EPSON
EXCEED YOUR VISION

Epson Group

Sustainability Report 2011

April 2010 - March 2011

For Our Customers,
For Society

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.)

About Sustainability Report 2011

Editorial Policy

This report describes Epson's CSR (Corporate Social Responsibility) initiatives oriented around the Epson Management Philosophy. In compiling this report, we placed the customer at the top of our target audience. In addition, we used the words of the employees who are actually carrying out the activities whenever possible so they can convey their thoughts directly to our stakeholders and rekindle a sense of pride in the work they do.

In deciding important matters to report, we took into account the opinions of internal and external readers. The feature articles describe two initiatives where we leveraged Epson's strengths to create products that meet customer needs in new business domains as we pursue the goals of SE15, a long-range corporate vision established in 2009. We also included information on our relief efforts for the March 11 earthquake and describe the disaster's impact on our operations.

Reporting Period

April 2010 to March 2011

Note: Contains some information on activities conducted after March 2011

Scope

This report describes the sustainability efforts of Seiko Epson Corporation and 92 consolidated subsidiaries. The scope of environmental reporting, however, covers Seiko Epson Corporation, 21 affiliates in Japan and 46 affiliates overseas that have acquired ISO 14001 certification and in which Seiko Epson owns a majority of voting stock.

Note: "Epson" refers to the Epson Group, unless indicated otherwise.

Referenced Guidelines

- GRI*1 Sustainability Reporting Guidelines (2006)
- Environmental Reporting Guideline issued by the Japanese Ministry of Environment (2007)
- ISO 26000 (Guidance on social responsibility)

[1] Global Reporting Initiative: This international organization creates a reporting framework and guidelines that organizations can use to measure and report their economic, environmental, and social performance.

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

Organizational Changes in This Reporting Period

- Addition of two consolidated subsidiaries
- Removal of five consolidated subsidiaries

Refer to the following website for details on changes to the Epson Group.

Web Full year ended March 31, 2011
http://global.epson.com/IR/financial_results/index_2010.html

Previous Reports

Epson has 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 2012

Inquiries about Sustainability Report 2011

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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/SR/index.html

Contents

Disclaimer

This report includes forward-looking statements, estimates, and plans based on the information available at the time of publication. Actual results may be different from those discussed.

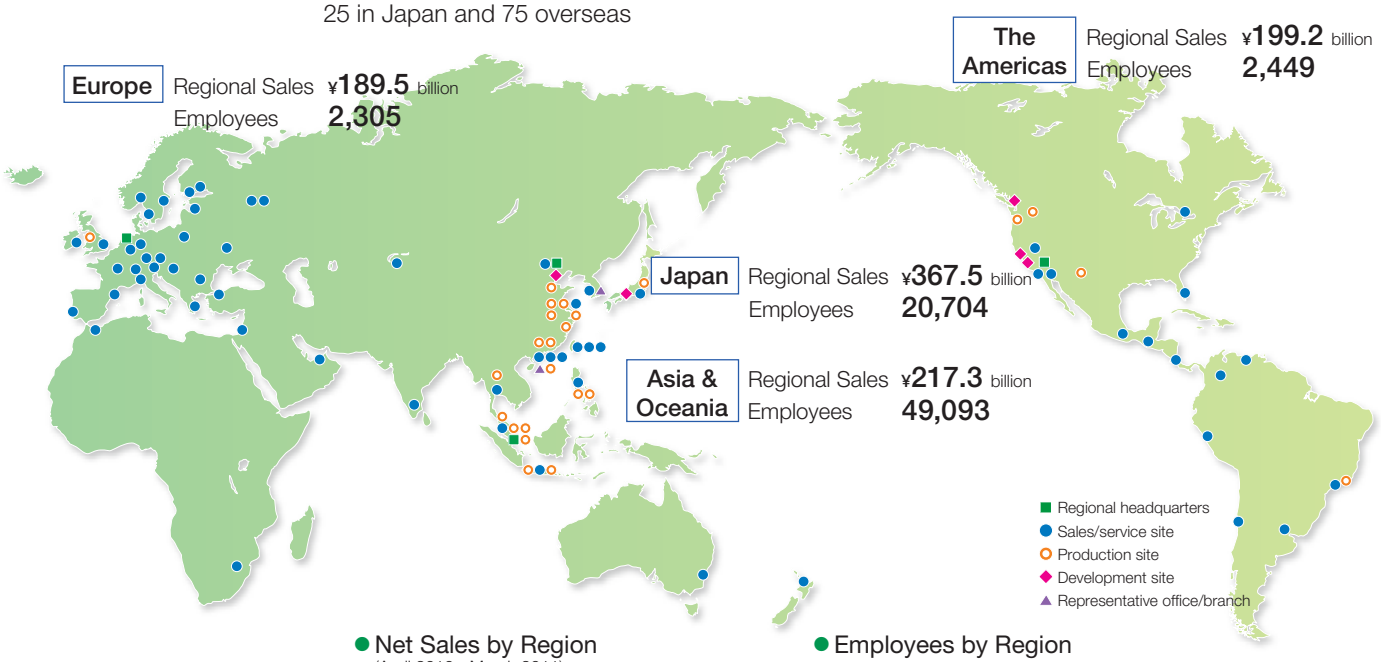
Overview of the Epson Group

Corporate Profile (As of March 31, 2011)

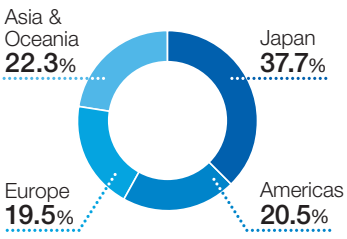
- **Company** Seiko Epson Corporation
- **Founded** May 18, 1942
- **Head Office** 3-3-5 Owa, Suwa-shi, Nagano-ken, Japan 392-8502
- **Capital** ¥53,204 million
- **Number of Employees**
  Consolidated: 74,551
  Parent Company: 13,311

Global Network

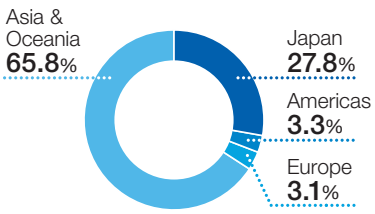
- **Group Companies** 100 (including nonconsolidated subsidiaries and affiliated companies): 25 in Japan and 75 overseas



Net Sales by Region
(April 2010 - March 2011)

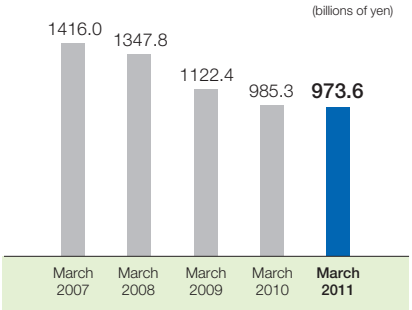


Employees by Region

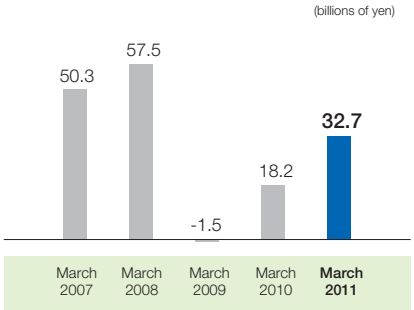


Consolidated Results Highlights

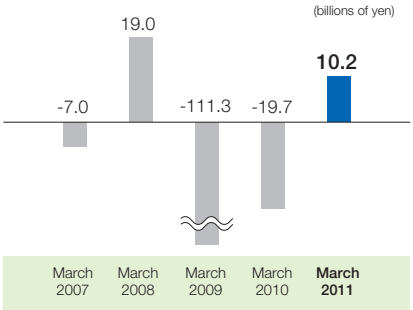
Net Sales ¥973.6 billion



Operating Income ¥32.7 billion



Net Income ¥10.2 billion

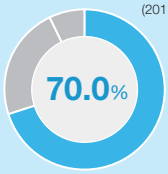


Performance by Business Segment*1

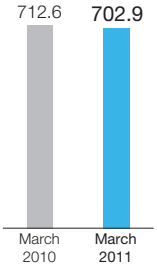
*A new accounting standard came into effect in the year under review. Results from the previous fiscal year have been recalculated using the new method for calculating segment income.

Information-Related Equipment

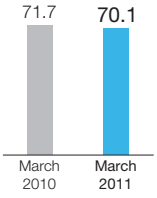
- Net Sales: ¥702.9 billion (down 1.4% year over year)
- Segment Income: ¥70.1 billion (down 2.2% year over year)
- Percentage of Net Sales*2 (2011 fiscal year)



- Net Sales Trend (Billions of yen)



- Segment Income Trend (Billions of yen)

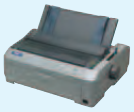


- **Printer Business**
  Inkjet printers, page printers, dot-matrix printers, large-format printers, printer consumables, color image scanners, mini-printers, POS systems products, inkjet digital label presses, etc.
- **Visual Instruments Business**
  3LCD projectors, label writers, etc.
- **Miscellaneous**
  Personal computers, etc.


Inkjet printers

Large-format printers


Page printers


Dot-matrix printers

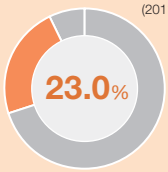

Mini-printers


3LCD projectors

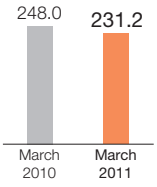

Inkjet digital label presses

Electronic Devices

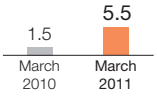
- Net Sales: ¥231.2 billion (down 6.8% year over year)
- Segment Income: ¥5.5 billion (up 264.3% year over year)
- Percentage of Net Sales*2 (2011 fiscal year)



- Net Sales Trend (Billions of yen)



- Segment Income Trend (Billions of yen)



- **Quartz Device Business**
  Timing devices, sensing devices, optical devices, etc.
- **Semiconductor Business**
  CMOS LSI, etc.
- **Display Business**
  High-temperature polysilicon TFT liquid crystal panels for 3LCD projectors, small- and medium-sized displays, etc.


Timing devices


Sensing devices


Optical devices

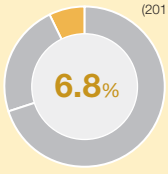

High-Temperature Polysilicon TFT LCD

e-Paper display controllers

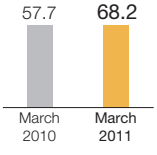

Microcontrollers

Precision Products

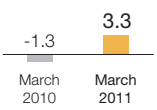
- Net Sales: ¥68.2 billion (up 18.2% year over year)
- Segment Income: ¥3.3 billion (¥1.3 billion loss previous year)
- Percentage of Net Sales*2 (2011 fiscal year)



- Net Sales Trend (Billions of yen)



- Segment Income Trend (Billions of yen)



- **Watch Business**
  Wristwatches, watch movements, etc.
- **Optical Device Business**
  Plastic eyeglass lenses, etc.
- **Factory Automation Products Business**
  Parallel-axis joint robots, IC handlers, industrial inkjet devices, etc.


