration from Cradle to Grave

To realize both environmental and economic benefits, Epson must reduce environmental impacts in every stage across the life cycle of its products, not only in manufacturing but also in parts and materials procurement and in product transport, use, collection and recycling.

### ■ Product Life Cycle Stages



Under its Action 2010 General Environmental Policy Epson established three focus areas for environmental actions: global warming prevention, resource recycling and conservation, and chemical substance management.

### ■ Action 2010 General Environmental Plan Focus

Focus area	Actions
Prevention of Global Warming	To contribute to the prevention of global warming, Epson has set in place policies aimed at becoming number one in the industry in the reduction of global warming emissions. Apart from our ongoing effort to minimize the energy consumed by our products during use, we are focused on reducing emissions from our production processes and on streamlining logistics to reduce consumption.
Resource recycling & conservation	Epson builds environmental considerations into its products from the design stage, to conserve resources and ensure easy recyclability. We are contributing to Japan's national recycling effort by improving the effectiveness with which resources are consumed and by improving processes so as to reduce the amounts of industrial waste, packaging material and other emissions.
Substance management	Epson is promoting two "greening" initiatives, one to reduce the chemical substances included in products and the other to curtail the use of chemicals and substances in manufacturing. We have also made a priority of building implementation systems, management and tracking systems, and other systems to support our initiatives.

## Recognition for Epson's Eco-Initiatives

Epson also makes a wider social contribution by actively engaging the communities in which it operates, making information available to the public, and sharing environmental technology and know-how with non-Epson parties. We intend to continue to do our part in helping to maintain and improve the environment so that we may leave it in good shape for future generations. Epson environmental initiatives are consistently well-received by the wider community.

### ■ Selected Environmental Initiatives Recognized in Fiscal 2009 (In order received)

Award	Conferred by	Recipient
2009 Nagano Prefectural Shinshu Environment Council Award	Nagano Prefectural Shinshu Environment Council	Seiko Epson Corp.
Mother Nature Award, Success Story Award, Outstanding Pollution Control Award	Pollution Control Association of the Philippines	Epson Precision (Philippines), Inc.
Leader in Waste Reduction	Shenzhen Pengcheng Waste Reduction Steering Committee	Epson Engineering (Shenzhen) Ltd.
Energy Winner Prize and "Standby Power 1W Best Partner"	Consumers Korea	Epson Korea Co., Ltd.
Chairperson's Award	Japan Greenery Research and Development Center	Seiko Epson Corp., Chitose Plant
China Environmental Labeling Special Contribution Award (See page 44)	China Environmental United Certification Center	Epson (China) Co., Ltd.
'09 commendation for meritorious service in promoting an environmentally sound material cycle	Nagano Prefectural Shinshu Environment Council	Seiko Epson Corp.
Innovation in Sustainability Award	Portland Business Journal	Epson Portland Inc.
Don Emilio Abello Energy Efficiency Award	Department of Environment and Natural Resources (Philippines)	Epson Precision (Philippines), Inc.
Kitaguni Energy Conservation / New Energy Award (See page 47)	Hokkaido Bureau of Economy, Trade and Industry	Seiko Epson Corp., Chitose Plant

In March 2010, individual employees of Seiko Epson, Epson Imaging Devices Corporation and Epson Toyocom Corporation also received energy management awards from the Energy Conservation Center of Japan.

### ■ FY2009 Individual Energy Management Awards

Award	Recipients
Excellent Energy Conservation Manager Award	3
Excellent Energy Conservation Engineer Award	2
Excellent Energy Conservation Technician Award	5



# Environmental Management

Conducting business under environmentally considered management

## Environmental Management System

Epson treats its environmental initiatives as a key aspect of business management, establishing both annual and mid-term general environmental policies. Promotion units within the Epson Group (operations divisions, Head Office departments, Japanese / overseas subsidiaries) establish their own environmental action plans based on the general policies, and drive initiatives independently. These initiatives are assessed in annual or semiannual progress reviews and nonconformances are corrected.

Epson applies the international ISO 14001 standard to operate our environmental management system, and effects continuous improvement through the PDCA cycle. All of our major manufacturing, sales and service sites in Japan and abroad are ISO 14001 certified. Figure 1 shows the promotion system for environmental activities.

 ISO14001 Certification List  
<http://global.epson.com/community/iso14001.htm>

## Environmental Risk Management

If Epson's business activities pollute the environment, it could lead to significant negative financial and other impacts for residents of the surrounding area, as well as for the rest of the region or country. We follow Group-wide regulations and standards for pollution control and ensure that all members are well acquainted with the principles and laws of environmental risk management. Each promotion unit uses ISO 14001 to identify and assess the risk of failing to meet standards, or of experi-

encing environmental complaints or incidents in an ongoing effort to identify and continuously mitigate those risks.

## 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 of ecological practices.

### ■ FY2009 Environmental Education (in Japan)

Training	Trainees	
ISO14001 environmental auditor training	82 (Cumulative: 1,866)	

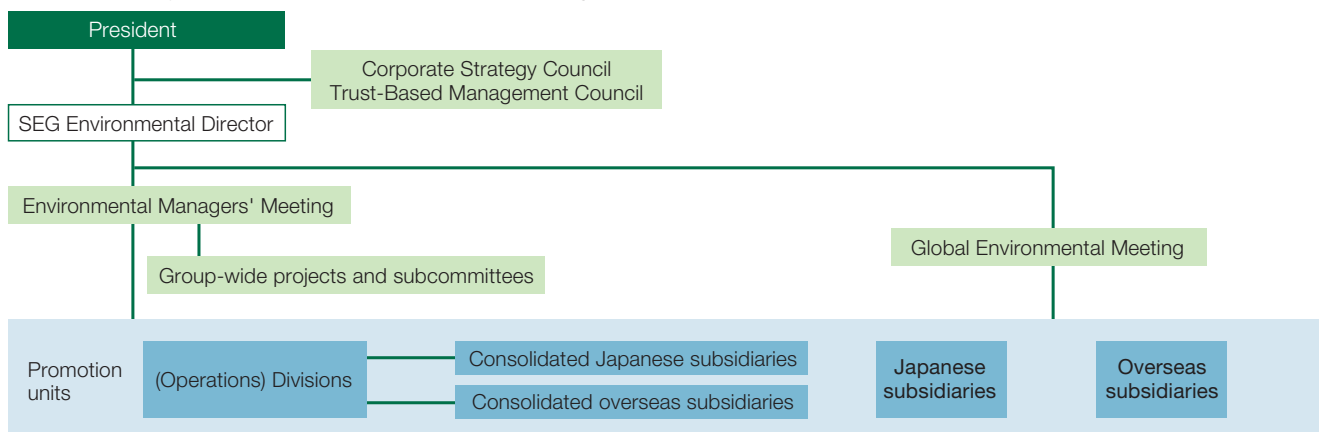
  

Training	Start Date <sup>1</sup>	Trainees <sup>2</sup>
Basic Environmental Training (Co-existing with Nature)	Apr. 2002	677 (Cumulative: 16,465)
Global Environmental Technologies Training (Environmental Regulations)	Dec. 2003	1,191 (Cumulative: 10,583)
Basic Environmental Training II (FY2009 Version)	Dec. 2009	15,874

<sup>1</sup> e-Learning start date

<sup>2</sup> The cumulative figures in parentheses are the total number of trainees since the training began, until March 2010

### ■ Promotion System for Environmental Activities (Fig. 1)



# Environmental Accounting

Quantitatively assessing the cost and effect of conservation initiatives to enhance environmental management

## The Environmental Accounting Approach

One way Epson enhances environmental management is by studying and assessing the cost and effect of conservation initiatives. We then utilize the findings in our environmental activities.

- We collect and analyze data using internal guidelines created based on the Japanese Ministry of the Environment's Environmental Accounting Guideline (issued 2005).
- The scope of accounting covers Seiko Epson and 38 of our affiliates (18 in Japan and 20 overseas).
- Included in the scope of accounting are Epson Group companies that collect environmental accounting data, are ISO 14001 certified, and are more than 50% owned by Seiko Epson Corporation.

## Fiscal 2009 Results

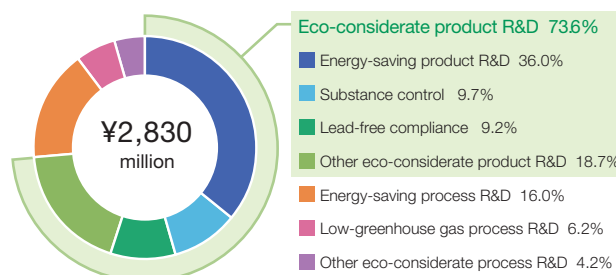
Epson's investment in environmental conservation was 560 million yen, 460 million (82%) of which went to actions associated with global warming prevention. This investment reflects our commitment to energy efficiency when updating basic infrastructure and outfitting production lines with new equipment.

Environmental expenses were 5,850 million yen. Environmental R&D accounted for 2,830 million yen (48%) of that, and 73.6% of those R&D expenses went to the development of eco-considerate products. Epson is

dedicated to greener products, and we have been focusing product development on energy efficiency during use to reduce environmental impact across the product life cycle.

Analysis showed that we saved a total of 2,020 million yen in 2009. We saved 750 million yen in energy costs by optimizing the operations of facilities and equipment. We saved a further 460 million yen through actions to reduce chemical substance use, such as by extending the service life of cleaning fluid. Combined with reductions in water usage, the effects of recycling, and training employees on ways to save, the economic effect of these various initiatives was greater than the costs incurred.

### Environmental R&D Expenses



### FY2009 Environmental Conservation Costs and Effects

(mil. yen)

Description	Environmental conservation costs		Savings			Environmental conservation effects and other qualitative effects		
	Investment	Expense	Description	Value	Net <sup>2</sup>	Item	Unit	Value
Creating and providing eco-products / Recovering and recycling products	0	560				Energy conserved in the community through energy-saving products	10,000 kWh	5,852
Environmental R&D	0	2,830						
Prevention of global warming	460	340	Energy savings, GHG emission reductions	750	-410	CO <sub>2</sub> reduction (energy saved + GHG reduction)	t-CO <sub>2</sub>	37,601
Reducing eco-burden substances	0	120	Reductions in substances	460	-340	Substance reduction	t	1,021
Waste processing / recycling	0	700	Reductions in waste	120	580	Waste volume reduction	t	1,103
Effective use of water	0	80	Water reductions and recycling	150	-70	Water reduction/recycling volume	1,000 m <sup>3</sup>	1,500
Sharing environmental data, contributing to regional/international conservation	0	110				Publishing environmental reports on our website, greening and cleanup activities in local communities		
Compliance, greening, beautification	10	630				Legal/regulatory violations: 2		
Soil and groundwater cleanup, etc.	0	90				Support for soil and groundwater cleanup, etc.		
Continually improving environmental management	80	360	Savings as a result of training internally	540	-180	Environmental basic, environmental auditor and energy-savings training		
<b>Total</b>	<b>560</b>	<b>5,850</b>		<b>2,020</b>				
Environmental conservation costs to sales ratio (%) <sup>1</sup>		0.6%						

<sup>1</sup> Calculation of per unit of sales uses Epson Group's consolidated sales.

<sup>2</sup> Net environmental conservation costs are derived by subtracting economic effects from total environmental conservation costs. Negative figures represent profit generated as a result of measures taken.

## Environmental Conservation: Acting Locally

Helping to keep our planet beautiful  
through the small steps we take at work

### Thinking Globally, Acting Locally

Epson believes action starts with the individual. Starting by changing one's own behavior demonstrates the importance of eco-considerate action to those around us, and to the wider community.

#### Head Office Green Earth Garden

Employees at the Seiko Epson Head Office used empty flower beds and composted food scraps from the cafeteria to grow cucumbers, radishes, cherry tomatoes and other edible plants. Produce from the garden is given away. Although the idea for the garden came from our Shimauchi Plant, this one is designed to foster environmental communication rather than energy conservation.

The sign board was carved from a larch tree that was cut during one of our forest management projects.



"Green earth" garden at the Head Office

#### Quiz & Essay Contest

Singapore Epson Industrial Pte. Ltd., together with local elementary school teachers, held a quiz and essay contest for students on June 5th, 2009 to coincide with World Environment Day. The event was held to raise and promote environmental awareness at a grassroots level. There were two topics assigned for the essay contest: "CO<sub>2</sub> reduction at home, school, and work," and "Effects of global warming in Singapore," and contest winners were presented with prize money and a certificate.



Contest winners

#### Household Eco-Account Books

Household eco-account books are an initiative of the Japanese Ministry of the Environment for monitoring energy consumption. Epson introduced household eco-account books in 2007 to raise employees' environmental awareness. Employees record monthly electricity and gas consumption and compare them to national averages to monitor the effects of their efforts.

Employees practicing eco-accounting have reduced wasteful energy consumption by, for example, improving floor insulation, using energy-saving electric carpets, and changing bathing habits.

The initiative also includes a points system that rewards successful ideas and ranks participants nationally to encourage ongoing innovation.



Floor insulation

#### Doing things that help to conserve the environment

I collect old newspapers at work, Epson America, Inc. (EAI), and donate them to a non-profit organization that rescues animals. Or, I internally use them to cushion shipments when bubble wrap is not available.

I also make an effort to take old file folders and use them to make postcards and gift tags and I re-use brown boxes for various shipping needs.

At home, I use old maps and colored paper to decorate gift boxes and cards. And, I walk to the grocery store whenever possible and bring along my re-usable bag for carrying items home.



Postcard and gift tag



Gift box and card

## Development and Design



Engineering eco-designs from a total product life cycle perspective

### Basic Product Development Policies

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

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-Conscious Product Commercialization Flow (Imaging Business Example)

Epson identifies a product's environmental specifications at the product planning stage. These specifications are translated into a tangible format at the design stage. Product design reviews are conducted at each step during the product development and commercialization phase to ascertain the degree to which environmental specifications are satisfied. A variety of different environmental labeling programs, each with different requirements, are used in different countries and regions around the world. The decision as to which of these environmental labels to acquire is an important consideration in terms of a product's environmental specifications.

Epson has prepared the internal specifications, evaluation tools, and work processes needed to develop, design, evaluate, and commercialize eco-conscious products.

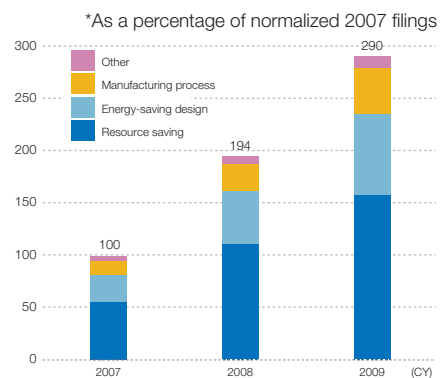
 Eco-conscious product commercialization flow  
<http://global.epson.com/community/environment/design.htm>


### Eco-Inventions to Reduce Environmental Impact

Epson also seeks to mitigate environmental impacts by offering incentives for "eco-inventions." The aim of the incentives program is to contribute to society by becoming the industry leader in the development of technology to mitigate environmental impacts. We have seen significant growth in eco-inventions since the program came into effect.

Epson continues to build technological capital. In 2009, in line with our basic policies, we filed patent applications for eco-inventions in such areas as design, fabrication, manufacturing processes, recycling technology, disassembly efficiency, reduced environmental impact materials, and longer life components. As a result of our worldwide efforts to prosecute eco-invention applications and secure other intellectual property rights, the Company ranked seventh in Japan and ninth in the United States in the number of registered patents in 2009.

### Patent Applications for Eco-Inventions (Cumulative Total)



 Environmentally conscious products  
<http://global.epson.com/community/environment/products.htm>

## Worldwide Reporting of Product Eco Performance

Epson meets environmental labeling requirements around the world by using the three types of labels (see table footnote) established by the International Organization for Standardization (ISO) to declare the eco performance and features of its products.

### The Epson Ecology Label (Type II)

In addition to publishing product ecology profiles (environmental specs), Epson introduced its own eco labels in December 2009 to communicate the environmental features of its products and services to customers in a simple and straightforward way. The labels are displayed on communication tools such as brochures, product catalogs, and individual product boxes to highlight the environmental features of our products and services.



#### Eco Features

- The volume of this product was reduced by 30% in comparison to the EB-X6, released in 2008.
- Standby power consumption of just 0.3 W

(Sample)

## China Environmental Labeling Special Contribution Award

In October 2009 Epson (China) Co., Ltd. (ECC) was awarded the “China Environmental Labeling Special Contribution Award” by the Chinese Ministry of Environmental Protection.

This award was part of a program established in 2009 to commemorate the 15th anniversary of environmental labeling in China. ECC was one of only ten of the more than 1,000 companies that have acquired the China Environmental Label to be honored with this prestigious award due to its active involvement in environmental labeling certification and its CO<sub>2</sub> reductions throughout the product life-cycle. Only one other Japan-based group company received the award. The award comes at a time when government organizations in China are expected to purchase products that have acquired the China environmental label and coincides with an upswing in consumer environmental awareness.



Award ceremony

## Environmental Label Compliance

Type	Country/Region	Eco label	Inkjet printers (incl. MFPs)	Page printers (laser/LED)	SIDM printers	POS printers	Scanners	Ink/Toner cartridges	Paper	Projectors	PCs (incl. monitors)
Type I	Germany	Blue Angel		●							
	China	Chinese environmental label	●		●						
	Taiwan	Green Mark	●	●	●		●	● (Toner cartridges)		●	
	South Korea	Korea Eco-Label	●	●						●	
	Singapore	Green Label	●	●							
	Japan	Eco Mark	●	●	●			●	●		
Type II	Europe	Eco Declaration	●	●	●	●	●			●	
	Japan	PC Green Label									●
	Worldwide	Epson Ecology Label	●	●	●	●	●			●	
Type III	Japan	Eco Leaf	●							●	●
Other	Japan, U.S., EU	International ENERGY STAR® Program <sup>1</sup>	●	●	●		●				●
	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.

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

## Materials Procurement

Choose



Promoting green purchasing across the supply chain

### Green Purchasing of Production Materials

In line with our environmental action policy, we seek to create and provide eco-considerate products. 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 components, raw materials, packaging materials) based on the same standards around the world and have maintained a worldwide green purchasing rate of 100% since December 2004. In May 2010 we revised the SEG Green Purchasing Standard for Production Materials to encompass the latest legislative and regulatory requirements. Epson has also been driving product substance assurance efforts to provide customers peace of mind when using our products.

To reliably assure the substance content of our products we must build and maintain 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.

### A Global Approach to Harmful Substances

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. We are also moving preemptively to replace substances proven to be harmful, such as phthalate esters, even if they are not yet officially restricted.

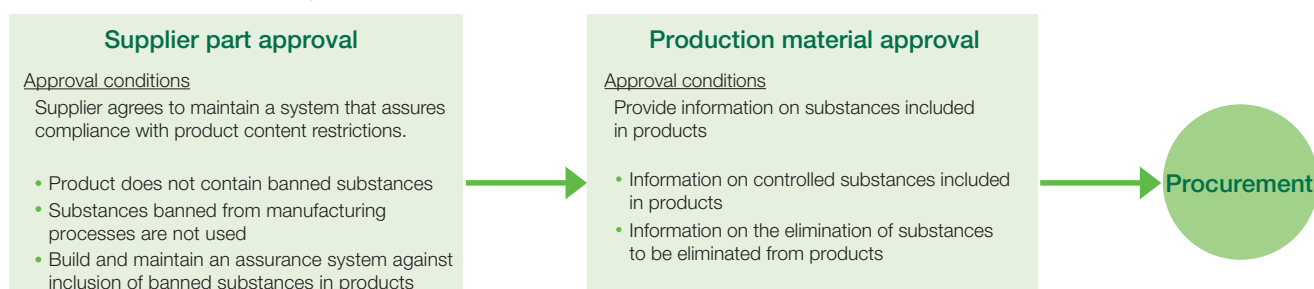
### REACH Compliance

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 in 2007.

1. Under REACH, producers and importers are required to register a substance if they produce or import more than one ton of it per year. Epson is meeting this requirement by working with suppliers to pre-register materials used in inks, toners, and ribbons. These materials will be legally registered moving forward.
2. REACH also requires producers to provide consumers with information on substances of very high concern (SVHC) that are present in an article (manufactured goods) in an amount exceeding 0.1% weight by weight (W/W). In addition, from 2011 all SVHC present in articles above a concentration limit of 1.1% w/w and above one ton per year will have to be reported. Epson is complying with these and all such substance disclosure and reporting requirements.

Moving forward, we will continue to apply our existing substance content framework and expand it to thoroughly and efficiently meet our legal and societal obligations, and the needs of our customers.

#### ■ Flow of Green Purchasing of Production Materials



# Manufacturing

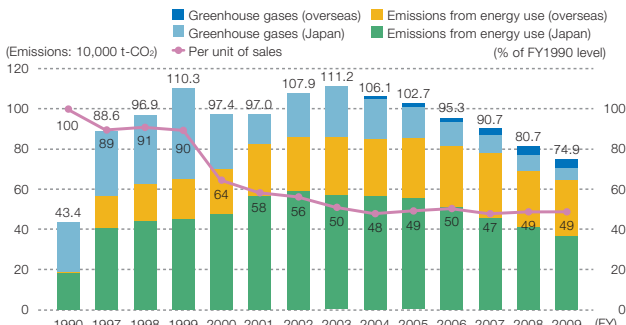


Conserving natural resources and preventing unnecessary emissions in manufacturing

## Prevention of Global Warming

Around the world Epson is reducing substances that contribute to global warming. Our efforts revolve around programs to (1) reduce CO<sub>2</sub> emissions by conserving energy, and (2) reduce emissions of greenhouse gases (GHG) other than CO<sub>2</sub>. On the most basic level, we are reducing CO<sub>2</sub> emissions by turning off lights when they are not needed and by adjusting thermostat settings according to the season. We cut additional emissions by increasing the energy efficiency of our plant facilities and production equipment, innovating our production processes, and introducing new energy sources. To reduce emissions of GHG other than CO<sub>2</sub>, we are taking a two-pronged approach. We break down the molecules before releasing these gases while also finding ways to use them in smaller amounts. In fiscal 2009 we reached our domestic and worldwide targets for reducing GHG.

### Greenhouse Gas Emissions



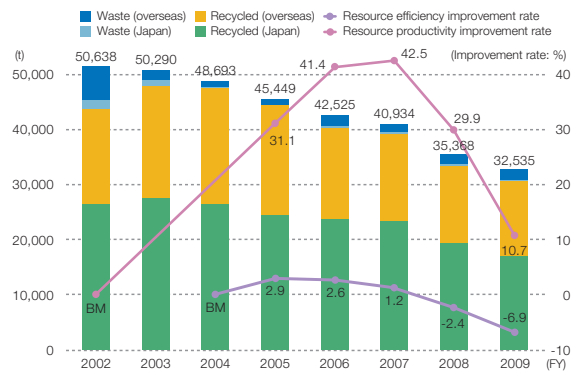
- Note:
- FY1990 GHG from sources other than energy use are calculated using the corresponding emissions in 1995.
  - In Japan we used an average value published by the Federation of Electric Power Companies as a conversion factor to calculate equivalent CO<sub>2</sub> emissions from energy consumed. Outside Japan we used national emissions factors provided by the Japan Electrical Manufacturers' Association (JEMA).
  - To calculate CO<sub>2</sub> emissions from fuels both in Japan and abroad, we used the CO<sub>2</sub> conversion factors published jointly by the Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry in Version 2.4 of a GHG emissions calculation and reporting manual.
  - To calculate the CO<sub>2</sub>-equivalent of emissions of GHG other than CO<sub>2</sub>, we used conversion factors published by the Intergovernmental Panel on Climate Change (IPCC) in 2001.

## Zero Emissions

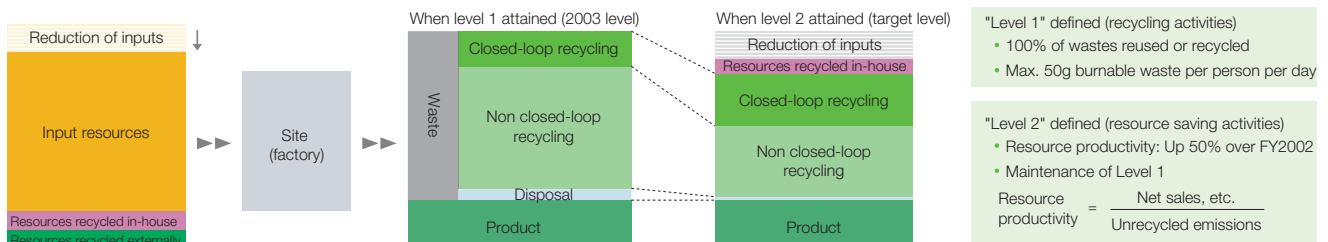
Epson instituted a "zero emissions" program to promote the effective use of resources, reduce waste levels, and help extend the lives of final disposal sites.

Epson's 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, subsidiaries and affiliates in Japan and all Epson manufacturing subsidiaries and affiliates 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. At 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



### Zero Emissions Level 2 Activities at Epson (Resource Saving Activities)



## Balancing Product Production with Mitigation of Environmental Impacts

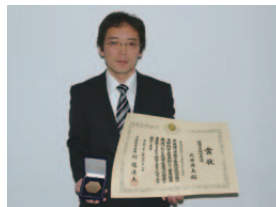
Our end goal when it comes to production is to create and produce compelling products while sustainably and efficiently mitigating environmental impacts. Achieving this goal requires a staunch commitment to developing technology for our production processes.

### Reducing CO<sub>2</sub> Emissions in Projector Panel Manufacturing

Epson's Chitose Plant, which fabricates panels for 3LCD projectors, cut its CO<sub>2</sub> emissions by 10% by boosting energy efficiency, including by changing specifications governing the supply of utilities to cleanrooms and revising equipment operating parameters. Meanwhile, our Suwa Minami Plant slashed energy usage of its pure water systems by nearly 70% through a combination of creative thinking and technological improvements, one of which involved the consolidation of pure water systems. These emission reductions have earned public recognition. The Chitose Plant received the Kitaguni Energy Conservation / New Energy Award, while the Japanese Minister of Education, Culture, Sports, Science and Technology presented one of our employees with a Creativity Award for his work on consolidating the pure water systems at Suwa Minami.



Kitaguni Energy Conservation / New Energy Award



Creativity Award

## Reducing Environmental Impact with Glossy Molding Technology

Glossy molding gives our all-in-one inkjet units an attractive, high-end look without the use of environmentally hazardous paint.

The key to this technology lies in meticulously polished molds. High-precision molds are essential for obtaining glossy-looking plastics using only an injection molding process. A recognized Contemporary Master Craftsman working to an accuracy of 1/1000th of millimeter helps our products look great while contributing to a smaller environmental footprint.

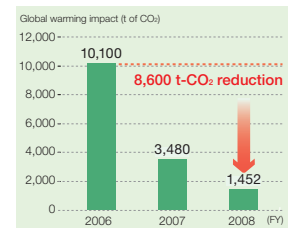


EP-802A sports a glossy molded finish

### ■ Total Annual Paint Use



### ■ Global Warming Impact of Painting



Note: The graphs above apply to inkjet printer and scanner products.

## Using the Green Power Certification System to Reduce Environmental Impact

Epson has been taking a range of actions to prevent global warming. One of the things we have been doing is purchasing green energy. In fact, we have contracted to purchase wind power from Japan Natural Energy Company Ltd. since the 2001 fiscal year. To date, we have purchased a total of 15,440,000 kWh. In fiscal 2009 we contracted 19,890,000 kWh worth of green power from Noshiro Wind Power Plant. This covers about 40% of the electricity needs of the Epson Head Office. In addition, Epson has become a Partner in the Green

Energy Partnership, a scheme that seeks to promote and expand the use of green power.



Noshiro Wind Power Plant



Green Power Certificate



## Internal audits of pollution control and waste management operations

In 2009 we audited 34 sites (27 in Japan and 7 overseas) on the basis of internal pollution control and waste management standards. As a result, we were able to confirm that pollution and waste were being properly managed.

## Violations, complaints, and accidents

In 2009 discharged wastewater exceeded regulatory limits in two instances, and there was one accident involving discharged wastewater. All incidents were reported to the government and corrective actions were taken.

Exceeded regulatory limits: 2  
Complaints: 0  
Accidents: 1

## Soil and Groundwater Remediation

We continue to pump and treat groundwater at our Head Office, Shiojiri, Fujimi, and Suwa Minami sites to remove trichloroethylene. In addition, we have barriers in place to prevent further contamination. At the Head Office, our pumps, pipes, and other equipment have to be cleaned, inspected, and maintained every few months due to the rapid build-up of deposits from the iron-rich groundwater.



Maintenance of pumping equipment

## Site Groundwater Data and Remediation Methods

Groundwater trichloroethylene concentration trend / annual average (normal limit is 0.03 or less) Unit: mg/l

Business site	Mar. 2008	Mar. 2009	Mar. 2010	Countermeasure
Head Office	62	88	36	Barrier, pump and treat, soil vapor extraction, monitoring
Shiojiri	5.2	2.8	1.5	Barrier, pump and treat, monitoring
Fujimi	0.25	0.26	0.16	Barrier, pump and treat, monitoring
Suwa-minami	0.13	0.13	0.14	Barrier, pump and treat, monitoring
Matsushima	0.12	0.09	0.13	Barrier, Monitoring

 Key global environmental data  
<http://global.epson.com/community/global.htm>

## Substance Management

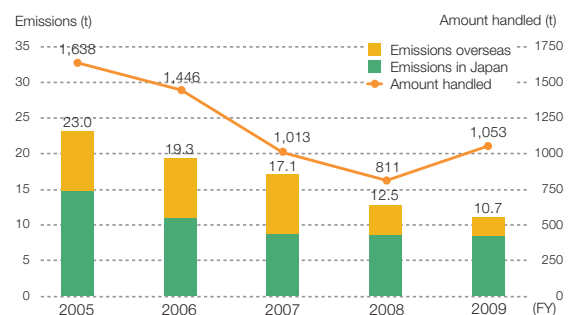
Epson recognizes that all chemical substances involve at least some risk. Accordingly, we categorize them as “use prohibited,” “reduce use and emissions,” and “change to safer substances.”