Wristwatches


Eyeglass lenses


Six-axis robots


IC handlers

Other and Corporate

Other — Net Sales: ¥1.2 billion (down 12.7% year over year)
Segment Income: -¥0.2 billion (¥0.1 billion loss prev. year)

Corporate — Net Sales: ¥3.7 billion (up 17.8% year over year)
Segment Income: -¥46.4 billion (¥53.8 billion loss prev. year)

- **Business Incubation Projects**
- **Intra-Group Services**


Epson Innovation Center

[1] The devices and precision products segment was created on February 1, 2011, by integrating the electronic devices segment with the precision products segment.

[2] The percentage of net sales includes inter-segment sales.

To Our Stakeholders

Aiming to Be an Indispensable Company by Creating Lasting Customer Value

Northeastern Japan was struck on March 11 by a devastating earthquake and tsunami that tragically swept away lives and livelihoods in untold numbers. Epson was not immune. One of our employees regrettably lost his life and operations at our manufacturing plants in the region were forced to a halt. The Epson Toyocom plant in Fukushima has been especially hard hit. It is currently closed, and we still do not know when, or if, operations there can be resumed, given its proximity to the stricken nuclear power plant. Our other sites in the region, however, were able to resume production much sooner than anticipated thanks to outstanding help and cooperation from the community and from our suppliers, customers, and employees, whose rapid response made a difficult situation a little easier.

Moving forward, the entire Epson team, from the board room to the factory floor, is united in its commitment to contribute to the rebuilding of the Japanese economy, as well as to global growth and prosperity, by fulfilling our mission of serving customers.

Megatrends and Opportunities

The pace of global change is fast, and growing faster, and I believe that Epson is accelerating in a direction that will intersect with a number of rising megatrends. One megatrend—global economic growth driven by emerging nations—has already arrived. The ascendance of these emerging nations has attracted manufacturing infrastructure, creating ripe conditions for the incubation of new competitors. Epson is positioned to respond to the new competition by providing customers in emerging nations with unique, differentiated value.

Another megatrend is consumers' heightened environmental consciousness. The soaring cost of petroleum and other natural resources and a chronic shortage of electricity are only likely to further spur interest in saving energy and the environment. Accordingly, we will also be focusing on creating products and business models that resonate with the environmental sensibilities of these customers.

In yet another megatrend, cloud computing*1, social networks*2, and similar transformative technologies will become increasingly more powerful and influential as they evolve. We intend to stay on top of these technologies and take advantage of opportunities they present.

Compact, energy-saving, and high-precision technologies*3 are Epson strengths. These strengths intersect with the direction of society toward greater eco-consideration and device mobility. For example, our inkjet technology can be used to reduce the environmental impact of processes used to print product labels, textiles, and industrial products by depositing ink and other materials on-demand; that is, when, where, and in the exact amounts they are needed. Meanwhile, the micro-displays we produce for 3LCD projectors can be adapted for use in a variety of mobile devices. They also have tremendous potential for use in giant signage systems*4. QMEMS*5 technology for crystal devices is another core strength. It allows us to increase customer value while lowering costs through advances in microfabrication. We will leverage these advanced technologies to capture opportunities presented by the changes afoot to grow existing and future businesses.

[1] Cloud computing: A model for delivering and using computer resources and services over the Internet.
[2] Social network: Communication services that link service members over the Internet.
[3] Compact, energy-saving, and high-precision technologies: Technologies that save energy, time, and unnecessary labor; technologies that make products smaller, lighter, and "greener"; and technologies that provide product with greater precision and accuracy.
[4] Signage systems: Electronic systems for displaying maps, advertisements, and other visual information.
[5] QMEMS: Micro-electro-mechanical systems (MEMS) made of quartz material that has been processed using semiconductor microfabrication technology.

A Year of Visible Growth

In 2010, the second year of our current three-year business plan, we continued to drive the restructuring program that we had undertaken the previous year in the electronic devices segment. We made a number of moves to more tightly focus our management resources on our core strengths. For example, we transferred our small- and medium-sized displays business to the Sony Group, and we reorganized the semiconductor business, reassigning some personnel to other businesses. We also focused more heavily on QMEMS device businesses. In the information-related equipment segment we made a certain amount of progress in revamping the product commercialization process to enable us to create and deliver localized products that meet the wants and needs of customers in any given region.

This year, 2011, we want to provide our stakeholders with visible evidence that we are steadily moving toward fresh growth. While our progress could be impeded to some extent by the impact of the Tohoku earthquake and tsunami on production, we want to demonstrate that we can chart solid growth in the future.

● 2010 Accomplishments

Electronic Devices Segment

- Transferred the small- and medium-sized displays business to the Sony Group
- Reorganized the semiconductor business and reassigned personnel
- Focused on businesses in the quartz device business

Focused management resources on Epson's strengths

Information-Related Equipment Segment

- Revamped the commercialization process to enable us to create and deliver products tailored to local markets

Made significant progress, including product launches in specific markets

Maximizing Customer Value

Customers in different parts of the world use products in different ways and require different functions. We respect this diversity and think that by pinpointing what customers want in each country or region, we can create new products and business models that will have obvious benefits for them.

Last year, in Indonesia, we launched a very popular inkjet printer with a high-capacity ink tank. This high-quality printer is the result of extensive research into customer needs in Southeast Asia combined with Epson's engineering expertise. We were able to create a truly customer-pleasing product by re-analyzing and capitalizing on our strengths and technologies to customize the product in every detail.

Epson's worldwide sales network and manufacturing infrastructure are another important source of strength. For example, we have been able to meet the needs of customers and rapidly expand our factory automation systems business in China, where sales of industrial automation robots are growing, because we have been able to effectively use the manufacturing and sales infrastructure we have had there for years.

Profit is the proof that we have been able to fully leverage our strengths and business infrastructure to create value for customers. We use profit to reward our shareholders with dividends, give back to society through taxes, and invest in the future as a sustainable enterprise. Fulfilling this cycle is part of our corporate social responsibility, and we hope to continue to prosper along with society as a progressive company by creating ever greater customer value.

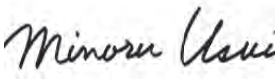
Inkjet printer with a high-capacity ink tank

For Our Customers, For Society

Epson is a global company whose mission, as stated in the company's Management Philosophy, is to be "a company trusted throughout the world." Put another way, we are committed to what we call "trust-based management." We create value that exceeds customer hopes and expectations via fair means, and we want to be recognized as a company that is capable of doing so. The Epson tagline "Exceed Your Vision" states these hopes and our commitment. It is our goal, the role we should fulfill. It is our promise to stakeholders.

I have been making the rounds at our production plants and sales and marketing sites around the world to discuss with the various management teams the implications of Epson's Management Philosophy. I will continue to engage Epson personnel in roundtable discussions to help ensure that we embrace the same hopes and mission and that we work as a team to make them a reality.

Indispensable to earning society's trust are concrete actions based on universally understood concepts and principles. Epson has participated in and pledged to uphold the 10 principles of the United Nations Global Compact since 2004. In 2005 we established "Principles of Corporate Behavior," rules of conduct that are aligned with the principles of the Global Compact, followed by an employee code of conduct for achieving our management philosophy. All employees are trained in these as the cornerstone of our business activities. Through a shared commitment to these principles and conduct worthy of trust, Epson continues to work wherever we operate around the globe, to make Epson an indispensable company for our customers and society.



President
Seiko Epson Corporation

The Epson Corporate Vision

In 2009 Epson, looking at global megatrends and opportunities, unveiled the “SE15 Long-Range Corporate Vision,” a strategic plan that crystallizes the company’s vision of how it wants to be in the year 2015 and that outlines how we plan to become indispensable for our customers and society. We complemented this with the "SE15 Mid-Range Business Plan (FY2009–11)," a detailed three-year action plan to set us on track for achieving the goals of SE15.

Under the business plan, 2011 is a year in which we will seize opportunities for new growth in order to achieve the goals of SE15.

● SE15 Vision Statement

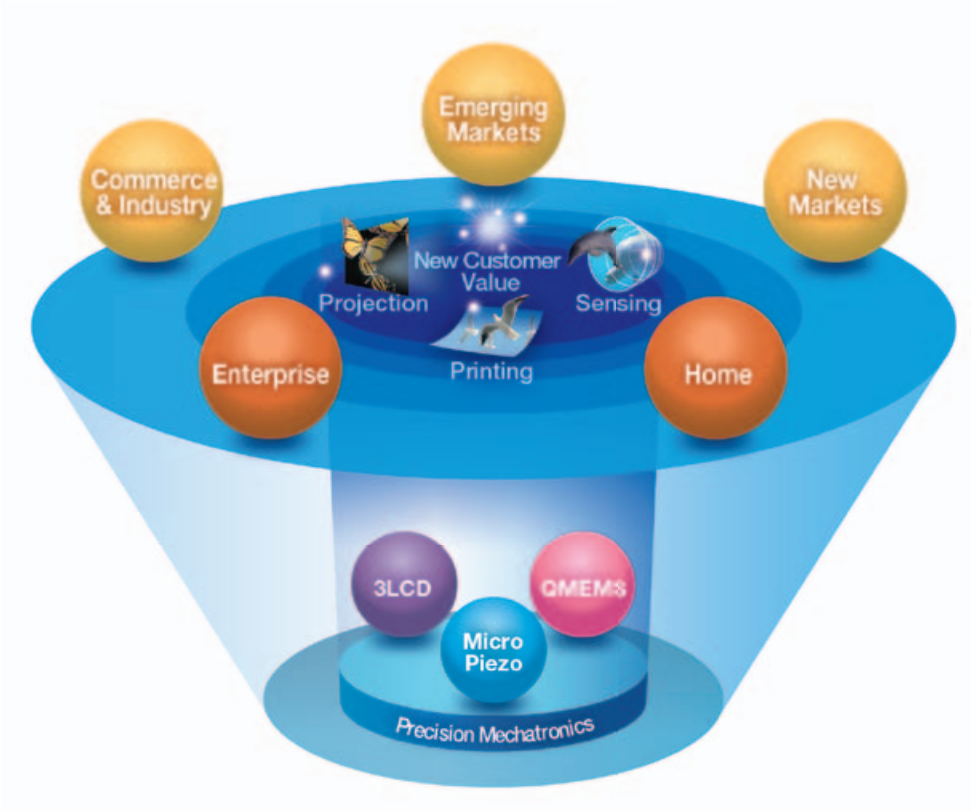
> Epson is committed to the relentless pursuit of innovation in compact, energy-saving, high-precision technologies, and through the formation of group-wide platforms will become a community of robust businesses, creating, producing, and providing products and services that emotionally engage customers 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 drawing out the maximum potential of these core technologies so as to meet the needs of customers in emerging economies as well as in the commercial and industrial sectors.