In 2003 Epson enacted a regulation governing the control of chemical substance. Two years later, the company built and implemented an original chemical substance data management system called “E-Chem,” introducing it at all Epson manufacturing sites around the world.

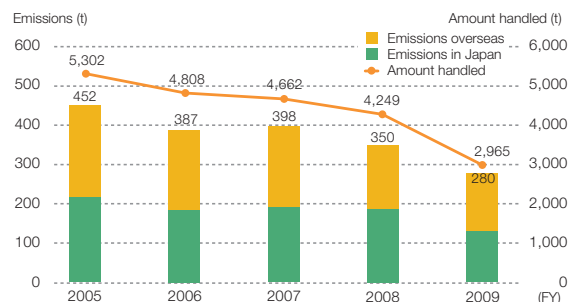
We continue to work aggressively to reduce emissions of chemical substances. In addition to programs designed to track, control and reduce chemicals subject to PRTR (Pollutant Release and Transfer Register) control, we have moved to reduce emissions of volatile organic compounds (VOCs). We also promote a variety of measures to reduce environmental emissions by identifying and adopting greener alternatives to certain chemicals, minimizing amounts used, and introducing combustion abatement systems.

Since 2007 all Epson business units have been tracking and reducing their emissions versus the 2005 emissions benchmark and have succeeded in maintaining reasonable emission levels. In addition, we are building trust relationships by making our substance data available to local citizens and creating opportunities for dialog.

### PRTR Substances



### VOC: Amounts Handled and Emitted Group-Wide



## Logistics

### Deliver

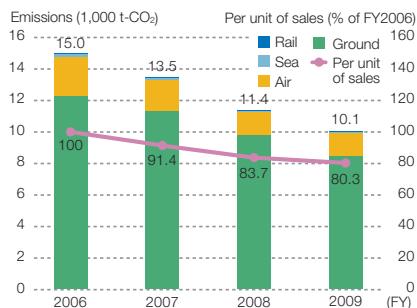


Reducing the environmental impact of product delivery

### Reducing transport CO<sub>2</sub> emissions

Using methods recognized under Japanese law, Epson has been monitoring its shipping volumes, energy usage, and CO<sub>2</sub> emissions while working to shrink its environmental footprint. The goal is to reduce emissions by 1% versus the previous year, per unit of sales. In FY2009, CO<sub>2</sub> emissions from transport within Japan totaled 10,000 tons, 4.0% lower than in FY2008 per unit of sales. We have been collecting logistics data since FY2006 and this year finished off a streamlining project that implements an automated collection and tabulation system at our operations divisions. The system allows us to detect any transportation losses at an early stage.

#### ■ CO<sub>2</sub> Emissions from Distribution in Japan

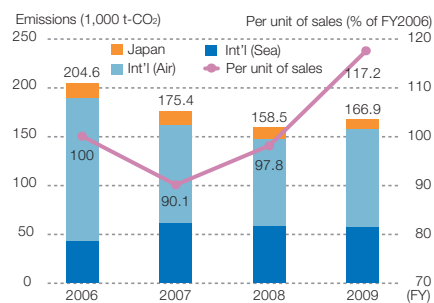


### Actions Overseas

Air transport in Japan and overseas accounted for about 60% of total fiscal 2008 CO<sub>2</sub> emissions. Cooperating with our subsidiaries and affiliates around the world, we are promoting a modal shift from air to sea transport.

In fiscal 2009, however, air transport increased, partly due to a worldwide shortage of sea transport carriers, causing emissions to rise by 5.3% year-over-year.

#### ■ CO<sub>2</sub> Emissions from Distribution in Japan and Overseas

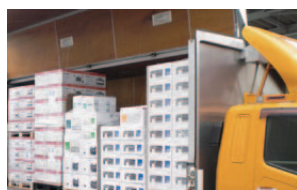


Note: Figures from FY2008 and earlier have been recalculated to account for an expanded scope of CO<sub>2</sub> emissions from distribution in FY2009.

### Reducing CO<sub>2</sub> Emissions by Using Consolidated Shipping

Epson Sales Japan (ESJ) began using joint shipments in June 2009 to reduce its CO<sub>2</sub> emissions and increase the efficiency of its distribution operations. With this service, the products we ship to some sales outlets are consolidated with the products of another company in Japan for delivery by the shipping company.

ESJ and the other company choose and use the delivery lines. Beginning with Sapporo, ESJ gradually expanded this system to other regions of Japan, enabling ESJ to reduce its annual shipping CO<sub>2</sub> emissions by 39%.




Loading printers for shipment

### Reducing GHGs and Air Pollution From Freight Transport

Epson America, Inc. (EAI) joined the U.S. Environmental Protection Agency's (EPA) SmartWaySM Transport Partnership in October 2009 and, along with other participating enterprises, is working toward reduction targets set by the EPA. This program is designed to improve energy efficiency, reduce GHG and air pollutant emissions, and improve energy security.

EAI is employing a variety of means to achieve these goals. Among them are intermodal freight transport (combinations of truck and rail or other modes of transport), optimized vehicle shipping plans, increased loading efficiency, and reduced idling.

 EAI's environmental programs  
<http://www.epson.com/cgi-bin/Store/Landing/Environment.jsp>

## Eco-Products



Creating products that minimize environmental impact during use

### Compact, Energy-Saving, High-Precision Technologies Reduce Environmental Impact

Whether in our information-related equipment business, electronic devices business, or precision products business, we are always looking to take advantage of our

#### ■ PX-W8000 large-format printer



##### Eco Features

- Uses nearly odorless water-based ink, meaning it can be used in any office without a special ventilation system
- Compliant with International ENERGY STAR® Program

#### ■ EB-X8 3LCD projector



##### Eco Features

- 30% smaller than last year's EB-X6
- The E-TORL lamp uses light efficiently
- Uses only 0.3W of power in standby

#### ■ OX-6501GG series of oven-controlled crystal oscillators



##### Eco Features

- Produces approximately 75% fewer CO<sub>2</sub> emissions during use than the TCO-6831 (2001)<sup>3</sup>

compact, energy-saving, high-precision technologies to produce and deliver products that have a low environmental impact. Here, we present the eco features of some of our best environmental performers for the 2009 fiscal year.

#### ■ Endeavor ST125E desktop PC



##### Eco Features

- Body is 77% smaller than the Endeavor AT971E (2009)
- Runs on 22W of power

#### ■ TM-T88V thermal receipt printer



##### Eco Features

- Consumes approximately 15% less total power per year<sup>1</sup> than the TM-T88IV (2006)
- Paper-saving features<sup>2</sup> reduce paper use by up to 30%

#### ■ Spring Drive Seiko Brightz Ananta SAEA001



##### Eco Features

- A battery-less wristwatch powered by a mainspring and accurate to ±15 sec/month (equivalent to ±1 sec/day)

<sup>1</sup> Total power consumption calculated under Epson's test criteria of 300 receipts per day, with the power on 16 hours/day and off eight hours/day for 365 days a year. Measured at parallel interface, with PS-180 power supply and AC-170 power cable. Power consumption will vary depending on use (e.g. number of prints and frequency of use).

<sup>2</sup> Paper-saving features include top-margin reduction, line space reduction, line feed reduction and barcode height reduction.

<sup>3</sup> According to tests performed under conditions established by Epson Toyocom. A life-cycle assessment (LCA) was used to calculate the product's impact to global warming during customer use. The impact is expressed as a CO<sub>2</sub> emissions equivalent.

Note: Energy consumption figures are based on measurements taken in Japan. Product model numbers applicable only in Japan.

## Environmental Impact Mitigation During Use

We are reducing the total power consumption of our printer products even as we improve image quality. Enabling this is a product development program that seeks to save total energy, not only during printing operations but also in off and standby modes.

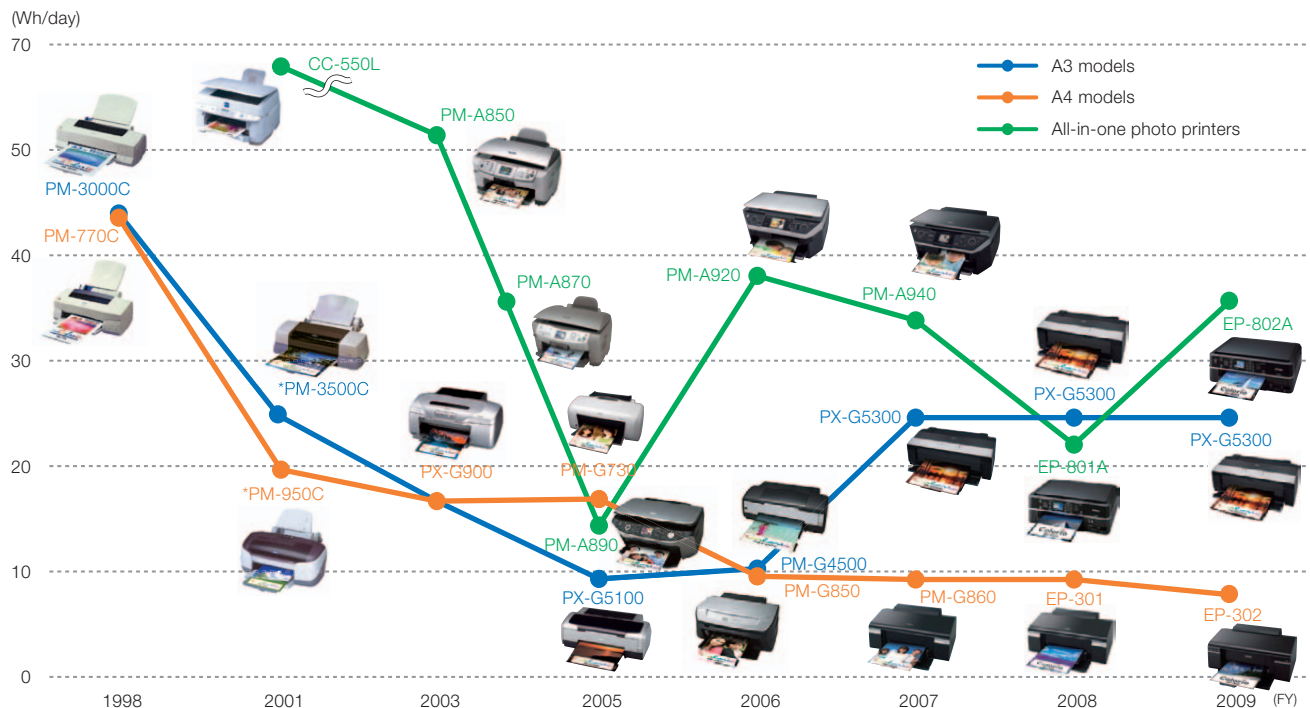
For example, the EP-802A, launched in 2009, consumes the same amount of total power per day as the PM-A870

launched in 2004 despite significant improvements in performance and features, such as faster printing and a wealth of interfaces, including wireless LAN.

Our 3LCD projectors, meanwhile, use various optics technologies to reduce energy consumption. The E-TORL\* lamps in Epson projectors, for example, use light extremely efficiently to provide high enough brightness for use in undimmed rooms without increasing power consumption.

\* Epson-Twin Optimize Reflection Lamp.  
A high-efficiency lamp developed by Epson.

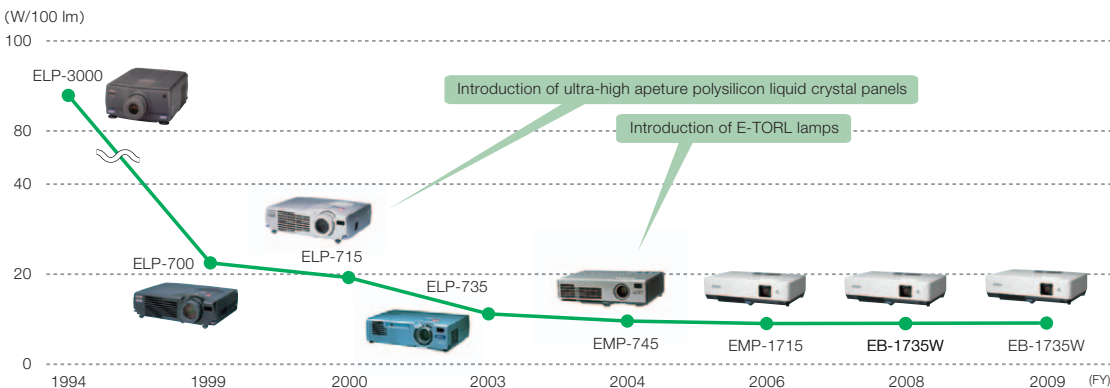
### ■ Comparison of Total Daily Energy Consumption for Inkjet Printers (by FY)



Epson's evaluation conditions: Calculated assuming five A4-size color copies or prints per day, with the power on for eight hours and off for 16 hours per day. Power consumption will vary according to actual usage conditions.

\*Awarded the 2001 Energy Conservation Grand Prize by the Director-General of the Agency for Natural Resources and Energy.

### ■ Operating Energy Consumption Per 100 Lumens for 3LCD Projectors (Annual)



Note: Energy consumption figures are based on measurements taken in Japan. Product model numbers applicable only in Japan.

Web Eco Products Guide 2009-2010  
<http://global.epson.com/community/environment/article.htm>

Web Environmentally conscious products  
[http://global.epson.com/community/environment/case\\_design.htm](http://global.epson.com/community/environment/case_design.htm)

## Eco in Use

At Epson we quantify and attempt to reduce the environmental impact of our products across their life cycles. Raw material manufacturing and product use are important stages of the life cycle for reducing the global warm-

ing impact of our all-in-one inkjet products. We recognize that ecological performance is a source of value for customers. That is why Epson provides features and functions that are convenient yet can also reduce environmental impact.

### ■ Eco Features of the EP802A All-In-One Inkjet



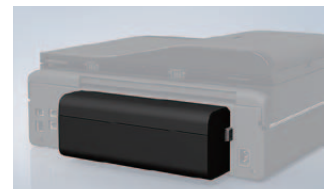
#### Save paper by not printing

Scans images directly to a memory card and transfers them to a PC



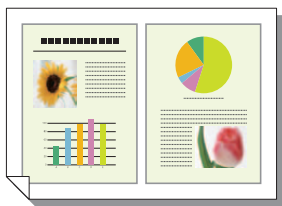
#### Save energy

Prints directly from a memory card, no PC required



#### Save paper

Creates a double-sided print from two source sheets<sup>1</sup>



#### Save paper

Prints up to four pages on a single sheet with double-sided, 2-up<sup>2</sup> and multi-page printing



Ordinary print



Web-To-Page

#### Reduce paper waste

Fits Web pages to the width of the paper

<sup>1</sup> Available as an option

<sup>2</sup> Supports printing 2 pages up to 128 MB per sheet

## Collection and Recycling



Taking responsibility for recycling end-of-life Epson products

### 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 continuing to build 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 from businesses.

In FY2009 we collected 77.8 tons of used equipment, and from that recycled 60 tons of materials.

#### Epson's Toner and Ink Cartridge Collection System



### Used Ink Cartridge Pick-up

As part of its efforts to use resources effectively and preserve the global environment, Epson has been collecting and recycling toner cartridges since 1995 and ink cartridges since 1999. To further accelerate recycling, we launched a new program in which customers in Japan can earn points by participating in a used ink cartridge pick-up service. Customers can apply the points toward purchases on Epson's online shopping site or can elect to donate them to the Nature Conservation Society of Japan or to OISCA (the Organization for Industrial, Spiritual and Cultural Advancement International), an international NGO.

### Expanding Employment Opportunities for Persons With Disabilities (Ink Cartridge Home Coming Project)

Collection and recycling efforts like the Ink Cartridge Home Coming Project help expand work opportunities for persons with disabilities. Epson Mizube Corporation, a Seiko Epson subsidiary that employs a high percentage of persons with disabilities, serves as a clearing-house for the sorting of collected ink cartridges. This project is also expanding work opportunities for persons with disabilities.



Cartridge sorting


## 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 recycling company partners to remain compliant with the rules of each country.

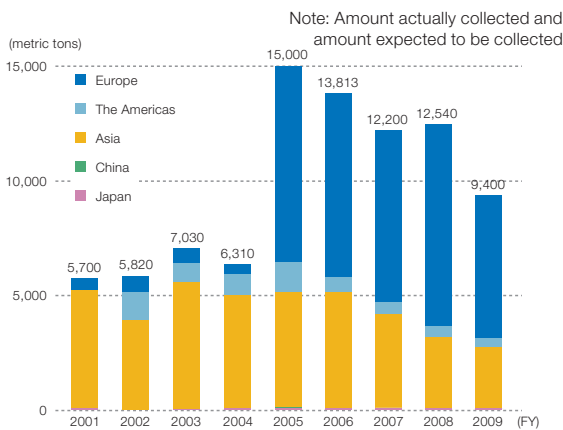
Epson currently operates collection and recycling programs for products and consumables in 33 countries and regions.

## Overseas Recycling Programs in Cooperation with External Foundations

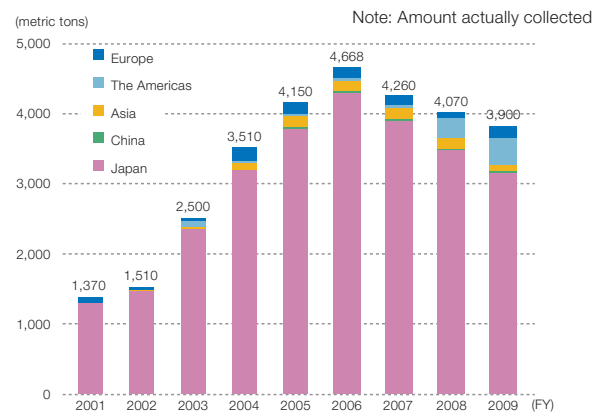
Epson Canada Ltd. (ECL) encourages its customers to participate in a recycling program run by the National Cristina Foundation. The goal of the program is to help persons who are facing economic challenges and persons who are less fortunate by giving them access to today's technology. The used equipment is donated to NPOs and schools that provide training to persons with disabilities and other disadvantaged persons. Not only does the program help the environment, it helps people.

 ECL recycling programs  
<http://www.epson.ca/cgi-bin/ceStore/Recycle/RecycleProgram.jsp>

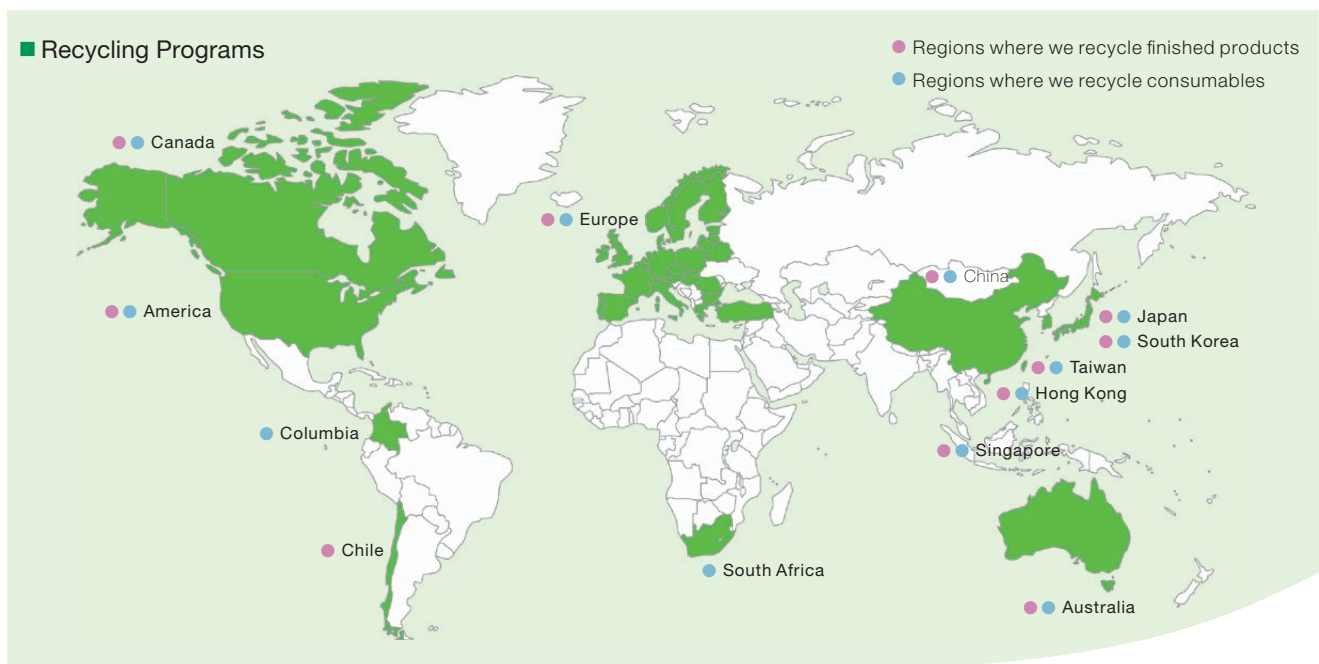
### Collection Trends for Finished Products by Region



### Collection of Ink & Toner Cartridges



### Recycling Programs



 Environmental product development life cycle  
<http://global.epson.com/community/environment/recycle/>

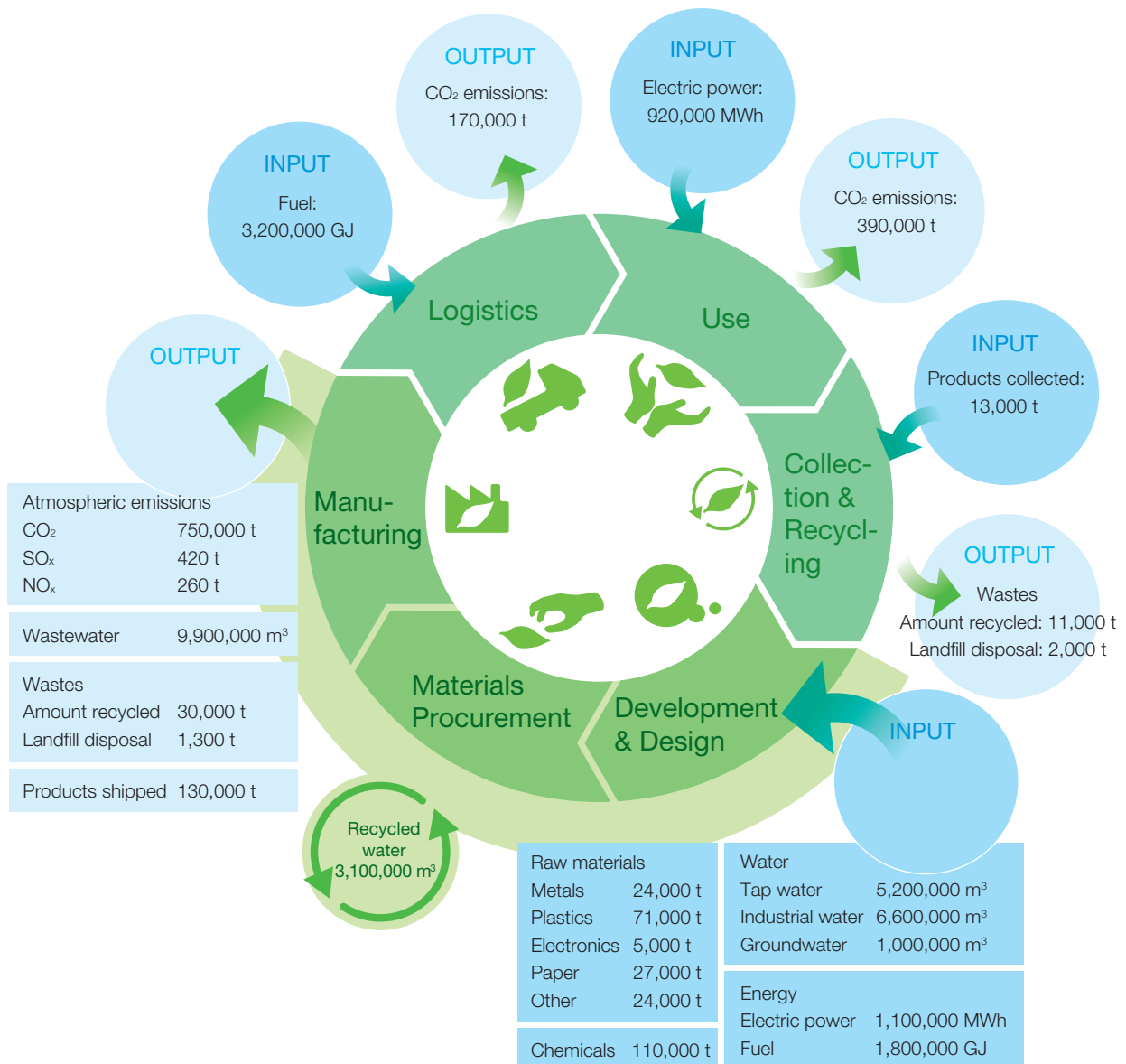
## FY2009 Results

Epson material flow and Action 2010 General Environmental Policy results

### Material flow

The graph here summarizes the material and energy inputs into our business activities and the environmental impacts, in the form of wastes and greenhouse gases output into the air. Source material inputs are estimated and calculated from actual measurements and from

product LCA data, and then are analyzed. The results are used in various actions designed to reduce environmental impact by improving product performance and business environmental efficiency.





## Progress on the Action 2010 General Environmental Policy

Action 2010 laid out our environmental plans from fiscal 2006 until the start of fiscal 2010. Fiscal 2009 results for key actions are summarized below.

### ■ Progress on the "Action 2010" General Environmental Policy

Grades assigned according to rate of target achievement: 90%≤A 70%≤B<90% 50%≤C<70% D<50%

Area of Initiatives		Key Actions & Indicators	FY2009 target	FY2009 actual	Grade
Prevention of global warming	Production	Consolidated emissions per unit of price-adjusted sales	CO <sub>2</sub> reduced by 50.0% vs. FY1990	CO <sub>2</sub> reduced by 51.2% vs. FY1990	A
		Emissions per unit of price-adjusted sales (from energy sources in Japan)	CO <sub>2</sub> reduced by 35% vs. FY1990	CO <sub>2</sub> reduced by 44.8% vs. FY1990	
	Logistics	Per unit of sales	CO <sub>2</sub> reduced by 1.0% vs. FY2008 (Japan)	CO <sub>2</sub> reduced by 4.0% vs. FY2008 (Japan)	A
Resource recycling & conservation	Development	Product size & weight reductions	Targets set for certain products in each business	100% achievement	A
		Recyclability and recoverability rates	Recyclability rate: 75 wt%	88.9% of products achieved target	B
			Recoverability rate: 85 wt%	97.8% of products achieved target	A
	Production	Resource-saving actions	Resource efficiency: 25 % improvement over FY2004	Declined by 6.7% vs. FY2004	D
	Sales	Recycling rate	Recycling rate: 65%+ (Japan)	77.2% (Japan)	A
Substance management	Production	Reduction of site use	Reduce use along with costs	Individual targets pursued by each business unit	A
		Reduction of site waste	Maintenance of FY2005 emissions level	Reduced PRTR substances by 53.5% and VOCs by 38% vs. 2005	A

		Key Actions & Indicators	FY2009 target	FY2009 actual	Grade
Environmental management framework	Development	Environmental patents	Shift focus from quantity to quality	-	-
	Sales	Eco label attainment	Plan on a business consolidated basis	100% achievement	A
	Community collaboration	Environmental citizenship	Continuation	<ul style="list-style-type: none"> <li>Continue volunteer work on the Jinguji 100-Year Forest Project</li> <li>Participants in Kids' ISO program: 328</li> <li>Conducted energy-conservation assessments at 40 sites</li> </ul>	A

## Actions Under the Action 2010 General Environmental Policy

Epson's Action 2010 General Environmental Policy ended with the close of the 2009 fiscal year, so it is time to take stock of what has been achieved. The table provides a summary. Moving forward, we will be driving fresh strategic environmental initiatives under a plan, the "SE15 Mid-Term Environmental Policy," aligned with the SE15 long-range corporate vision.