SE15 Mid-Range Business Plan (FY2009–11)

Epson set the goals of this plan to ensure we realize the SE15 vision.

● SE15 Mid-Range Business Plan (FY2009–11) Goals

Restore profitability.

Rebuild our business foundations to become a community of robust businesses.

Shift management resources to areas of strength, potential growth areas, and priority areas.

The plan also defines goals for each year.

● Goals by year

FY2011
- Set Epson on a new growth path aimed at fulfilling the SE15 Long-Range Corporate Vision

FY2010
- Set a profit-generating corporate structure firmly in place

FY2009
- Reach break-even
- Restructure and reinforce the business foundations that underpin the long-range vision

2010 in Review and 2011 Initiatives

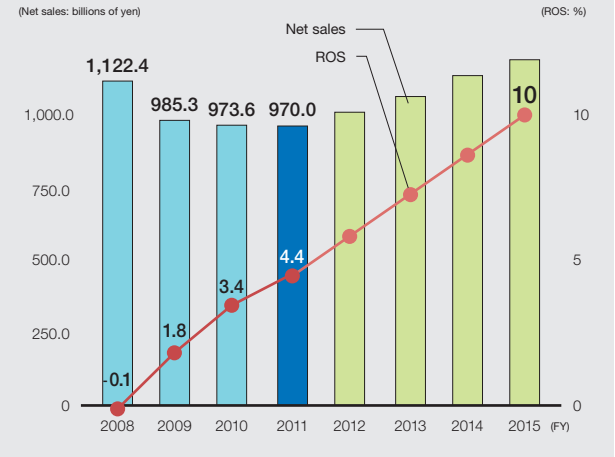
The SE15 Long-Range Corporate Vision sets forth quantitative financial goals for 2015 predicated on net sales growth: a return on sales (ROS) of 10% or more and a sustained return on investment (ROE) of 10% or more.

The SE15 Mid-Range Business Plan (FY2009–11) provides milestones along the way. We achieved the targets for the first two years of the plan, reaching break-even in ordinary income in 2009 and break-even in net income in 2010.

● Financial Goals of SE15

ROS 10% **ROE 10%** or more

(predicated on net sales growth)



The goal for 2011 is to set Epson on a new growth path aimed at fulfilling the SE15 vision. Toward this end, we will use the profit-generating corporate structure we are putting in place in 2011 as a springboard to seize opportunities for new growth.

The success of the actions we have taken to date indicate that Epson is headed in the right direction, and so we remain firmly committed to the management strategy we have been pursuing to achieve the SE15 vision.

● 2011 Actions

We remain firmly committed to the management strategy for achieving the SE15 vision

- **Seize opportunities for new growth as outlined in SE15**
- **Determine the effects of the March 11 disaster, and make up for losses**

Inkjet printers
Expand and enhance the lineup to provide the best products for customer segments

3LCD projectors
Provide an extensive lineup as the No.1 name in projectors

Microdevices
Provide competitive products based on our compact, energy-saving, high-precision technologies

Achieving the Mid-Range Business Plan (FY2012–14)

Pursue perfection in the creation of customer value

Epson's Micro Piezo Technology

Fulfilling Customers' Dreams and Society's Wishes

Epson began developing Micro Piezo technology in 1989. Four years later, we commercialized the MJ-500, an inkjet printer featuring the first Micro Piezo head. Over the ensuing years, we have refined the technology and launched a large number of inkjet products to market. Our expertise in ink was developed to complement Micro Piezo technology. The potential of this technology for our customers and for society is boundless and will continue to expand into the future.

The Expanding Potential of Micro Piezo Technology

On-Demand Material Delivery

Micro Piezo technology is well-positioned to meet some of the most advanced needs of today. No longer is it simply used to print information on paper. It has evolved to produce and deliver prints on a wide variety of materials on demand (when, where, and in the exact quantities needed). Moreover, it does so with minimal energy consumption and without wasting the jetted ink solutions.

The Micro Piezo print head maximizes the potential of the technology

Boundless Potential

The perfection of Micro Piezo technology is one of our primary goals. A number of characteristics give this technology the potential to accomplish what other inkjet systems cannot. The most important of these is that it ejects ink droplets by using mechanical pressure instead of heat. Since the ink is not heated, there are far fewer limitations on the types of solutions and materials that can be ejected. This flexibility is critical. It allows Micro Piezo heads to eject mixtures of adhesive and ink to dye fabric in a textile printing process. It allows them to simultaneously deposit RGB materials for LCD color filters. It even allows them to spray a solution containing metal micro-particles to draw circuitry on PCBs.

What is Micro Piezo Technology?

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 the ink droplets.

Ink controllability — High accuracy

The size and landing position of ink droplets can be precisely controlled.

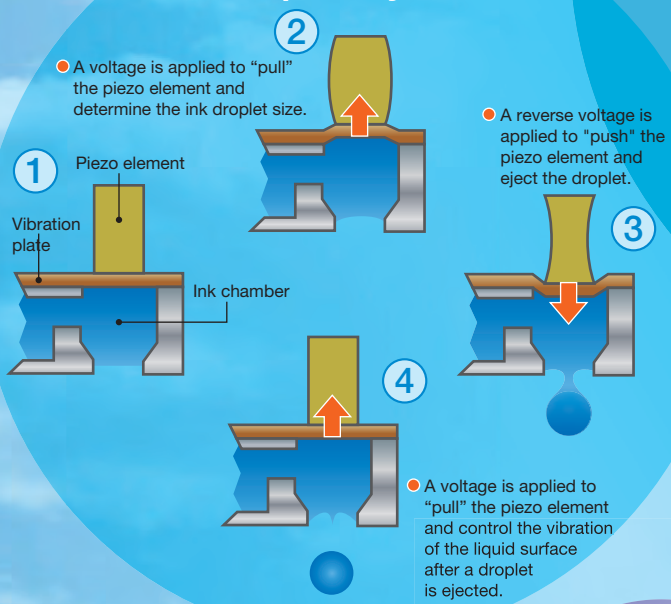
Ink compatibility — Wide range of uses

Wide selection of ink materials can be used

Head durability — Stable production

Micro Piezo print heads are highly durable.

How a piezo system works



Broad applicability, from the home to industry

Expanding Product Categories with Micro Piezo Technology

In the feature articles that follow, we will introduce some of the initiatives by employees involved with products and services that are maximizing the potential of Micro Piezo technology, creating customer value in the industrial and emerging markets, and demonstrating consideration for the environment.

Micro Piezo Technology in New Categories

Turning Collective Strength into Customer Value

The SurePress L-4033A Digital Label Press

Faced with ever-shifting needs and preferences, many consumer industries such as the food, cosmetics, and personal hygiene industries find themselves needing to introduce a wider variety of goods with shorter market cycles and shorter production runs. Accordingly, labels and packages, the recognizable faces of products, are increasingly being ordered in multiple versions and in lower volumes, thus generating demand for presses that can efficiently and economically take care of short-run jobs. Zeroing in on this demand, Epson began development on a digital label press with new features that add flexibility.

Printing Industry Technology Shift

Most label printing businesses currently use conventional analog printers called "presses." Analog presses are generally well-suited to high-volume printing jobs. For short run jobs, however, analog presses can add to costs due to long setup times and the need to carry excess inventory. Also, in addition to requiring complicated and time-consuming plate preparation and color matching processes, analog presses waste resources.

Epson's latest digital label press answers important needs of label providers and of society. It prints labels efficiently, is simple to operate, and requires minimal maintenance. Running costs are lower and environmental performance is improved because there is less paper and ink waste, no plates or chemicals are used, and turnaround times are short.

The Micro Piezo Multi-Print Head Array uses 15 of Epson's Micro Piezo print heads to achieve accurate, stable, and high quality printing.

Create, Produce and Deliver

One of the things Epson aims to do under the SE15 Long-Range Corporate Vision is to create new customer value (p. 9) by perfecting our core Micro Piezo technology, unleashing its full potential to provide products and services that exceed the vision of customers in the commercial and industrial printing segments.

The "I Project" (the “I” stands for “industrial”) is a small team that operates like a venture company and has functions that span the value chain. It was created to develop a commercial industrial digital label press, a product larger than anything Epson had taken on before. The project team brought together people from a range of backgrounds, encouraged tight, face-to-face communication, and ended up effectively combining the knowledge and skill sets of each in a successful project.

Maximizing Customer Value

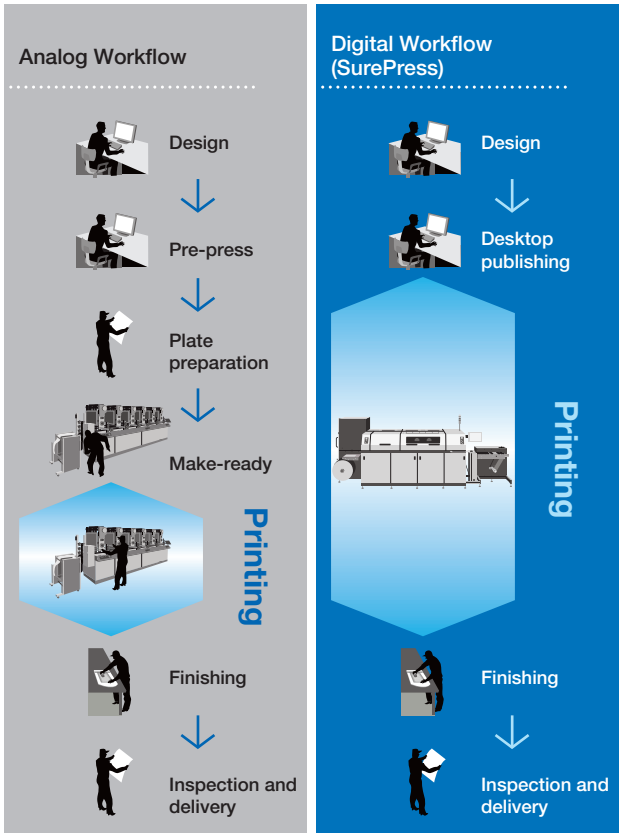
Analog label providers faced a dilemma. They needed to meet rising demand for attractive, attention-grabbing labels, and they needed to produce a wide variety of labels in short runs and with fast turnaround. However, they could not charge extra even if their employees had to work overtime to fill orders, so they struggled to turn a reasonable profit and were unable to reach out to new customers. To address these problems, Epson leveraged its strength in Micro Piezo technology to come up with a total solution that, in addition to boosting efficiency at the front and back ends of the printing process, also:

1. Increases the efficiency of the proofing process with a digital color proofing system*1
2. Enables direct printing of DTP data (eliminated the need for plate making)
3. Eliminates the need for a cutting die by using a cutting plotter system*2

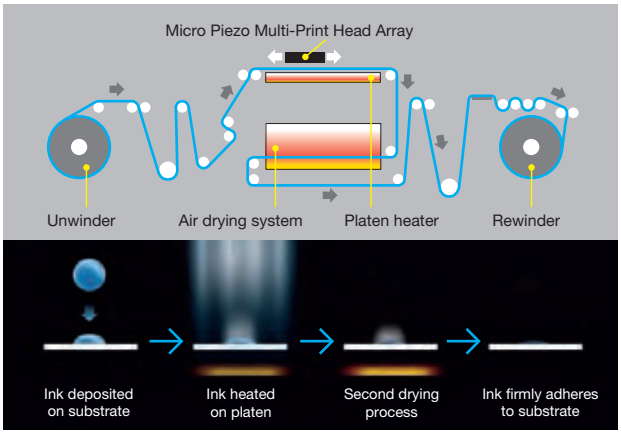
Seeking to incorporate the voice of the customer at every opportunity, we increased label waterfastness by using water-based pigment inks. We also gave the SurePress a 15 Micro Piezo head array for outstanding image quality and high throughput on uncoated, untreated media, a capability high on users' wish lists.

The digital SurePress, launched to worldwide markets in October 2010, uses newly developed water-based pigment ink that is nontoxic, virtually odorless, and nonflammable. Moreover, it has a dual drying system that enables the use of media that do not require pretreatment. Besides eliminating the need for plate making, these features maximize customer value and environmental performance.

● Analog Vs. SurePress Digital Label Press Workflow



● Dual Drying System



[1] A color proofing system that uses a printer with color management that reproduces the same colors as the actual finished print
[2] A system that uses a sharp knife to cut out pre-programmed shapes.

Epson's Underlying Strength

The members of the I Project worked together as a team to solve tough problems that cropped up one after another along the road to commercial development of the SurePress. Reflects Hiroshi Oshige, a member of the I Project's development squad, “Sharing a common goal of coming up with a production system that would create profit for our customers forced us to approach this project differently as individuals and really brought us together as a team with a single mindset.

“The I Project, which drafted people from departments that deal with industrial production equipment and consumer information equipment, is an independent, end-to-end organization with functions from planning and design to sales and service. Creating products and services in a new domain and maximizing customer value take a collective, team effort. However, the team was made up of people from very different business cultures, industrial and consumer, which, in the beginning, led to constant clashes. Ultimately, though, we all had the same goal and eventually came to accept, respect and trust each other. When we started working across departmental boundaries, we found that the cultural differences actually worked in our favor and helped us take maximum advantage of individual team members' strengths. Consumer printer knowledge and experience alone probably would not have been enough to make the huge ink heads on the SurePress work. We were able to reach our goal through a combination of passion for the product development process and a storehouse of technologies that we blended together. That's Epson's underlying strength."

Hiroshi Oshige, I Project

The I Project Team

Mutsuaki Yamazaki, general manager of Quality Assurance in the I Project, says, "We had to deliver a completely new product from a completely new domain to a completely new customer. So we decided that providing stable, reliable operation to customers would be our focus and that to do so we would have to get hands-on, performing repairs and maintenance ourselves. We came to the conclusion that the quickest route to providing the desired level of operation to customers would be to create a good organization and system for field service engineers (FSEs). In other words, FSEs won't be thrown into a site to fix problems by themselves; we have positioned the organization so that they will have the backing of the entire I Project team.

Mutsuaki Yamazaki, QA general manager

“As a result, problems that arise in the field will be communicated to the entire project team on the same day through the FSE. We designed the system so that team members can immediately respond to customers' needs and feed information back into the design loop.

“We all feel personally invested in this project, and the composition and empowerment of the team give us speed and agility."

The I Project team

Making Customers Smile

Field service engineer Yoshihiko Ito expresses his work like this:

"My job is to support customers while, at the same time, working with the rest of the I Project team to make a better product. If I bring back customer issues to talk over with the team, they'll help me come up with solutions. And, even if there is something I don't understand, all I have to do is ask the design engineer sitting next to me. It's a very responsive, satisfying place to work.

"When I'm with customers, I'm always keenly aware that I'm Epson's representative. Obviously the most important thing is to make the customer happy. Sometimes, though, I can't respond to their demands on the spot, and so I get an earful. But the thing is, if you really listen to what they're saying, you can unearth their buried needs. I firmly believe that good customer communication and action that originates from customer needs will eventually lead to customer satisfaction and build trusting relationships."

Yoshihiko Ito, Field Service Engineer, I Project

Voice of the Customer

Seikou Co., Ltd. has three core businesses: film secondary processing, farm produce packaging materials, and digital printing. We've been doing business with Epson for a decade, since installing Epson's PL-1000 inkjet label press. The PL-1000 led to some hit products, such as produce traceability stickers with the farmer's photo, so half a year later we ordered several more.

Then, in October 2010, we installed a SurePress. The deciding factor was our confidence in being able to provide customers with color reproduction. Greens and oranges are used extensively on farm produce labels, and the SurePress beautifully reproduces these colors because both are in the ink set. The ability to choose from a wide range of uncoated media was also very attractive. Throughput was raised significantly thanks to improved ease-of-use and maintenance-free operability, and we are still amazed by the functional quality in terms of things such as image waterfastness and lightfastness. One of the benefits of introducing the SurePress to our work flow is that it has enabled us to provide even greater customer care and service. While we would like to see even better support for even shorter-run print jobs and improvement in usability, this label press is what we have been waiting for and shows that Epson is a breath of fresh air in the printing industry. Even if per-print costs are somewhat higher, digital printing more than makes up for the cost differential by improving profitability, shrinking inventory, and reducing environmental impacts. With a business that takes advantage of digital printing's simplicity and responsiveness, we have been able to boost corporate value and, ultimately, our estimation in the eyes of customers.

Masaki Hayashi, Managing Director

We celebrated our centennial anniversary in February 2011. By strategically investing in a SurePress, we have put ourselves in a position to take a strong first step as we start off our 101st year in business.

Seikou Co. Ltd. http://www.seikou-web.co.jp/

Capturing Emerging Markets—Indonesia

Delivering True Customer Value

L100 & L200 High-Capacity Ink Tank Printers

Emerging nations such as China, India, and Brazil are driving the global economy, and their influence is rapidly growing in step with their economies. One of the emerging nations expected to grow the fastest is Indonesia, the fourth most populous nation on Earth, with a population exceeding 230 million.
It is in Indonesia that Epson began revamping its inkjet printer business model to match local markets needs. The new business model is now beginning to spread to various spots around the world.

Modified Printers Provide Clues to True Customer Value

In Indonesia consumer inkjet printers are used by businesses for large print jobs. These business users place the greatest value on the ability to print large amounts of documents inexpensively. This spawned an industry in inkjet printer modification. Printers modified to supply ink directly to the head from external tanks or bottles became a frequent sight in the Indonesian marketplace. However, cost-sensitive consumers who purchased modified printers found themselves facing unexpected problems, including printing defects and ink leaks.

Once we began to really listen to our customers in Indonesia and began to see where true value resides for them, we had to admit that our communication with them to that point had not been deep enough to uncover their actual wants and needs.

Republic of Indonesia

- Population: 234,550,000 (4th)
- Per-capita GDP: 2,963 dollars (107th)
- Economic growth rate: 6% (41st)

Source: International Monetary Fund, World Economic Outlook Database, October 2010

Knowing and Delivering Customer Value

Says Muchammad Husni Nurdin, deputy country manager at P.T. Epson Indonesia (EIN), "You have to know what constitutes customer value before you can deliver it. Once you know what is happening in the market, you have to have a process for building true customer value into products. Doing so in a short time frame is a huge challenge, yet we managed to achieve just this in the Indonesian market with the L100 and L200, a single-function inkjet printer and an all-in-one unit, respectively. We succeeded in delivering the value that customers wanted and, ultimately, in winning their trust. Listening more closely to our customers and behaving like a buyer rather than a seller are the keys."

Muchammad Husni Nurdin (far right) at product launch

The inkjet models that Epson marketed in the past in Indonesia fell far short of the vision of consumers in this market in terms of cartridge cost and ink volume. As a result, modified printers had become the de facto standard in Indonesia. Shops dealing in modified printers had sprung up around Jakarta, and uses of these products were buying low-cost third-party ink instead of genuine ink. For them lower cost prints were more important than print quality. At the same time, the large majority of users were concerned about modified printer reliability, warranties, and service. And not without reason: five of 20 modified printers purchased and evaluated leaked ink.

Epson team members in Indonesia, Singapore and Japan discussed the problem and came up with a well-defined objective of delivering as soon as possible a product that would satisfy local consumer expectations. Developers in Japan, seeing the alleviation of customer concerns as a significant step toward delivering customer value in Indonesia, resolved to transform the business model, including sales and service, so as to meet the needs of consumers in the region. They began developing a printer with Epson's own high-capacity ink tank system that would supply ink to the print head from external ink tanks instead of from ordinary on-carriage ink cartridges. The goal was commercialize a printer with a reliable genuine Epson ink tank system in half the normal development time and offer it at a price that would be attractive to local consumers.

Responding to the Voice of the Customer

Development started with a cost analysis. The focus was to determine how to realize a price that Indonesian consumers would find acceptable and, moreover, that would be in line with Epson's criteria. We had to avoid making a low-quality printer on the cheap.

Ink Tank Usability

We leveraged our ink cartridge design expertise to come up with a low-cost, leak-free, ink tank of sufficient size that conforms to Epson's safety standards. The utmost care was taken to ensure good usability, with a removable ink tank unit that is easy to refill. The printer also incorporates design features that prevent ink from leaking during transport and that maintain the ink supply at a constant pressure during operations to ensure excellent print quality. Care was even taken in the design of refill ink bottles. The shape of the nozzle, the nozzle hole diameter, even the thickness of the bottle walls, are all designed to make it easier for customers to refill their ink tanks.


Ink tanks and ink bottle

Leak-Free Operation

A lot of Epson know-how was channeled toward assuring fundamental product quality. Since ink tanks are considered used the moment they are filled with ink, we cannot fill them at the factory to perform print tests or leak tests. So, instead, we pump pressurized air into the ink supply system and use pressure sensors to check air-tightness and detect leaks along the ink supply path.

We were able to assure quality in this way because print tests are conducted before the head unit is built into the product.

By providing bottle-refillable, high-capacity ink tanks in a unit that sits beside the printer, we were able to provide the Indonesian market with a differentiated product and service. Customers have the security of knowing they can use their unit for many years to print in high volume and at high quality. Ultimately, as Muchammad Husni Nurdin told journalists at the October 2010 press conference to announce this product, "We managed to deliver ink-tank printers that will cost our Indonesian customers less to run over the life of the product when one takes into account the repair costs and related time losses. Indonesia has been eagerly awaiting this business model."

The L100 and L200 are transforming the inkjet business model, starting with Indonesia. These products are now being rolled out to other markets with similar needs. As of the end of May 2011 products based on this concept had been released in Thailand, India, China, South Korea, and Taiwan.

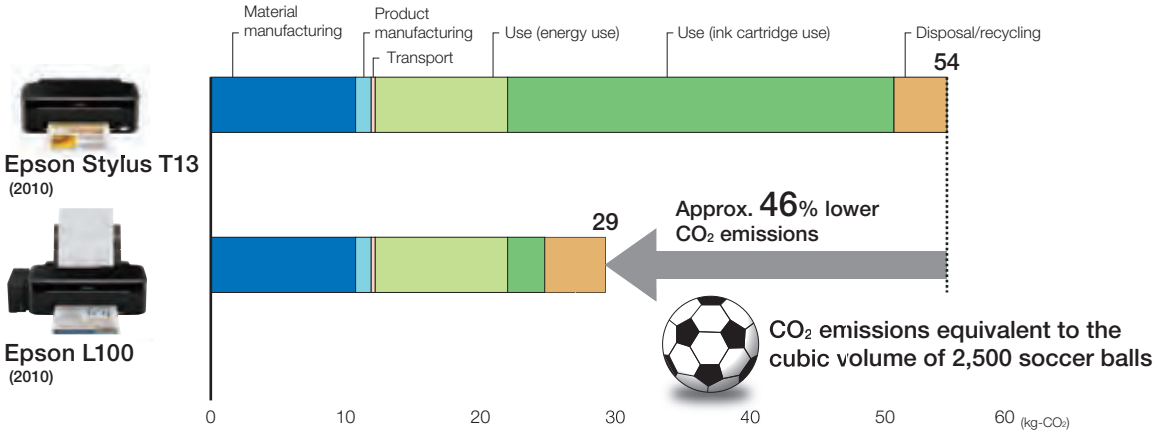
Exhibition in Jakarta

Eco Performance

CO_2 Reduction

The L100 generates some 46% fewer CO_2 emissions across the product life cycle than the Epson Stylus T13, a similar printer with replaceable ink cartridges, largely because ink is supplied by high-capacity bottles instead of cartridges. In terms of volume, this is the equivalent of 2,500 soccer balls.

● Life Cycle CO_2 Emissions



Figures calculated under Epson's test conditions. A life-cycle assessment was used to calculate the global warming impact of the product at each phase of its assumed 3-year life cycle and express this as a CO_2 equivalent. The life cycle includes material & product manufacturing, transport, use by customer, and disposal/recycling of end-of-life products. Calculated assuming 20 A4-size color documents per day, per month (with 20 working days a month). The reduction in CO_2 emissions is expressed as a soccer ball equivalent, wherein 1 kg of CO_2 is equivalent to the cubic volume of 100 soccer balls.

Customer Focus

It was the sales and marketing team's task to get cost-conscious Indonesian consumers to recognize the value of the L100 and L200. Our marketing campaign thus keyed in on customer savings across the product life cycle as the biggest source of customer value. We explained to our dealers and distributors how we are able to reduce the total cost of ownership (TCO), including running costs and the cost of repairs. We selected 127 dealers and distributors across Indonesia who we trained to accurately communicate the value proposition to customers.

In-store booth explaining product

Introducing the product to dealers and distributors

Devina Erlita Trisnie, a member of P.T. Epson Indonesia's sales and marketing staff, says, "My primary responsibility is to help expand sales by educating general consumers and retail outlets about the advantages and features of Epson products. I make it a point to get out on the sales floor as much as possible to speak directly with shoppers. One of the things I do is explain the reasons behind the launch of the L100 and L200 in Indonesia, so that consumers understand Epson's approach.

In price-sensitive Indonesia, however, I sometimes find it difficult to explain how the L100 and L200 provide value commensurate with the upfront hardware costs. When that happens, I think like a consumer and talk more about product value that is not tied to price—value derived from print quality, ease of use, and after-sales service, for example.

The L100 and L200 embody our commitment to customer value in Indonesia. We are working to educate consumers to recognize that a simple comparison of hardware prices does not tell the whole value story; one has to also consider the TCO and peace of mind across the life of the product. I believe we're getting the message across."


Devina Erlita Trisnie explains a product

As described in the examples given above, Epson is extracting the full potential of Micro Piezo technology and is taking an eco-conscious approach to create customer value in new domains. Providing value that exceeds the vision of our customers and identifying and meeting the underlying wants and needs unique to customers in a given region are what people expect of Epson and are what create corporate value.
Epson, aiming to make itself indispensable to customers and society, will continue to grow by providing products and services that the world needs.

Trust-Based Management

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

Becoming a Trusted Company by Fulfilling Our Corporate Social Responsibility

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.)

Principles of Corporate Behavior

1 Acting ethically, building trust
We will abide by the law and conduct all our business with high ethical standards.

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

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

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

5 Fostering diverse values and teamwork
We will draw strength from our diversity, creating a positive synergy between the individual and the company.

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

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

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

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

Web Principles of Corporate Behavior
http://global.epson.com/company/epson_way/principle/

Building Trust

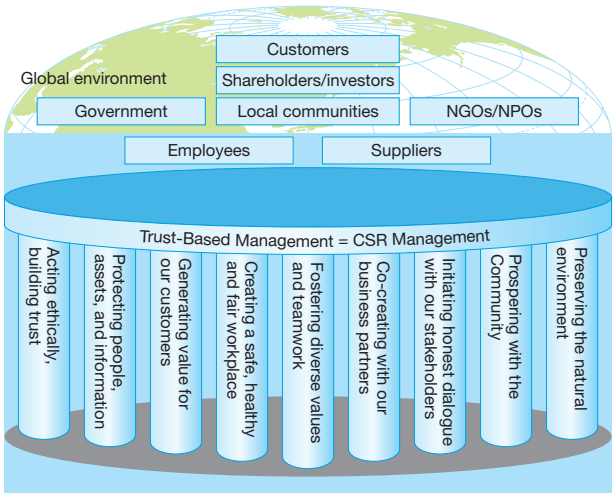
Epson's Management Philosophy is rooted in the belief that strict adherence to legal and regulatory requirements and ethical conduct as a good corporate citizen build stakeholder trust. Our mission is to build and maintain trusting relationships with stakeholders, grow and prosper with communities, and help to create a better world.

Principles of Corporate Behavior and Epson Employee Code of Conduct

Epson's Principles of Corporate Behavior sets forth nine core principles that form the foundation for fulfilling our corporate social responsibility and building trust. The principles are shared throughout the Epson Group. The Epson Employee Code of Conduct breaks these principles down further, providing a clear model of conduct for all managers and employees.

The CSR Organization

Epson strives to earn and maintain stakeholder trust by upholding our corporate social responsibility. Toward this end, corporate departments provide general oversight of business activities, while a Trust-Based Management Council, chaired by the president of Seiko Epson and whose membership includes all Seiko Epson directors, statutory auditors, and the general administrative man-



ager of the SEC Audit Office, assesses whether the Epson Group is fulfilling and steadily improving its corporate social responsibility.

This council, which met quarterly in 2010, reviews general CSR topics, including compliance management, risk management, and adherence to the Principles of Corporate Behavior. It also assesses internal controls, identifies vulnerabilities, and deliberates corrective action.

The heads of divisions drive important CSR projects with their divisions and the subsidiary companies they oversee. Projects that span the entire Epson Group are administered or supported by corporate departments in cooperation with the divisions.

CSR Month

Every year, in October, Epson holds "CSR Month." CSR Month serves as an opportunity for management and employees to think about corporate social responsibility and about how their actions contribute to building trust. The focus of programs for 2010 was to learn more about the Epson Management Philosophy and Epson Employee Code of Conduct. In conjunction with this, departments and individuals

- Recited and discussed the Management Philosophy;
- Read and discussed the Epson Employee Code of Conduct;
- Completed an online course in the Epson Employee Code of Conduct.

A survey at the end of the month gathered information on actions taken, as well as ideas and opinions that can be used for future campaigns.

Trust-Building Exercises

Epson also looks to fulfill its responsibilities and build stakeholder trust by implementing special campaigns during Information Security Month, Environmental Awareness Month, and CS/Quality Month, as well as by providing level-based CSR training and seminars on topics such as anti-trust law.

Realizing Our Management Philosophy

Epson has been addressing the economic, social, and environmental components of CSR in line with the SE15 Long-Range Corporate Vision. The truth is, however, that we have not always been able to meet stakeholders' expectations from an economic perspective over the past few years.

Masahiro Koyama
General administrative manager,
Trust-based Management Office

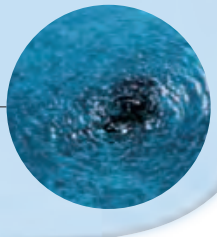
To redress this situation, we need to proactively and rapidly react to economic, environmental, and social changes in accordance with pre-defined individual and organizational roles and objectives, in the "create, produce and deliver" value chain.

The Trust-Based Management Office began in 2010 to redefine the role of each organization so as to optimize the whole.

In conjunction with this, we are looking this year to raise internal awareness of the history and convictions behind Epson's Management Philosophy to align the sense of mission of individual employees with that of our organizations, to help enable us to engineer systematic business processes to create customer value from a customer-centric perspective.