### ■ Summary of Actions Under the Action 2010 General Environmental Policy

Area of Initiatives	Summary
Prevention of global warming	<ul style="list-style-type: none"> <li>Achieved our targets of reducing CO<sub>2</sub> emissions from manufacturing on a consolidated basis (by 50% vs. FY1990 emissions level) and from energy sources in Japan (by 35% vs. FY1990) per unit of price-adjusted sales each year during the plan period (FY2006-FY2009), primarily through steady, commonsense actions and energy-efficient features in new buildings constructed overseas.</li> <li>Achieved our target of reducing CO<sub>2</sub> emissions from distribution in Japan (by 1% year-over-year) per unit of price-adjusted sales each year during the plan period. Total CO<sub>2</sub> emissions were reduced by 37,000 tons (18%) compared to fiscal 2006 when we began collecting data for distribution.</li> </ul>
Resource recycling & conservation	<ul style="list-style-type: none"> <li>Total waste emissions were reduced by 13,000 tons (28%) compared to the 2005 fiscal year. All Epson manufacturing sites were certified for compliance with "Zero Emissions, Level 1," which requires 100% recycling of all waste material, and 13 sites (eight companies) were certified for compliance with "Zero Emissions, Level 2" requirements (a resource-saving program).</li> <li>Introduced FSC-certified paper, studied recycling-oriented business models, and reduced the size and weight of products.</li> <li>Launched sales in China, Taiwan, Europe (2008) and Japan (2010) of the EC-01, a reconditionable and reusable inkjet printer that does not use ink cartridges.</li> </ul>
Substance management	<ul style="list-style-type: none"> <li>RoHS Directive: Began studying procurement, management and chemical substance content of parts subject to RoHS.</li> <li>REACH: Met requirements that took effect in 2008 by communicating SVHC content information and by pre-registering chemical preparations (toner, ink, ribbons).</li> <li>Site substances: Determined emissions levels of VOCs in Japan and PRTR substances and VOCs overseas, and greatly reduced levels from FY2005.</li> </ul>

## Human Development at Epson

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



### Approach to Human Resource Development

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

Epson's Human Capital Vision 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 the Epson Code of Conduct, as well as in 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.

In fiscal 2010 our focus will be on (1) reorganization and personnel placements to ensure that we are in the best position to achieve our business plans; and (2) a personnel system and HR development program that enable our people to carry out clearly defined roles.

Epson wants to make its workplaces places where employees build trusting relationships, express their ideas freely, and enjoy cooperation. We want our people to experience a sense of unity and fulfillment in an environment where they are encouraged to change and grow.

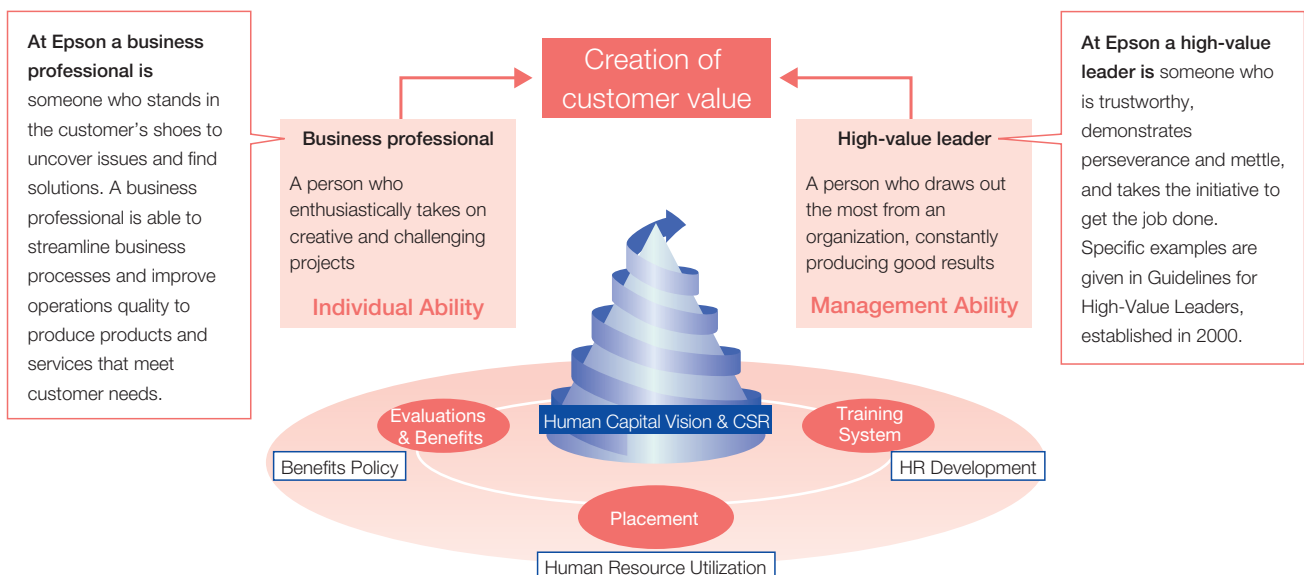
### HR Development and Training

Epson develops and trains its human resources in line with a Human Resources Development Policy which states that Epson will "...support employees who have aspirations for self-actualization, to connect all the companies in the Epson Group with people, and to nurture employees so that both corporate and individual objectives are met." In the 2010 fiscal year we will assist all employees who seek growth so that we achieve our goals of maximizing team strength, setting the bar high, and excelling together.

### The Epson Skill Pyramid

All Epson employees are expected to acquire knowledge and skills in certain areas. On top of a set of basic shared skills, they are expected to have specialist skills depending on the type of job and business they are in, as well as management skills. We provide them with training opportunities according to job titles, rank within the corporate hierarchy, and work functions. To develop self-starting,

### HR Policies and the Ideal Employee



self-directed employees who design and carve-out their own careers, Epson has prepared a Career Development Guide and supports the efforts of employees who seek personal and career growth.

■ The Epson Skill Pyramid



Teaching Fundamental Knowledge and Skills

To further increase corporate strength, we provide training to all employees so that they acquire the same fundamental knowledge and skills in 24 select subjects. We provide our employees with as many learning opportunities as possible, not only in the classroom but through online learning and correspondence courses.

Specialist Job Training for Reassignments

Epson began a major retooling of its workforce in the 2009 fiscal year. To complete the retooling effort, we have further expanded and improved the business-specific and specialist job training (in subjects such as mechanical, software, and electronic engineering) required for employees changing jobs. Epson now has in place a support system that gives experienced employees the skills and confidence they need to work effectively after reassignment to new jobs or new businesses.

■ Training System

	Competencies	Description	Knowledge & Skills Covered
Basic shared knowledge & skills	Core competencies	Epson values	Management Philosophy, Epson S&A, etc.
	Social	Community engagement Compliance	Principles of Corporate Behavior, Epson Code of Conduct, work regulations, brand issues, etc.
	Problem-solving	Ability to carry out work	Problem detection & resolution, logical reasoning, IT skills, etc.
	Interpersonal	Communication, cooperation, involving others	Manners, presentation skills, teamwork, language skills, etc.
	Self-improvement	Career design Stress relief	Self-management, understanding others, career design, etc.
Specialist skills	Special skills by job type & business	Management, IP, info, production control, sales and marketing, R&D, design, product planning, engineering & quality, manufacturing	
Management skills	Management Leadership	Organization management, personnel development, etc.	

Management Training

Epson considers middle management to be the key to maximizing the abilities of teams and achieving ambitious objectives. For this reason, we have training programs that focus primarily on improving the management capabilities of our managers around the globe.

Managers in Japan receive the support they need to create a climate that allows them to tap the full potential of the team and work effectively as an organization. New managers, for example, participate in a five-day training designed to teach them practical skills. Courses on management fundamentals and training in subjects such as motivation are provided as well.

To enhance the ability of our managers to manage and lead their teams, we have put together a Section Manager Handbook to reinforce the learning of skills new managers need.

■ Training in FY2009, by Employee Level (Japan)

Training	Who	People trained	% trained
New Employee Orientation (Group Training)	New hires	250	100.0%
C-Level Employee Training	New C level personnel	343	98.8%
Senior Staff Training	New senior staff	299	97.4%
Section Manager Training	New section managers	59	78.7%

Since 2007, we have conducted an international program designed to enhance the skills of section managers and leaders at our overseas manufacturing affiliates. Not only are we looking to ensure that they understand how to develop workplace visions and plans, solve problems, and manage day-to-day affairs, we also provide practical follow-up (on-the-job training) so that they can further improve their knowledge and skills.



Management training in Shenzhen, China  
Interactive lecture



Management training in Shenzhen, China  
Group Discussion

We have also been structuring and retooling the human resource development organizations overseas so that the human resource development and training management cycle can run independently on an ongoing basis. Moving forward, we will also emphasize the development of facilitators who can give practical on-the-job training and increase both the speed and effectiveness of personnel development.

## Training for New Employees

Epson provides extensive training to its new employees who have freshly graduated from school. The goal of the training, which includes both personnel and manufacturing components, is to impart a solid understanding of Epson's core values and to shape their awareness and conduct as members of society.

New employees study Epson's management, quality and environmental philosophies. They undergo training in the Employee Code of Conduct. They learn the basics of business and gets hands-on experience in manufactur-



Practicing sawing



Watch disassembly and reassembly

### ■ New Employee Training Schedule

October	April	From May	March
Recruit training	Orientation training • Collective training • Manufacturing training • Lake Suwa walk	OJT, special training, on-hands manufacturing or sales training, etc. 7/1 end of probation	Follow-up training
Self-development	Department assignment	Division orientation	

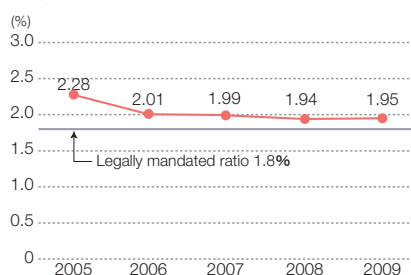
### ■ Main Online Learning Courses in 2009 (Japan)

Training	Start Date	Trainees <sup>1</sup>
Introduction to Information Security <sup>2</sup>	3/2009	22,832
How to Prevent Transmission of Pandemic Viruses	4/2009	19,031
Basic Software License Training <sup>2</sup>	6/2009	19,406
CSR Basics 2009 <sup>2</sup>	7/2009	15,492
J-SOX Training <sup>2</sup>	11/2009	18,322
Environmental Basic Training II <sup>2</sup>	12/2009	15,874
Epson's Customer-Centric Approach <sup>2</sup>	3/2010	8,506

<sup>1</sup> The number of persons completing the course by March 31, 2010.

<sup>2</sup> Compliance training

### ■ Employees with Disabilities at Epson (Japan)



ing. For example, they disassemble and reassemble printers and watches, practice using files and saws, and learn production control techniques. New employees also engage in team-building activities, culminating in a 16-km walk around Lake Suwa.

## Cultivating Teamwork

We believe that maximizing customer value and continuing to be a company that is indispensable for customers will help enrich the Company as well as enriching our employees and providing them with a sense of fulfillment.

To create customer value, our employees have to work as a team, understand their roles and demonstrate individuality, thereby maximizing the collective strength of the team.

In fiscal 2009 we implemented a variety of initiatives across the Group to transform the way we work. First, we reorganized our businesses and reassigned personnel as part of business and workforce restructuring. In addition, to tighten teamwork and maximize the power of each team, we have suspended a discretionary labor system ("e-style") and are holding morning team meetings.

### ■ Workforce Composition

Male/Female Ratio		Management <sup>1</sup> Ratio		Management Diversity	
Women	18%	Management	14%	Women	1%
Men	82%	Non-management	86%	Men	99%

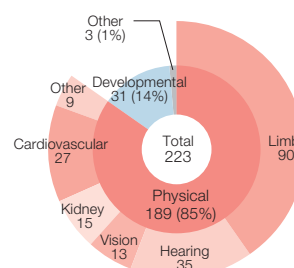
Workforce composition data for Seiko Epson employees as of March 31, 2010

<sup>1</sup> Section manager and higher

## Employing Persons with Disabilities

Epson provides a wide range of employment opportunities for persons with disabilities, including at two special subsidiaries set up to more easily accommodate persons with special needs in Japan, Epson Mizube Corporation and Epson Swan, Ltd., and at a dedicated department at Suzhou Epson Co., Ltd. in 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 (Japan), by Type of Disability (as of June 2009)



## Labor-Management Cooperation

Epson is a union shop whose employee union representatives work cooperatively with management. Joint committees are formed to discuss and finalize mutual resolutions to issues on a variety of topics, such as work systems, family support, and benefits and wages.

## Monitoring and Controlling Working Hours

Epson remains fully compliant with labor laws. One of the ways we ensure compliance is by following an operations manual created to prevent excess overtime work. We have also deployed time management initiatives and monitoring systems across the organization. We are fully committed to maintaining a well-balanced working environment and have programs to build awareness among employees of the importance of regulating working hours.

## Zero Tolerance of Discrimination, Unfair Labor Practices, and Misconduct

Epson is dedicated to the eradication of discrimination and unfair practices in all their forms worldwide. This stance is reflected in our participation in the UN 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 26 inquiries to our harassment hotline in 2009, and all were handled in the strictest confidence, in line with privacy protection laws. Epson also strives to prevent fraud and other illegal conduct in a number of ways, including through regular reporting to the Trust-Based Management Council and by posting reminders on the intranet bulletin board.

### ■ Main Employee Welfare and Benefits Systems

Category	Description of System
Childcare	Childcare leave, shorter work hours for parents, home care service
Caregiving	Caregiver leave, shorter work hours for caregivers
Retirement	Retirement benefits (defined contribution pension plan, corporate defined benefit pension plan), asset-building incentives, etc.
Wellness	Personal injury or illness leave, in-house therapy (massages), well-being leave, payment of additional amount to defray costs of injury, illness and child-rearing, subsidies for general medical checkups
Training	Subsidies for passing national exams, work-related correspondence courses, self-study, etc.
Housing	Company housing, property accumulation savings incentives, home financing, etc.
Commuting	Commuting expenses (commuter passes, gasoline costs, tolls, etc.)
Insurance	Group life insurance, corporate group insurance
Other	Employee cafeteria, subsidies for workplace activities, etc.

## 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 95% of female employees (100% in fiscal 2009) return to work after taking maternity or childcare leave. In fact, women stay with Epson longer than men, on average (21.7 years for women versus 18.0 years for men).

### ■ Parental Leave Trends

Fiscal year	Individuals who took childcare leave			Men	Individuals taking caregiver leave
	Total	Women	% of women taking leave <sup>1</sup>		
2009	74 <sup>2</sup>	53	100%	21 (20) <sup>3</sup>	0
2008	73 <sup>2</sup>	62	98%	11 (10) <sup>3</sup>	4
2007	77 <sup>2</sup>	70	100%	7 (6) <sup>3</sup>	3
2006	59	57	97%	2	2

<sup>1</sup> Number of individuals granted childcare leave / eligible\* individuals.

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

<sup>2</sup> Includes employees who took well-being leave.

<sup>3</sup> Numbers in parentheses indicate employees who took well-being leave.

## Work-Life Balance Initiatives

Epson, with one eye trained on the well-being and development of our children, provides an environment that allows employees to balance their careers with their personal lives so that they feel they can stay with the company.

In addition to their regular days of leave, employees can take "well-being leave" for either a full or half day for an expanded range of activities, including for childcare. In fiscal 2009 a total of 225 employees used a total of 910 half-days off for childcare, using their well-being leave. We enforce an eight-hour workday at least once per week at our sites, and an increasing number of sites have a day when parents can bring their children to work.

As a result, Seiko Epson was certified for the second consecutive year by the Nagano Labor Bureau as a company that is implementing policies that will benefit the next generation.

Under an action plan formulated in 2009, Epson will look into more flexible work options, including telecommuting, institute a second mandatory eight-hour workday each week, and study actions that will enable persons to regain skills before returning to work, by the end of March 2012. Epson intends to roll out these and other actions that help ensure a healthy work-life balance.