CSR Initiatives at Epson

Fulfilling our corporate social responsibility means behaving with integrity and building trust



The United Nations Global Compact

As a multinational corporation, Epson must maintain its reputation as an indispensable company among customers and communities around the world. It is thus essential that we uphold our commitment to being a progressive company, trusted throughout the world, as stated in our Management Philosophy. Each of us has to look into the future to decipher what needs to be done in the present. As individuals we must be willing to conduct business in a way that meets universally accepted principles of conduct. In view of this, Epson has participated in the United Nations Global Compact (GC) since 2004, endorsing and pledging to uphold its 10 principles in the areas of human rights, labor, environment, and anti-corruption.

We have been analyzing Epson's challenges and issues, driving continuous improvements, and reporting the status of programs to our stakeholders in a timely manner. Specific conduct in these areas have been incorporated into the Principles of Corporate Behavior and have been broken down into further detail in the Epson Employee Code of Conduct.

In 2007, Epson also became a signatory to "Caring for Climate: The Business Leadership Platform," a statement prepared by the UN Global Compact, together with the World Business Council for Sustainable Development (WBCSD) and UNEP.

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

United Nations Global Compact	Epson Principles of Corporate Behavior
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

Epson Code of Conduct

Web United Nations Global Compact
http://www.unglobalcompact.org/

Web Epson's UN Global Compact
http://global.epson.com/SR/un_global_compact/index.html

Supply Chain Subcommittee Initiatives

As one of the driving members of the Supply Chain Subcommittee of the Global Compact Japan Network (GC-JN), a working group under the GC, I have been working with people from nearly 20 companies in different industries while fulfilling my obligations as a member of one of the executive companies.

Hirotaka Tanaka
Trust-Based Management Office

A subcommittee made up of people from diverse corporate cultures is an asset, and we take advantage of it by discussing experiences and challenges and by sharing practical ideas and knowledge. Our goal is to help build a better society by using this as an opportunity to learn, of course, but also to publicly share what we accomplish and give back to enterprise.

We provided a glimpse at our initiatives at the June, 2010, UN-GC Leadership Summit and presented a progress report on our 2010 activities at the November GC-JN symposium.

The subcommittee is a dynamic organization that invites observers from companies that are planning to participate in the future to attend subcommittee meetings to enliven the debate.

Meeting Challenges with Innovative and Creative Solutions

2010 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 2010 CSR initiatives were oriented around the five tenets of the Epson Management Philosophy.

Creating Customer Value

We will vigorously pursue each and every one of the ideals in our Quality Philosophy and Quality Policy as we endeavor to provide the best products and services to our customers.

Customer Delight

In an increasingly diverse society, Epson aims to listen to its customers at all times in order to deliver products and services that have the quality and features that customers demand while also being a joy to use.

Instead of dividing customer demands into things we can and can't do, we try to come up with ways to achieve the things our customers truly want and take on the challenge of bringing them to fruition.

Epson continues to study the environments in which its products are used and develop products according to customer requirements. In the Indonesian market, we developed printers outfitted with large ink tanks for heavy users. We also developed dust-resistant projectors that work in harsh environments with lots of dust and sand.

These efforts not only help our customers but also provide an opportunity for us to improve our technologies and to build high quality into our products.

Aiming for 100% Yield

Variations in quality are inevitable, but only using inspections to screen the products without addressing the variations themselves is shortsighted. Epson pursues the root causes of variations and goes to extraordinary lengths to reduce them so it can deliver high quality products to all of its customers.

E&G Electronics (Shenzhen) Ltd. (EGL), a manufacturer of ink ribbons for serial impact dot matrix printers, started a project with bold initiatives aimed at achieving inspection-less processes. These initiatives ended up reducing inspection costs by two-thirds compared to 2008.

Epson will continue to roll out similar projects worldwide.

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 of our operations and processes. *1
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. *2
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.

[1] 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.

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

Customer-Centered Product Design

Turning Dreams into Products
EB-1775W Mobile Projector

The EB-1775W mobile projector is the world's thinnest* 3LCD projector at 44 millimeters. In addition to its low profile, it offers easy setup and flexibility of placement. (*as of September 2010, according to Epson research)

"It's a dream come true!" Rigorous market research indicated that customers want a mobile projector that is thin and light enough to fit in a business bag while also being affordable, easy to use, and as bright as larger models.

The idea of creating a "dream projector" came from a meeting where members of the development team had to try to sell a mobile projector to an imaginary company. After trying to set up the projector, adjust the image, give a presentation, take questions, and put away the projector, they realized that the size and usability of current projectors still needed work and finally understood why they needed to create a better option.

With a commitment to deliver this dream projector to the customer no matter what, everyone involved in product development combined their ideas and efforts on an unprecedented level, worked with other divisions and outside parts manufacturers, and ultimately achieved their goal.

In the end, the success of the development team came down to being able to cultivate a shared understanding of their objectives at an early stage.

Sharing progress and issues on the "dream projector"

Delivering Software Quickly and Easily
Web Installer

Epson posts the latest versions of its software for printers, scanners, and other products on its website so customers can use the products to their fullest potential. Web Installer automatically finds and installs the latest versions of the software needed to use the Epson products that are installed on the computer.

The software was developed in response to the large number of calls received by the call center from customers who did not know how to download and install software from the Web. The driver design team, determined to do something about the problem by the release of the 2010 models, was able to complete Web Installer in just six months.

The team did not stop there, either. They handled every aspect of the release, including optimization of the interface, posting the software on the Web, and providing software support for the update feature. This made it possible to deliver a user-friendly system to customers quickly and reliably. Every day, more and more users are using Web Installer to download software for their Epson products.

The team is currently working on a service that automatically notifies users when an update is ready to prevent problems from occurring in the first place.

The job of a software developer is not done when the software is released. We are always looking for ways to make our products easier for customers to use and strive to deliver those improvements quickly and reliably.

IJP LP Planning & Design Department:
(right) Kazunobu Nimura, Manager, (left) Kimihiro Kawano

A Quality Look and Feel

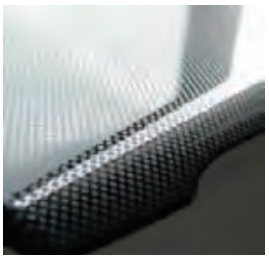
A product that makes loud noises every time it is used can be very disappointing. And how about a product that looks really cheap and poorly made? Many people have poor experiences with the products that surround us in modern life. Even if a product has compelling features and is easy to use, these shortcomings make it feel somewhat lackluster. Epson aims to please its customers by giving its products a pleasant feeling and a classy look that convey "sensory quality." Here are just some of the features that give our products an air of quality.

Glossy black casing (piano black finish)

Our products use a piano-black finish to create an elegant look that complements the interior of any home. We selected this color based on global color trends and user surveys. This finish has now become a major trend in a wide variety of products. It has also received accolades for having a smaller impact on the environment due to its paint-free nature.

Scratch- and fingerprint-resistant dot pattern

The dot pattern added to the lids of our printers improves the user experience by hiding scratches and fingerprints while also providing a good grip and a glossy, pleasing texture.



Blinking status LED informs user of print status

We gave the control panel blue LEDs that blink so users can see the status of the printer from afar when printing wirelessly. We also went through numerous prototypes to make sure the control panel has uniform brightness.

Going forward, we will continue to make improvements to the way our products look, feel, and sound, putting ourselves in the user's shoes to find the type of sensory quality that customers enjoy the most. We're confident that our ideas will exceed expectations.

Recognition of Epson Quality

2010 Good Design Award-Winning Products
(Model numbers are for the Japan market)

GOOD DESIGN AWARD 2010

Colorio printers
EP-803A
EP-803AW

Colorio printer
PX-203

Thermal receipt printer
TM-T88V series

Home theater projectors
EH-R4000
EH-R1000

Offirio projector
EB-1775W

Offirio projectors
EB-450WT
EP-460T

Document imager
ELPDC11

Checking the sensory quality of the finish (Imaging Products Design Center)

Sales, Service, and Support Initiatives

We run programs to convey the delight and enjoyment of printing by giving our customers hands-on experience with our products and by providing opportunities to enrich their lives.

Epson New Photo Forum

The Epson New Photo Forum is a photography event for enthusiasts aimed at supporting works created by our customers in a digital environment. The 2010 forum was the seventh annual incarnation of the event, which began in 2004. We demonstrated our latest inkjet printers, scanners, and other devices in exhibits and held instructional seminars on using our products.

We held various events at the forum so visitors could experience the joy of creating photos themselves. Visitors could bring their own photo data and experience the delight of printing out on the latest Epson printers. We also had many creative works from our customers on display in a public photo gallery open to entries from the general public and a photo club gallery open to major photography clubs.

Photo club gallery at the Epson New Photo Forum

Epson Photo Team

Epson employees familiar with photo editing and printing decided to form an inter-departmental photo team. Team members share the joy of photo printing with communities across Japan.

The team runs events all over Japan for people of all skill levels, from beginners who just purchased their first DSLR camera to experienced photographers who have been taking photos for years. The one-day events are packed with various activities, including seminars by professional photographers, local photo exhibitions, and still-life photo shoots.

Epson Photo Team in Kobe: Setting up a home photo studio

Worldwide Service and Support Meeting

Global Exchange of Sales Ideas

Sales staff and heads of operations divisions from Epson Group companies around the world periodically congregate to exchange ideas and information.

This is an opportunity for the divisions that plan and develop the products to interact with the sales departments that actually meet with customers and provide service and support so they can work together to improve customer satisfaction.

Participants look at case studies where customer feedback garnered from service and support activities was reflected in product improvements. These meetings play a vital role in ensuring that product development, service, and support stay closely in tune with our customers worldwide.

Collectively Creating Customer Value

Pay Day is Customer Satisfaction Day

In order to create products and services that exceed customer expectations, Epson believes that its employees must first get to know the customer and take customer feedback and expectations to heart.

This is why we have programs to quickly disseminate all customer feedback received during customer visits, at our call centers, and in letters sent to Epson.

One such program that has been running since 2006 is called “Pay Day is Customer Satisfaction Day.” Every payday, we post customer complaints and compliments on our company intranet site to remind employees that our paycheck comes from the customers. We then run a survey to find out how employees feel about the feedback received and how they plan on reflecting it in their work. On the following payday, we share the results of the survey along with new customer feedback.

Tomomi Misawa, who is in charge of the program, says, “This program gives everyone, myself included, a good opportunity to think about what CS means to them. When customers take the time to let us know about their ideas and suggestions, we shouldn’t let that go to waste. Sometimes it is difficult to decide which feedback should be given to employees and how to frame it, but I see this program as a great opportunity to delight even more customers with more useful products and services from Epson.”