# Occupational Safety and Health

Occupational safety and health are the bedrock of business

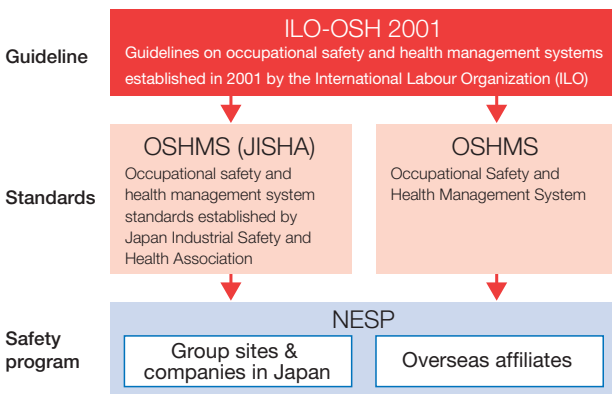


## Safety & Health Principles

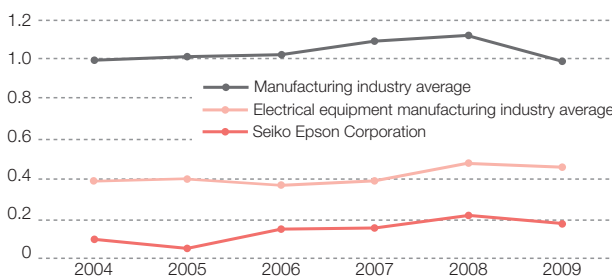
Epson believes that the bedrock of a business is composed of healthy employees and a willingness to ensure a safe and healthy environment in which every employee feels a sense of security. Spurred by our president's declaration that "safety, security, and health are the lifeblood of the company," Epson has been proactively promoting a global standard in occupational safety and health.

In fiscal 2000, we established an original occupational safety and health management system for the Epson Group 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 fire/disaster prevention, NESP has been rolled out throughout the worldwide Epson Group.

### ■ The Role of NESP



### ■ Occupational Injury Accident Frequency (Japan)



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

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

## Eliminating Industrial and Occupational Injury Accidents Overseas

All Epson manufacturing sites around the globe have introduced NESP activities as the core component of their efforts to eliminate industrial equipment and occupation injury accidents. Safety and health patrols are regularly conducted at all plants by teams made up of employees and managers. These patrol teams assess conditions and, where needed, request and monitor the status of improvements. Our plants all proactively seek third-party OSHMS audits and certifications.



Safety and health patrol by members of management (U.S.A.)



Third-party audit (Indonesia)



OSHMS certification (Indonesia)

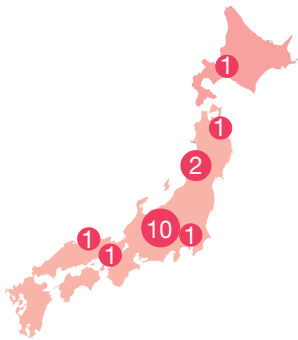


OSHMS certification (China)

### Third-Party Certification of Production Sites in Japan

Production sites, by region	(Sites)	JISHA-type OSHMS certifications acquired
Hokkaido / Tohoku	4	4
Shinshu	10	10
Kanto	1	1
Western Japan	2	2

NOTE: Numbers on map indicate certificates acquired



### Third-Party Certification of Production Sites Overseas

Overseas production sites	(Sites)	OSHMS certificates acquired
Europe	1	1 (England)
Asia	19	5 (China 2, Indonesia 2, Singapore 1)
North America	4	0
South America	1	0

NOTE: Numbers on map indicate certificates acquired



### Fire and Disaster Prevention

Epson has organized fire brigades at its sites so that we may fulfill our social responsibility of preventing accidents that can be prevented and continue to enjoy the trust of the communities in which we operate. Every year on August 31st – the day we have designated "Epson Disaster Prevention Day" -- all Epson group companies in Japan conduct a fire and disaster drill with the cooperation of local fire departments.



Group fire and disaster drill (Japan Head Office)

### Mental and Physical Health and Well-being

Personal health and well-being are things each of us can achieve and maintain on our own, but Epson, through a cooperative organization comprising management, labor, and our health insurance association, is committed to promoting the total health, both physical and mental, of its employees, and to supporting employees' self-monitoring efforts so as to foster a sense of satisfaction and fulfillment and enable them to exercise their abilities to the fullest.

To bolster our efforts in this area, we put together a new occupational healthcare organization. We established a pair of new positions in our healthcare office in April 2009: Chief Occupational Medicine Physician and Chief Nurse. The Chief Occupational Medicine Physician provides general oversight and supports the physicians working throughout Group companies in Japan. The Chief Nurse improves and maintains our nursing staff organization. The healthcare office is earning employee trust and helping them feel safe by teaching a variety of courses, including emergency life-saving techniques.

In response to the outbreak of H1N1 and other pandemic viruses, Epson's Crisis Management Committee laid down company policies from a professional public health perspective, to help prevent infection among employees and visitors.

Epson is also working to alleviate work-related mental health problems. A team headed by the Chief Occupational Medicine Physician launched a project to develop a new three-year mental health plan with actions that focus on prevention and recurrence. We also have a program in place to help smooth the return to work of employees out on leave due to mental health issues.



Epson has been publishing quarterly health newsletters for employees for more than a decade.

## Corporate Governance

Epson is committed 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.



### Approach to Governance

#### Business Operations

The Epson board of directors meets once a month and convenes extraordinary meetings as needed. The board of directors makes decisions regarding basic management policies, key business operations, period-end closing, disclosure time frames, and other important issues.

Various corporate management meetings attended by all directors are in place as forums to thoroughly deliberate matters before they are referred to the board. There are no outside directors on the Epson board, but we ensure decisions are transparent by having statutory auditors attend the corporate management meetings.

#### Auditing & Oversight

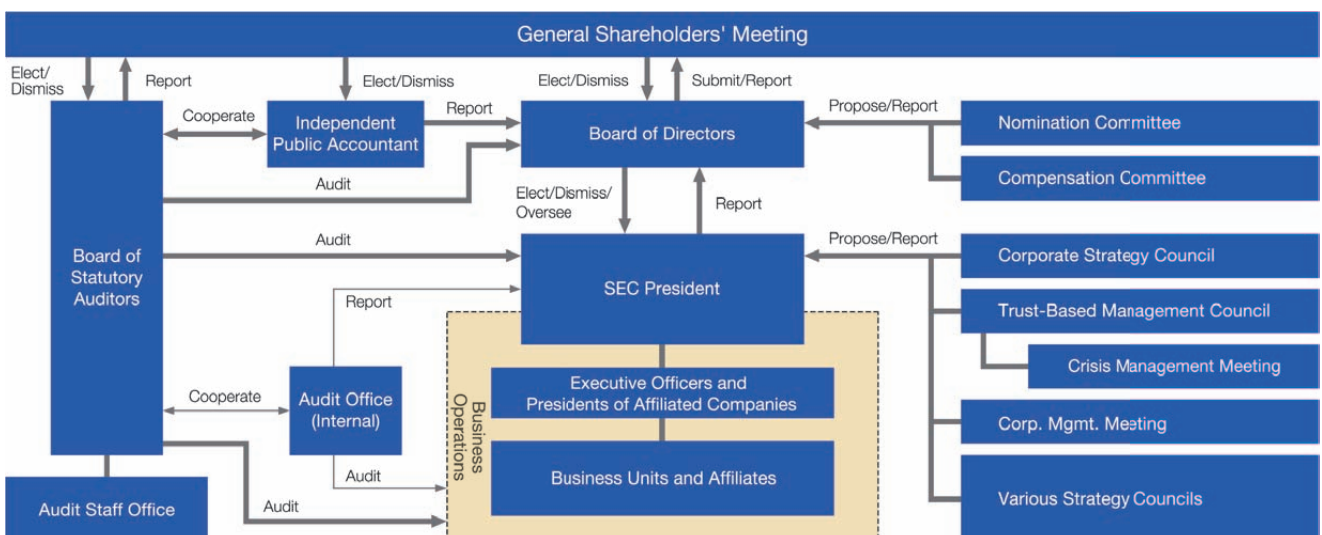
Epson has assigned three outside statutory auditors to its five-member board of statutory auditors to ensure greater independence and transparency of audits. We also have a dedicated audit department staffed with specialists to buttress the audit function.

Statutory auditors attend sessions of the Corporate Strategy Council, the corporate management meeting and other important business meetings to make audits more effective. They also review key documents, routinely cooperate with in-house auditing departments and independent public accountants, and hold regularly scheduled meetings with representative directors to ensure awareness of business operations.

#### Director appointment and remuneration

Epson established its Compensation Committee to define the parameters of the remuneration system and present their conclusions to the board of directors. We strive to make our remuneration standards objective by basing them on survey data from specialist firms. The Nomination Committee selects director candidates based on pre-defined criteria, and then presents its conclusions to the board of directors. The transparency of deliberations is ensured by having statutory auditors attend the committees as observers.

### ■ Epson's System of Corporate Governance





## Basic Internal Control Policy

We consider Epson's Management Philosophy to be our most important business concept, and to realize the mission stated in the Management Philosophy we established Principles of Corporate Behavior, rules for proper business conduct that are shared across the Group worldwide.

Departments within Epson pursue improvements to internal controls (measures for ensuring operations are conducted appropriately) based on the Principles of Corporate Behavior. These improvements are reported to the Trust-Based Management Council, which is attended by all directors and statutory auditors. By doing this, Epson is taking action to steadily improve the level of internal control for the entire Group. The system is detailed below.

### Business Execution System

- Epson is instituting a system that will ensure the appropriate and efficient execution of business. Epson has established regulations governing each job function, the division of operational duties, and the management of affiliated companies while distributing power and authority across the entire Group.
- To ensure the appropriateness of corporate activities, management regulations require affiliated companies to report on and receive prior approval for key issues from the parent company. Key issues at affiliates that meet certain criteria are put on the agenda for discussion at the parent company's board meetings, thereby creating a system of business oversight for the Group. Responsibility for the business execution systems of affiliates lies with the person responsible at the relevant operations division, and support for cross-organizational projects and the like is provided by the respective Head Office supervisory departments.
- Personnel responsible for business operations must report to the board of directors on the following items at least once every three months.
  - Current business performance and performance outlook
  - Risk management responses
  - Status of key business operations

### Safeguarding and Management of Work-Related Information

- Information on business operations is safeguarded and managed under regulations governing, among other things, document control, management approval, and contracts, with directors and statutory auditors reviewing these and other relevant documents on an ongoing basis.

- Regulations include our Basic Information Security Regulation, which helps to prevent leaks by providing Group-wide rules for managing information according to the level of sensitivity.

### Compliance Management

- Epson has established Principles of Corporate Behavior for putting our Management Philosophy into practice, as well as regulations that spell out the compliance-based management requirements that underpin the principles, and an organizational compliance framework.
- The president holds overall responsibility for management's legal compliance, with the persons responsible at each operations division in charge of compliance management at their respective businesses and subsidiaries. Head Office supervisory departments cooperate with the divisions to drive cross-organizational initiatives.
- Epson has installed a legal compliance hotline and other counseling services for reporting any violations.
- There is also e-Learning and other in-house compliance training for employees, including at subsidiaries.
- The Trust-Based Management Council was established to deliberate legal compliance issues under the leadership of the president. The Trust-Based Management Council manages the overall state of compliance at Epson, including compliance with laws, internal regulations, and corporate ethics, as well as approaches to key areas of compliance. Statutory auditors also take seats on the council to verify the details of legal compliance programs.
- The president periodically reports to the board of directors on compliance management issues and formulates appropriate measures to respond to these issues.
- Epson's Principles of Corporate Behavior categorically state that we will not be involved with anti-social forces in any way.

### ■ Counseling and Support Services

- Legal compliance hotline (Audit Office)
- Counseling related to overwork and long working hours (HR Department)
- Counseling related to harassment (HR Department)
- Career counseling (HR Department)
- Employee counseling (General Affairs Department)
- Labor union counseling (Labor union representative)

## Risk Management

- Epson has established regulations that form the basis of its risk management system and has defined the organization, procedures, and other key elements of this system.
- Overall responsibility for risk management resides with the president, with the persons responsible at each operations division in charge of risk management at their respective businesses and subsidiaries.
- The Trust-Based Management Council was established to deliberate risk management issues under the leadership of the president. The Council identifies important Group risks and manages programs to control them. 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.
- The president periodically reports to the board of directors on risk management issues and formulates appropriate measures to respond to these issues.

## Audit System

- Based on corporate regulations governing auditors and audit procedures, statutory auditors have the authority to conduct interviews with directors and other personnel whenever they deem such interviews necessary.
- Statutory auditors are also authorized to attend Corporate Strategy Council sessions, corporate management meetings, and other important business meetings, which enables the auditors to conduct audits based on the same information as that available to 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.
- The holding of regularly scheduled meetings with representative directors allows statutory auditors to directly assess business operations.

## Security at Epson

Epson's Basic Information Security Policy, based on the company's Principles of Corporate Behavior, describes our information security approach and requirements. Epson Group companies, their management, and employees must recognize the importance of information security, exercise effective information security governance, and build information security into the corporate culture so that Epson continues to be a company that is trusted by its stakeholders.

## Information Security Governance and Management

In 2009, the third year of the initial basic information security plan, Epson continued augmenting information security systems and providing related training. Self-checks on the soundness of information security were conducted at 15 business sites and four were audited internally.

Senior information security managers held three meetings, where they worked to deploy initiatives across the organization and track the progress of those efforts. July was designated as Information Security Enhancement Month. Under the slogan of "Protecting information is not the responsibility of others," Epson conducted a number of activities to heighten employee awareness of information security, including a message from the chief information security officer (CISO), and group readings of our information security & personal data protection guidelines. Epson also surveys all employees to check the implementation of information security measures and incorporates actions to address shortcomings into future initiatives. During Information Security Enhancement Month we introduced case studies (of incidents and effective practices) in an information security news bulletin, and since then we have continued to issue monthly bulletins. Training efforts included the continuation of online "e-Learning" for all employees as well as other trainings programs tailored to specific jobs and roles.

## Number of Certified Internal Auditors Reaches 50

The soundness of information security at Epson business units is evaluated through self-checks and internal audits. Epson also comprehensively monitors the state of security management systems at all its business units to confirm that controls are operating effectively. To develop the necessary monitoring personnel, Epson conducts an ongoing training program to have participants acquire information security qualifications and the skills required to conduct audits.

Including at Japanese subsidiaries, there are now 50 people certified under this program.



Internal auditor training

### Information System Security Initiatives

In the interests of operational efficiency, Epson decided not to prohibit the removal of PCs from the office but, rather, from May 2009 began requiring Group companies in Japan to use strong encryption on the hard drives of all portable PCs to prevent information leaks due to theft or loss. PCs have also been configured to reduce the risk of virus infection via USB memory devices. We also further improved our management of software licenses by standardizing how they are used and managed, and by raising awareness of license management issues. Our ISMS (information security management system)-certified data centers, Business System Operations Division and Epson Toyocom Systems renewed their ISO/IEC 27001 certifications. And, as part of our efforts to develop products with information security in mind, we are actively pursuing ISO/IEC 15408 certification (Common Criteria for Information Technology Security Evaluation).

### Personal Data Protection Initiatives

Epson also continued its efforts in the protection of personal data, conducting internal audits in six departments and two affiliates, as well as on-site inspections at one contractor. The four companies of the Epson Sales Japan Group renewed their PrivacyMark certifications, which are issued under the authority of the Japanese Ministry of Economy, Trade and Industry.

### Physical Security Initiatives

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

Our efforts to bolster physical security are grounded in a basic policy that includes protecting all people on the premises from crime, fire, and other health and safety hazards, as well as ensuring adequate security to deter the removal of corporate assets, the bringing in of unauthorized items, and the entry of unauthorized persons or vehicles. Access to the premises and rooms in our facilities is strictly controlled and access logs are centrally maintained. Further measures are adapted to the situation on the ground at our various business sites and factories.

In FY2009 Epson improved physical security as follows:

- We revised internal regulations and standards for ID cards as part of a rollout of new ID cards across the Group.
- We compiled and applied new training materials for new-hires to ensure they have a thorough understanding of the importance of physical security.
- We conducted physical security risk assessments at four business sites: our Head office, the Azusabashi Plant, Epson Imaging Devices Toyoshina Plant, and Epson Mizube, and drew up plans to address non-conformances that were identified.
- We introduced a new system to allow individual ID cards to be issued repeatedly to short-term visitors, who had previously been issued generic IDs.

### Protection of Intellectual Property

In line with 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.

## Sustainable Procurement

Moving ahead with suppliers based on the principles of fairness, coexistence and co-prosperity



### Approach to Sustainable Procurement

#### Co-creating with Our Business Partners

Epson is committed to practicing sustainable procurement. We develop mutually beneficial trusting relationships with our business partners around the world based on the concepts of fairness, coexistence and co-prosperity. From the perspective of a customer or other stakeholder, "Epson" does not stop at Seiko Epson Corporation and its subsidiaries but extends across and down Epson's entire supply chain, including all companies associated with Epson products. This highlights the importance of practicing social responsibility together with our suppliers.

These partnerships are the roots that allow Epson to grow in harmony with the local and international communities.

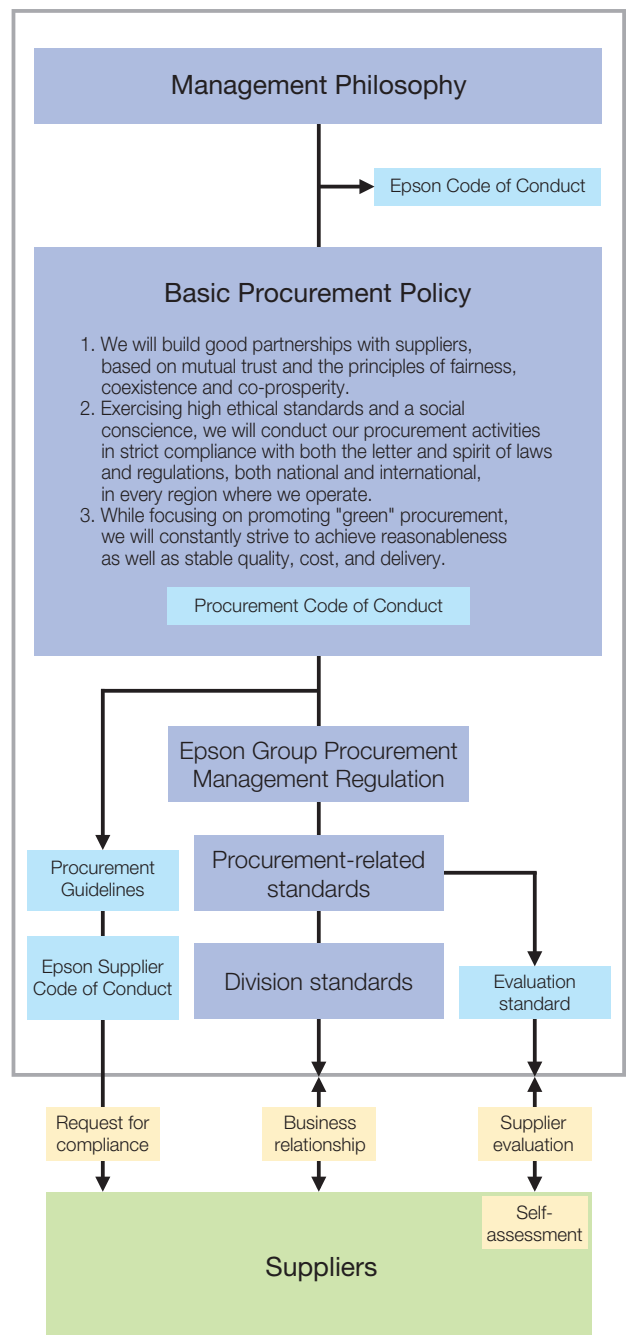
#### Basic Procurement Policy and Procurement Guidelines

We have established formal procurement guidelines that spell out fundamental Epson principles for our business partners around the world. Our procurement guidelines cover requirements regarding compliance with laws, social norms and ethics in areas such as child labor, respect for human rights, the environment, and health and safety.

As business operations become more global, more attention is being focused on sustainable practices across the entire supply chain. All of our suppliers were given guidance on and required to comply with our Procurement Guidelines, which we updated in FY2008 to incorporate our own Supplier Code of Conduct. We also reviewed suppliers to check their degree of compliance with the provisions of the Guidelines.

We asked 330 suppliers to conduct self-assessments by FY2009, and of those we also conducted on-site audits at 130, requesting improvements to address nonconformances.

#### ■ Procurement System



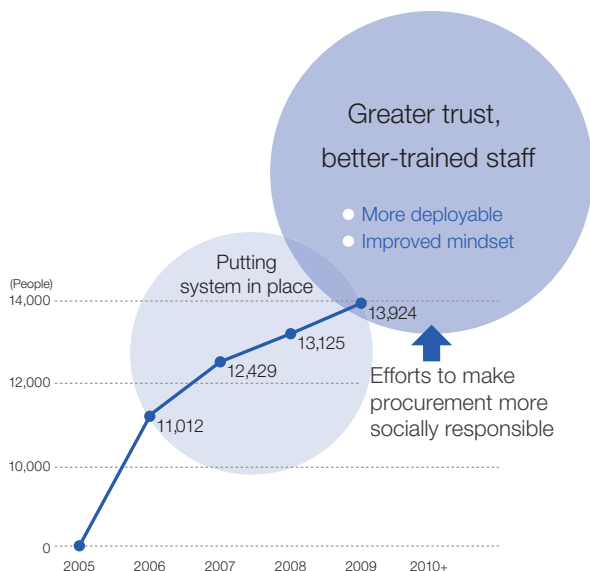
 Procurement Guidelines  
<http://global.epson.com/community/procurement.htm>

## System Implementation

Epson has so far been focusing on putting its system in place but we are shifting our focus to instilling commitment to the principles of the system and the actions that sustain it.

To this end, in FY2009 we transferred responsibility for procurement from general management divisions to those in charge of production strategy to bolster our procurement system and make it more effective. We also established a regular (once every two months) procurement meeting for discussing issues from the field, deploying cross-organizational initiatives, and sharing information.

### ■ System Propagation Schematic

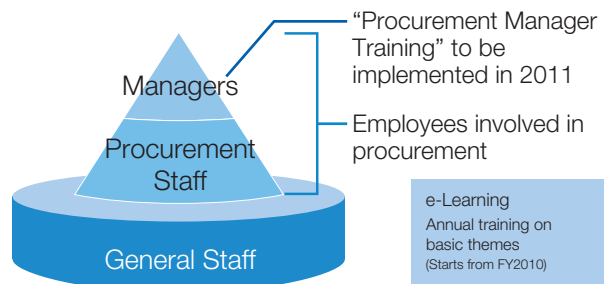


Epson continued revising related regulations and standards to better facilitate the implementation of our procurement system on the ground. We also improved our compliance and fraud prevention training for procurement staff to make it Group-wide and drill-based, rather than focused on lectures. To date, approximately 14,000 people have participated in the training.

## System Propagation

Epson is currently driving further improvements to its procurement compliance training program by splitting it into two components: one for all employees (e-Learning) and one for procurement staff. We are also fine-tuning course content to make it more deployable and focused on developing the correct mindset through repeated action. We will commence these new training programs from FY2010 to raise the standard of socially responsible procurement at Epson around the world, and to increase the trust that our partners and suppliers place in us.

### ■ Scope of Procurement & Compliance Training



## International Recognition of CSR Initiatives

### Epson Awarded Silver Class in 'Sustainability Yearbook 2010'

Seiko Epson Corporation has been named a Sustainability Leader and awarded Silver Class status in the SAM Sustainability Yearbook 2010, published in January 2010.

The SAM Group is a world-renowned SRI (Social Responsibility Investment) research company based in Zurich, Switzerland.



Epson Awarded Silver Class  
[http://global.epson.com/newsroom/2010/news\\_20100209.htm](http://global.epson.com/newsroom/2010/news_20100209.htm)

## Socially Responsible Investment (SRI) Indices

Epson responds in good faith to SRI surveys from research agencies as part of our stakeholder disclosures. In FY2009, Epson was selected for inclusion in the major SRI indices shown below.



Dow Jones Sustainability Index (US)



FTSE4Good Global Index (UK)



Ethibel Sustainability Index (Belgium)



Morningstar Socially Responsible Investment Index (Japan, Sept. 2009)

## Corporate Citizenship

Proactive engagement with communities as a good corporate citizen



### Approach to Corporate Citizenship

“Epson is a progressive company, trusted throughout the world.” The Epson Management Philosophy underpins the Philosophy and Policy for Philanthropy and Giving that we established in 2004. The Philosophy states that Epson and its employees are committed to harmonious coexistence with local communities through a wide range of initiatives in priority areas of engagement.

Our Philosophy and Policy for Philanthropy and Giving form part of Epson’s foundation, and we are involved in local community-based activities in all the countries of the world in which we operate.

Epson focuses particular attention on giving back to the community using the technology and know-how that underpin our businesses.

### FY2009 Activity Highlights

In fiscal 2009, among our five priority areas of engagement, we were particularly active in education for young people, and in arts and culture. Epson’s corporate citizenship expenditures in fiscal 2009 totaled nearly 660 million yen.



Education for young people  
An environmental workshop in Indonesia

### Philosophy for Philanthropy and Giving

As a good corporate citizen, the Epson Group seeks harmonious coexistence with local communities. In addition, our employees strive to build a better society through a wide range of supporting programs as members of local communities.

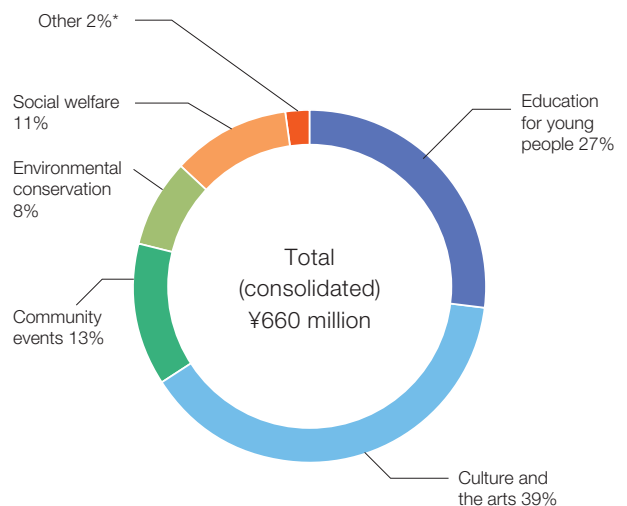
### Policy for Philanthropy and Giving

1. Pursue volunteer activities in priority areas according to the needs of the region
2. Encourage and support participation in social activities
3. Promote distinctive volunteer activities
4. Emphasize community engagement

### Five areas of priority for corporate citizenship

- Education for young people
- Culture and the arts
- Community activity participation and support
- Environmental conservation
- Social welfare

### Breakdown of Corporate Citizenship Expenditures



\*Includes disaster relief of approximately ¥10 million

## Shinshu Energy-Saving Patrol Team

Epson participates in the Shinshu Energy-Saving Patrol Team, which encourages engineers within Nagano Prefecture to create a cross-corporate network and provide volunteer energy-saving consulting and advice to local small- and medium-sized businesses, as well as non-residential facilities, including government offices and hospitals. Epson is an environmental leader with a record of quickly adopting initiatives aimed at reducing our environmental footprint. A summary of our accumulated know-how was very well-received among local businesses in the Suwa region and led to requests for on-site inspections. We thus formed the Shinshu Energy-Saving Patrol Team in 2000 to provide free inspections and energy-saving advice to manufacturers, primarily in the Suwa region. In 2005, the activities of the Shinshu Energy-Saving Patrol Team were expanded to include all of Nagano following a request from the prefectural government. Epson is the driving force behind the Patrol, managing its administration and appointing its leader.

The Patrol is currently made up roughly 50 members from Epson and 12 other Nagano businesses. The members who conduct patrols are experts at saving energy and include certified “energy managers” (electrical and thermal) and chief electric engineers. We have conducted patrols at more than 230 businesses since launching the Patrol in 2000.



Patrol in progress

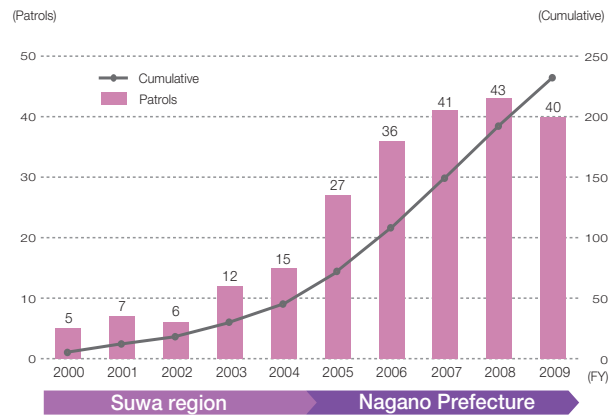
Patrols focus on preventing global warming (reducing CO<sub>2</sub> emissions), reducing resource use (improving energy efficiency), and strengthening business operations (reducing costs and improving profitability), which are all aimed at reducing CO<sub>2</sub> emissions to 50% of 1990 emissions by 2050.

The Shinshu Energy-Saving Patrol Team has been recognized with numerous awards.