Tomomi Misawa
CS/Quality Assurance & Environment Department

Solving Problems with Teamwork (E-Kaizen)

Epson carries out a series of individual- and team-based improvement activities throughout the Group in its E-Kaizen program. In these activities, employees come up with ideas to solve problems they encounter during the course of their duties.

There are currently around 1,800 teams worldwide working on such activities. Recently, many of these activities have been focused on “100% yield.” One such activity had a theme of “improving process capability by feeding back inspection results to upstream processes.” Grounded in the quality philosophy of “delivering products that please our customers,” this initiative attempts to improve quality by addressing the root of the problem instead of depending on inspections to ensure quality.

The top teams compete at the annual Worldwide Team Presentations. In 2010, 28 teams from eight different countries competed in the event.

Activities are reviewed from the following three perspectives and are also linked to professional development.

- Does the activity actually improve customer value or contribute to society?
- In performing the activity, did the employees acquire a logical perspective and a scientific methodology and did they frame the issues on their own?
- Was the improvement process carried out with sufficient dialog between management and other relevant parties, and were ambitious objectives efficiently achieved?

The president presents all teams with a certificate of commendation and the President’s Award trophy to the team with the most impressive activity.

Worldwide Team Presentations

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.

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.

Product Safety Initiatives

Epson makes every effort to ensure its products are safe. We use analytic techniques learned and honed over the years to analyze safety incidents reported by customers and determine the root cause. The lessons learned are shared throughout the Epson Group to prevent recurrences of similar incidents.

We have purpose-built equipment and instruments in our laboratories to measure various substances, including those thought to cause sick house syndrome. Using these facilities, we test our products against our strict, independent standards to make sure that our products are safe and secure.

Analysis using an X-ray CT machine

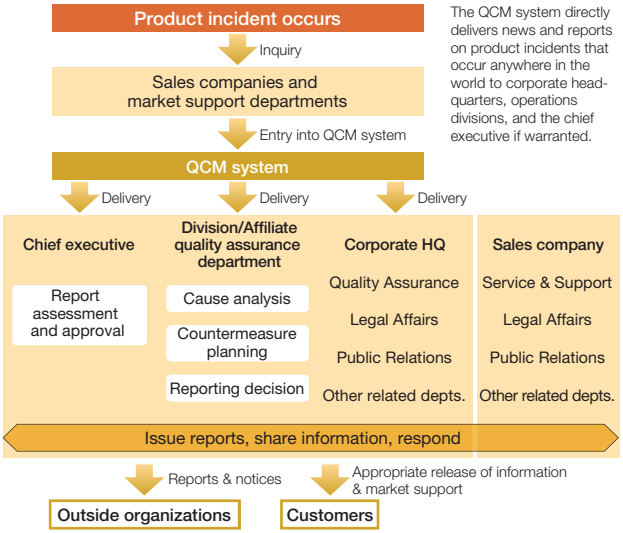
Additional measures include product safety training for all employees, building safety into our products by eliminating hazards at the planning and design stage, and making sure the products are safe even if misused.

Measuring chemical substances

Rapid Response to Product Incidents

If a safety incident occurs, a preliminary report is immediately issued using our group-wide Quality Crisis Management (QCM) system, which quickly delivers the information to relevant personnel, including the chief executive for serious incidents. We then analyze the cause, develop countermeasures, announce the incident to the public, provide market support, and furnish outside organizations with the reports and notices required by product safety laws and regulations.

● Epson Product Incident Response Process



2010 Important Notices in Japan

Epson proactively announces product recalls and other safety and security issues in the Japanese market on the following website:

Web Important Notices (in Japanese)
http://www.epson.jp/info/

Environmental Management Platform

Epson's commitment to sound environmental practices can be traced back to the company's founding, when maintaining the cleanliness of nearby Lake Suwa was an iron-clad policy.

In June 2008, Epson established "Environmental Vision 2050", a document that sets forth what it will take as a company to halt the relentless advance of global environmental degradation and build a sustainable society. Reductions of CO_2 emissions and conservation of biodiversity are the main pillars of the Vision, which is based on the fundamental premise that the carrying capacity of the Earth should be divided evenly among all people on the planet.

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 reduce CO_2 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.

Web Detailed outline of "Environmental Vision 2050"
http://global.epson.com/SR/environment/vision/vision2050_index.html

Putting Environmental Policy into Practice

To reach the goals set forth in "Environmental Vision 2050," we had to set certain milestones and take action to fill gaps between where we are and where we want to be. We established "SE15 Mid-Term Environmental Policy" as the first of these milestones. This policy provided direction for environmental action, one of the challenges identified in the SE15 Long-Range Corporate Vision. Environmental action policies thus became integrated with our business activities.

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

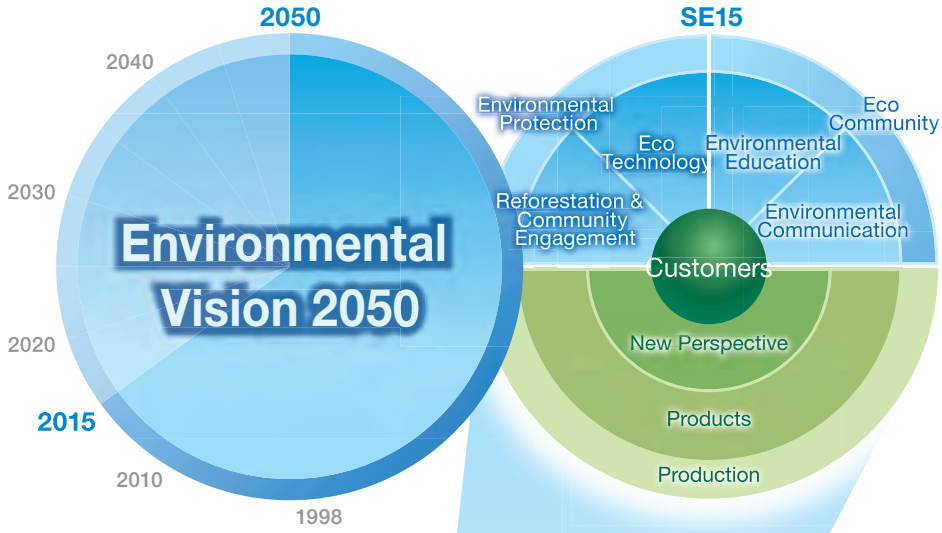
• Halving of life-cycle environmental impacts	▶ Achieve customer satisfaction by aiming to create new products and services whose environmental impacts across their life-cycles are reduced by 50%.
• Expansion of recyclable products and services	▶ Expand the resource reuse and recycling loop by delivering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

Achieving "Environmental Vision 2050"

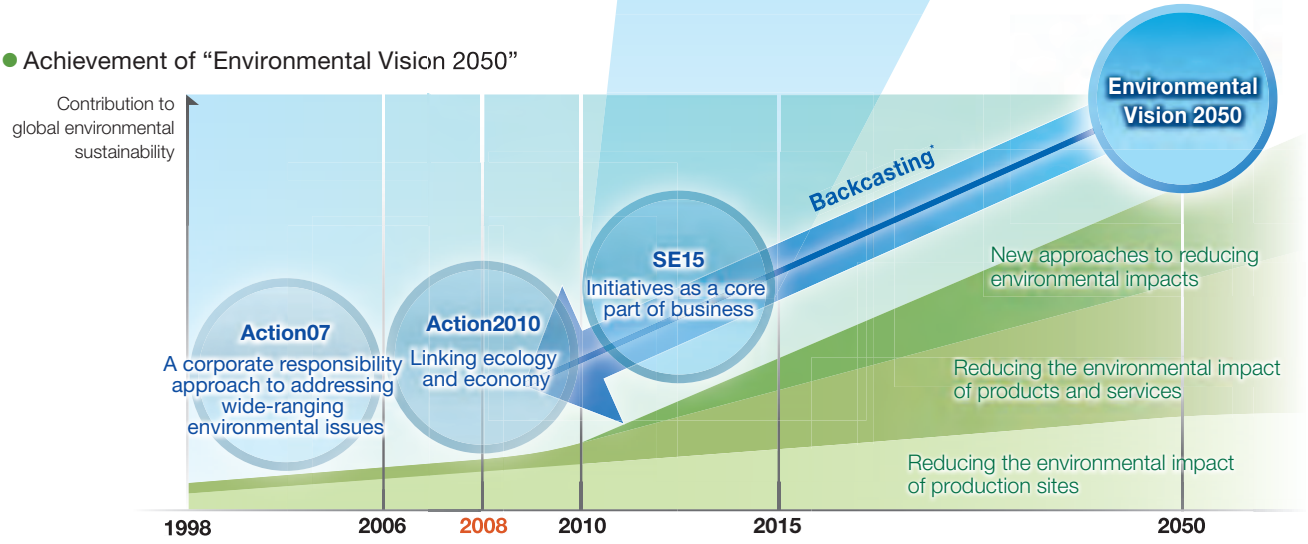
A backcasting approach was taken when creating the "Environmental Vision 2050." After developing a vision of how Epson should be in the future, we identified actions we need to take to arrive there. Mitigation of environmental impacts at our production plants will provide a foundation from which to accelerate toward mitigation of environmental impacts through our products and services.

We will also take a new approach to the mitigation of environmental impacts, and we will achieve the 2050 vision via our business activities. Examining future businesses through the prism of the “Environmental Vision 2050” reveals clues about how businesses and the company should be. Actions and ideas that enhance customer value and the product experience without relying as much on material goods should increase in importance. We continue to discuss the direction we want to lead Epson as we head far into the 2050 future.

● 2015 Environmental Goals



● 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

A History of Environmental Action

Epson, founded in the rich natural surroundings of Central Japan, has always been committed to operating in a way that minimizes the company's environmental footprint. This commitment is grounded in the company's Management Philosophy with the phrase "commitment to….environmental conservation."

In the 1980s depletion of the ozone layer by chlorofluorocarbons (CFCs) became a major international concern. In August 1988, Epson became the world's first corporation to declare its intent to become a CFC-free enterprise. We followed up by launching a group-wide effort to eliminate CFCs, without resorting to the use of alternatives such as HCFCs. At the time, we were using CFCs to clean printed circuit boards, display devices, plastic lenses, watches, and a variety of other precision parts. Furthermore, our CFCs consumption was increasing at a rate of 20%-30% per year. The fact was, our businesses were dependent on CFCs. Nevertheless, in October 1992, a combination of technical improvements and creative thinking culminated in the elimination of CFCs from all Epson operations one year and five months ahead of the March 1994 target date we had set.