### ■ Shinshu Energy-Saving Patrol Team Awards

Award	Year received
Shinshu Ecology Award	FY2003
Nagano Prefecture Governor's Award	FY2007
Japan Environmental Management Award (sponsored by Mie Prefecture)	FY2007
Japanese Environment Minister's Award for Efforts to Prevent Global Warming	FY2008
Agency for Natural Resources and Energy Award	FY2009

### ■ Patrols by the Shinshu Energy-Saving Patrol Team



### Voice of the Shinshu Energy-Saving Patrol

The aims of the Patrol are to reduce CO<sub>2</sub> emissions, build environmental awareness, prevent global warming, and help strengthen business operations. The Patrol operates under the motto “Energy-saving is cooperation, not competition.” Our desire is to see that the Patrol eventually extends nationwide, with many companies

participating, and we will continue working steadily toward that end.



**Katsuichi Ito**  
Head Office  
Global Environmental Policy Department

Nagano prefecture is home to many small- and medium-sized companies and lodging facilities, and there is demand for people, technology and information to drive energy conservation. Actually going on-site to conduct energy-saving assessments, provide cost-benefit analyses, and offer advice on improvements helps to both mitigate environmental impact and reduce costs.

Practice makes perfect. We will continue trying out new ideas and refining techniques to prevent global warming.



**Osamu Gomi**  
Suwa Minami Plant  
Production Engineering Center

## Corporate Citizenship

### Education for young people (Japan)

#### Clock Making Lesson at Hospital School

In July 2009 Epson held a special “Make Your Own Clock” lesson for students who attend school in the Nagano Prefecture Children’s Hospital.

There is a small school within the hospital to enable children to study while undergoing treatment. A total of 15 children, ranging from elementary to junior high school grades, took part in this special lesson.

The children spent two weeks assembling dials and decorating their one-of-a-kind clocks with photos, pictures, beads, and other items. The faces of the children beamed once they put the batteries in and saw the clock hands move.



Clocks made by the children

### Education for young people (China)

#### Dictionaries Donation After Sichuan Earthquake

Both governments and private enterprises have been providing various forms of relief for victims of the Sichuan earthquake in China.

In May 2009 Epson (China) Co., Ltd. (ECC) donated 1,320 English-Chinese dictionaries to an elementary school in Mianyang City to help speed up the return to learning. After the earthquake hit, Epson also provided 24 temporary classrooms for two of the worst hit schools in Mianyang and Guangyuan, enabling classes to be held for some 2,000 children. ECC employees also made donations to assist rebuilding efforts.



Donated dictionaries



Children using the dictionaries

### Education for young people (Hong Kong)

#### Epson Botanical Garden Opens

The Epson Foundation sponsors a botanical garden at the Tun Yu School in Hong Kong. The garden, which is on the grounds of the elementary school, was opened in October 2009. During the opening ceremony, a foundation representative observed that “the garden provides a good opportunity for children to learn about ecosystems and how plants grow through observation, and that experience enhances awareness of caring for plants and conserving the environment.”

We hope to see the children of Tun Yu School and other visitors to the garden share their learning experience with family and friends to further promote environmental awareness.



Visitors to the Epson garden at Tun Yu School

### Education for young people (Colombia)

#### Computer Room to Boost Education

In August 2009 Epson Colombia Ltda. (ECOL) helped set up a computer training center at a local youth foundation to boost educational resources.

ECOL designed the classroom layout, donated PCs, monitors, printers, software, desks and other resources, and Epson employees helped set up the equipment and install the software. Moving forward, the foundation will manage the center, which will be used to train local youth.



A class in the computer center



### Culture and the arts (Japan)

#### Saito Kinen Orchestra

Epson has helped sponsor the world renowned Saito Kinen Orchestra since 1989 as part of our patronage of music and the arts.

We are also a special corporate sponsor of the Saito Kinen Festival Matsumoto, held annually in Matsumoto City since 1992. This festival brings together musicians from around the world for a month-long series of orchestral and other performances, including concerts by up-and-coming performers for elementary and special needs school students in Nagano. Epson continues to sponsor the orchestra's overseas tours.



Orchestra performance

### Culture and the arts (Israel)

#### World's Largest Underwater Imaging Competition

The Epson Europe BV Israel Office sponsored the Red Sea World of Underwater Images photography competition in November 2009.

Known as the "Olympics" of underwater photography, this yearly contest is held in the Red Sea city of Eilat, in Israel, and attracts professional and amateur photographers from around the globe. Epson has been the contest's main sponsor since 2008. The competition consists of two categories. The first is for photos shot at anytime before the competition, and the second is for snaps of fish and other underwater subjects taken during the competition period. In 2009 there were more than 1,000 entries submitted by 130 photographers. Red Sea World of Underwater Images highlights the importance of marine life, and being the main sponsor of the contest fits perfectly with our corporate profile as a supporter of both color imaging and environmental conservation.



Award ceremony

### Community events (Taiwan)

#### Typhoon Damage Relief

Typhoon Morakot slammed into Taiwan on August 2009, wreaking devastation across the southeastern part of the island. The worst flooding in 50 years touched off mudslides that swept away roads and buildings. A large number of people who lived in the mountain regions remain unaccounted for. There was also significant damage in the central region, where roads were shredded, schools collapsed, and homes were buried. In response, Epson Taiwan Technology & Trading Ltd. (ETT) assembled volunteers and spent two days in the village of Shenmu in Nantou County to help in a cleanup effort so that people would be able to return to their homes.

ETT employees and the company also donated one-million yuan to victims of the disaster and for the education of children. They also donated printers, and repaired the printers of victims.



On the ground in Shenmu

### Community events (Japan)

#### Local Cleanup Activities

Epson offices help keep communities clean with local cleanup activities.

Employees picked up and sorted litter scattered alongside roadways, walkways and in the landscaping. They also worked hard on cleaning the windows, stairways, and platforms in nearby train stations, drawing praise from railway workers and passengers alike. We believe that such efforts help boost employee morale and promote health in addition to contributing to the local community



Cleaning up

## Environmental conservation (Japan)

### Supporting UNEP with the "Ink Cartridge Home Coming Project"

Seiko Epson contributes to the United Nations Environment Programme (UNEP) as part of the "Ink Cartridge Home Coming Project," a collaborative effort with Brother, Canon, Dell, Hewlett-Packard Japan, and Lexmark to collect and recycle used ink cartridges from home printers.

The project was launched in April 2008 with the support of post offices across Japan. We participate in this project because we recognize that we have a responsibility to society as a printer manufacturer to recycle cartridges and help protect the environment.

As part of this project, we began making donations to UNEP, which is tackling a range of environmental issues, including global warming, climate change, biodiversity, and resource efficiency. By indirectly supporting UNEP projects in forest protection, biodiversity, and other areas, we are both raising the profile of those projects and taking a more proactive approach to environmental conservation.

Every six months we donate three yen to UNEP for every one of the ink cartridges collected at the 3,639 major post office and other collection points in Japan.

Our first donation was based on the number of cartridges collected between October 2009 and March 2010, and we will continue these semi-annual donations.



Used cartridge collection boxes

## Environmental conservation (Hong Kong)

### Treescape Photography Competition

The Epson Foundation and Epson Hong Kong Limited were the main sponsors of a photography contest for photos of trees organized by the Conservancy Association, which is the oldest non-governmental organization undertaking environmental conservation work in Hong Kong. Greening is especially important in the modern metropolis that is Hong Kong. The paper and furniture that we use everyday, and even the air we breathe, all come from trees. This contest was organized as a chance to give thanks to trees, and to think about their importance and how we can protect them moving forward. Entries were received from local residents, and the best examples were displayed in an exhibition that showcased the importance of trees and greenery for the public.



Photo contest exhibition

## Environmental conservation (Indonesia)

### Eco Class for Local Elementary Students

In Indonesia P.T. Epson Batam (PEB) organized a class on global warming for neighborhood elementary school children in January 2010. As well as providing an opportunity for the children to learn, the class introduced environmental initiatives at PEB and demonstrated how Epson products are created with the environment in mind. Activities on the day included the viewing of an environmental video, a tour of the PEB plant (to introduce environmental initiatives in place), and a global warming quiz and poster contest. The children worked in 10 groups, and everyone was thoroughly attentive until the end. The top three posters from the contest were awarded special prizes, but all of the children received a prize for participating. The smiles on the faces of the children enjoying themselves were memorable, and the day was capped by taking a commemorative photo with everyone.



Poster contest

### Social welfare (Germany)

#### 190 Days of Social Commitment

Epson Deutschland GmbH (EDG) has been running its “190 Days of Social Commitment” program since 2008. 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. Among the main activities in 2009 were a summer hospital visit and a Christmas gift-giving initiative. In August, EDG staff members who enjoy photography in their spare time attended a summer festival at a children’s cancer hospital in Dusseldorf, where they took photos and printed them for the children as mementos. In December, EDG staff members took the lead and teamed up with a local NGO and broadcaster to deliver gifts of toys and food to low-income families in the name of Christmas cheer.



Printing out photos

### Social welfare (Singapore)

#### Event for Underprivileged Children

Epson Singapore Pte, Ltd. (ESP) coordinated with two of Singapore’s biggest charities, MILK (Mainly I Love Kids) and Lakeside Family Centre, to invite 110 underprivileged children and their parents to a movie screening. The 2009 movie screening was held on a riverboat at the Marina South Pier and included a buffet-style meal. The event was attended by 35 ESP employees. The movie was shown using an Epson projector, and guests were impressed by the color and sharpness of the images. There were even two magicians on hand to perform tricks. The event was a rousing success, and the children enjoyed themselves immensely.



On the riverboat

### Social welfare (Japan)

#### Charitable Contributions

In 2007 Seiko Epson began a charitable program in which we commit a certain donation for every employee who completes the Suwako Half Marathon or the 16-km Lake Suwa Walk.

The Suwako Half Marathon is a major event that attracts more than 7,000 runners. In 2009, the third year of the charitable program, 170 employees completed the race, earning the equivalent of 900,000 yen in donations of Epson products to social welfare facilities, including a local educational facility for children with intellectual disabilities and to the school in the Nagano Prefecture Children’s Hospital.

Each year a large number of Epson employees also participate in the Lake Suwa Walk. The walk allows participants to take their time and enjoy the stroll around the lake. Epson has treated this as a charity walk since 2008 and we actively encourage employees to participate. The company sets aside a certain amount for each employee and family member who participates. The money is donated to local charitable organizations. More than 1,000 employees and

their family members took part in 2009, raising donations worth a total of 1.4 million yen. The donations were distributed among the local chapter of the Japan Hearing Dogs for Deaf People and three local schools for children with disabilities.



Donation ceremonies



## Communication

Deepening trusted relationships  
through constructive communication



### Our Basic Approach to Communication

Epson established a Global Communications Standard in 1998 and we are committed to a range of strategies to ensure proper communication with our stakeholders.

We have various communication programs in place to comply with laws and regulations, and because at Epson we strive to be "a progressive company" that upholds the ethical standards of the international community in all of our business activities.

We established Global Environmental Communication Guidelines (in 2008) that cover all of our environment-related communication, and we use them to highlight eco-considerate business initiatives at Epson and to pass on important information. Our public relations activities focus on the timely and adequate delivery of information on our activities and initiatives, even if the information is of a negative nature.

### Communication with Shareholders and Investors

At Epson, we treat the General Shareholders' Meeting as an excellent opportunity to directly communicate with our shareholders. At the fiscal 2009 meeting, President Minoru Usui detailed Epson's "SE15" Long-Range Corporate Vision, which outlines the company's strategies for achieving future business growth and its envisioned state in the year 2015.

Every year shareholders bring a range of opinions and questions to the General Shareholders' Meeting, which Mr. Usui and the other directors openly address.



General Shareholders' Meeting

### Communication with NGOs

In April 2009 the Centro Epson Meteo (Epson Weather Forecasting Centre), Epson Italy and the World Wide Fund for Nature (WWF) established a major partnership, called "The Almanac of Nature: Observations and Forecasts from the World of Oasis", to study the effects of climate change.

The WWF is the world's largest independent conservation organization with over 5 million supporters worldwide. The WWF runs an "Oasis" conservation program for natural habitats around the world, and Oasis activities are the organization's biggest project in Italy. The WWF compiles observation data from Oasis sites around Italy, but to ensure constant and accurate monitoring of these sites, the organization needed to rely on precise meteorological and climatological data. Therefore, the WWF chose to collaborate with Centro Epson Meteo, which is providing expertise in relation to meteorological variables that affect natural systems and is applying its knowledge to help shed light on the evolution of climate and its impact on the environment. The physical data collected by the WWF will be supported by Centro Epson Meteo scientific data and made available online to ensure continuous monitoring.

"The Almanac of Nature" will be a real information page on the Centro Epson Meteo and WWF websites dedicated to the WWF protected areas and it will be constantly updated with forecasts, species sightings, bloom observations, and other phenomena related to climate change.



With WWF staff members

## Communication with Local Communities

Epson organizes tours and other events to introduce our business and environmental activities to the local residents of communities in which we operate.

In 2009 we held community contact events at 11 business sites in Japan to cultivate understanding and facilitate dialog about our environmental, risk management, and other initiatives.



Dialog with local residents

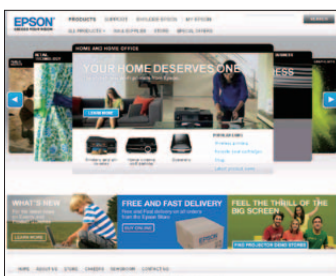


Touring pollution control facilities

## Communication Over the Internet

The Internet's ability to transcend borders makes it important to have a consistent website design theme for brand credibility. This is why we are working with our sales affiliates worldwide to establish more standardized website design. This will result in Epson websites that are simpler to use for our customers and other visitors.

We are planning to gradually roll out the new global standard starting with Europe and South Asia, with the transition slated for completion by the end of fiscal 2011.



Example of standardized website design

## Communication and the Arts

### Worldwide Photography and Imaging Contests

In February 2010 Epson Australia Pty. Ltd. (EAL) held the Epson International Pano Awards for panoramic photography.

Epson also sponsored photography exhibitions by a renowned American photographer in Singapore (June 2009) and Malaysia (January 2010), which were combined with photo competitions and workshops.

In Japan, too, we have been organizing the Photo Grand Prix since 2006 to promote the fun of photography with inkjet printing.

Moreover, 2009 marked the 16th time since 1994 that we have held our Color Imaging Contest across Asia. The Color Imaging Contests provide an opportunity for artists to actively express themselves using new digital methods, and they attract participants from many countries, including Japan, China, Taiwan, Indonesia, the Philippines, and India. In 2009 there were 2,358 contestants.

Epson organizes a variety of digital imaging contests to support the creative efforts of printer users around the world.



Exhibition in Singapore

## Communication with Employees

### CSR Workshops

As of March 2010, over 8,500 employees have participated in corporate social responsibility (CSR) workshops since they began in 2006. In 2009, the Watch Operations Division held a workshop that was attended by 240 employees.

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

# SEIKO EPSON CORPORATION

3-3-5 Owa, Suwa, Nagano 392-8502, Japan

tel: +81-266-52-3131

<http://global.epson.com>

## 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.