Our efforts did not stop once we eliminated CFCs. We also continued to work toward eliminating chlorinated organic solvents. We believe that it is better to collaborate than compete when it comes to dealing with global-scale problems. That's why we share the technology and solutions we develop in Japan with our global affiliates and business partners. It is also why a willingness to disclose technology and know-how that can help communities and other companies further their environmental programs has, in fact, become a hallmark of the Epson way.

Environmental Approach

Recognizing that our business activities impact the environment, we carry out programs around the world to address problems of a global scale, applying the same standards and using the same targets in every country and region. Furthermore, we approach these environmental programs with the same willingness to collaborate rather than compete that we demonstrated during the CFCs elimination campaign. Our basic approach to environmental affairs is made explicit in our Environmental Philosophy and in a statement of our major activities.

We establish and regularly update a General Environmental Policy that presents concrete targets for our environmental programs. The environmental actions taken at Epson Group sites have successfully addressed a wide range of environmental problems, but one of the things we also tried to do was make a direct connection between our environmental activities and our business activities. In April 2010, to meet certain objectives of our SE15 Long-Range Corporate Vision, we established the SE15 Mid-Term Environmental Policy, which contains a statement that clarifies our 2015 goal 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." 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.

Environmental Philosophy

(Established October 1994 & revised June 1999)

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

Major Activities

The following activities will be pursued by the entire Epson Group in keeping with our Environmental Philosophy:

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

Environmental Management

Conducting business under environmentally considered management

Environmental Management System

Business units within the Epson Group establish their own environmental action plans based on the SE15 Mid-Term Environmental Policy, and drive initiatives independently. Once or twice a year we conduct internal evaluations to check performance against plans, and we take corrective action against nonconformances.

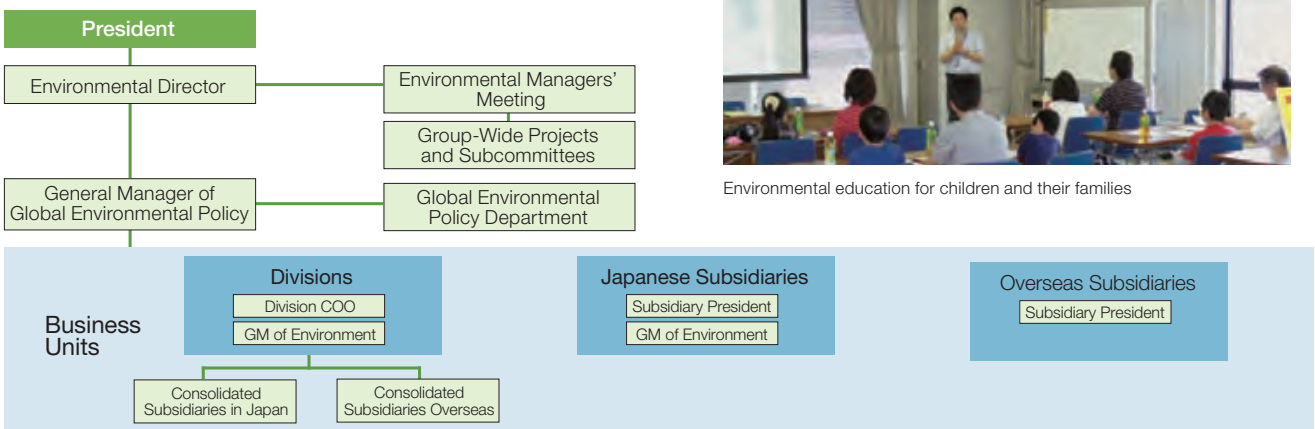
We operate our environmental management system in compliance with the international ISO 14001 standard, and we implement a planning and control cycle to effect continuous improvement. All of our major business sites in Japan and our manufacturing sites abroad are ISO 14001 certified.

Web ISO14001 Certification List
http://global.epson.com/SR/environment/reports/iso14001.html

Environmental Risk Management

Pollution from business activities could lead to negative financial and other impacts for residents of the surrounding area, as well as for the rest of the region or country. Epson follows Group-wide regulations and standards for pollution control and ensures 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 experiencing environmental complaints or incidents in an ongoing effort to identify and continuously mitigate those risks.

● Promotion System for Environmental Activities



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.

● 2010 Environmental Education (in Japan)

Training	Trainees
ISO14001 environmental auditor training	66 (Cumulative: 1,932)

Training	Start Date*1	Trainees*2
Basic Environmental Training (Co-existing with Nature)	Apr. 2002	526 (Cumulative: 16,991)
Global Environmental Tech. Training (Environmental Regs.)	Dec. 2003	511 (Cumulative: 11,094)
Basic Environmental Training II (2010 Edition)	Dec. 2010	15,103

[1] e-Learning start date
[2] The cumulative figures in parentheses are the total number of trainees since the training began, until March 2011

Kids' ISO 14000 Program

Since 2002 Epson has partnered with the International Art & Technology Cooperation Organization (ArTech) in Kids' ISO 14000, an environmental education support program for children that was developed by ArTech. Children who participate in the program lead the introduction of eco practices at home, raising environmental awareness within their own families.

Environmental education for children and their families

Environmental Accounting

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

The Environmental Accounting Approach

Epson analyzes the costs of environmental conservation versus the benefits to come up with data to use as an indicator for managing environmental actions.

- 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 36 of our affiliates (16 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.

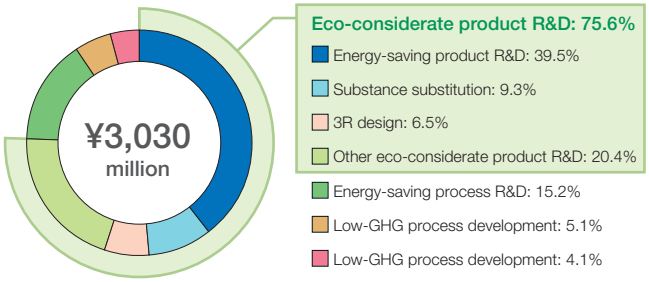
2010 Results

Investment in environmental conservation was ¥490 million, of which ¥250 million (51%) was related to global warming prevention and ¥230 million (47%) went to pollution control. We invested in new energy-saving factory infrastructure and production systems. We also focused spending on pollution control measures, such as measures to prevent chemical leaks.

On the other hand, environmental conservation expenses came to ¥6,010 million. Environmental R&D accounted for ¥3,030 million, or half, of total environmental conservation expenses. As shown by the pie chart, eco-considerate product development accounted for 75.6% of total environmental R&D. This spending went primarily to improving the energy-saving performance of our product families during use and to the development of eco-considerate products that use alternatives to substances of concern.

We saved a total of ¥1,410 million in 2010, mainly by saving energy and reducing wastes. We saved ¥420 million in energy expenses by improving the efficiency with which facilities and equipment operate. We saved an additional ¥250 million by reducing waste emissions and salvaging valuable wastes. These actions, together with reductions in water usage, the effects of recycling, and educating employees on ways to save, enabled Epson to steadily increase its economic benefits.

● Environmental R&D Expenses



● 2010 Environmental Conservation Costs and Effects

(Unit: mil. yen)

	Description	Environmental conservation costs[2]		Savings			Environmental conservation effects and other quantitative effects		
		Investment	Expense	Description	Value	Net[3]	Item	Unit	Value
General Environmental Policy	Creating and providing eco-products / Recovering and recycling products	0	660				Energy conserved in the community through energy-saving products	10,000 kWh	11,550
	Environmental R&D	0	3,030						
	Prevention of global warming	250	240	Energy savings, GHG emission reductions	420	-180	CO_2 reduction (energy saved + GHG reduction)	t-CO_2	16,661
	Reducing eco-burden substances	0	130	Reductions in substances	0	130	Substance reduction	t	25
	Waste processing / recycling	0	810	Waste emissions reductions & waste salvaging	250	560	Waste volume reduction	t	1,002
	Effective use of water	0	130	Water reductions and recycling	190	-60	Water reduction/recycling volume	1,000 m^3	1,848
	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	230	320				Legal/regulatory violations: 5		
	Soil and groundwater cleanup, etc.		150				Support for soil and groundwater cleanup, etc.		
	Continually improving environmental management		390	Savings through internal training	550	-160	Environmental basic, internal environmental auditor, and environmental specialist training		
	Total	490	6,010		1,410				
Environmental conservation costs to sales ratio (%)[1]			0.6%						

[1] Calculation of per unit of sales uses Epson Group's consolidated sales.
[2] Figures have been rounded off, so the sums of the figures and the totals may not match.
[3] 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.

Providing Environmental Know-how

Helping society with know-how to address environmental problems from a global perspective rather than an enterprise perspective

Collaboration Before Competition

Believing that environmental problems are better addressed through collaboration than competition, Epson publicly shares its environmental know-how and best practices.

Teaching Recycling Through Disassembly

Iiyama Kita Koko, a Ministry of Education-designated "Super Science High School" in Nagano prefecture, offered an experimental course in PC disassembly as part of its enhanced math and science curriculum. Epson sent an employee to the school to serve as an instructor. By disassembling and sorting the components and materials, students learned about the material resources that go into a PC and the importance of recycling them.

PC disassembly course

Public Speaking Engagements

Epson responded to nearly a dozen requests during 2010 from communities, groups, schools and other organizations to talk about its approach to environmental conservation and its environmental programs and best practices.

Key Engagements

- The Global Environmental Forum at the Japanese Society of Civil Engineers
- Nagoya University Graduate School of Environmental Studies
- Suwa Red Cross Hospital
- Tokyo Keizai University

Shinshu Energy Patrol Team in Taiwan

The catalyst for the Energy Patrol Program was a pamphlet distributed to local enterprises containing energy-saving tips and technologies developed by Epson. Reaction to the pamphlet was positive, and Epson began receiving requests from companies to assess their energy use and recommend ways to save. Epson responded by forming the Suwa Regional Energy Patrol Team in CY2000. The name was changed to the Shinshu Energy Patrol Team in CY2005 and the activities were expanded to encompass all of Nagano to share the lessons learned.

Seeing the benefits of this program, Epson Taiwan Technology & Trading Ltd. (ETT), an affiliate with a variety of environmental programs, concluded that it could significantly contribute to society by introducing the patrol program into Taiwan. Personnel from ETT came to Japan several times to learn the ins and outs of the program. ETT then reached out to various enterprises and groups in Taiwan and, with support from Seiko Epson, launched the Taiwan Energy Patrol Team, in December 2010.

The Taiwan Energy Patrol Team on patrol

Coco Wang, a central figure in the launch of the patrol team, enthusiastically says, "I think there is tremendous value in introducing the best practices of the Shinshu Energy Patrol Program to the rest of the globe. I want ETT to continue to drive the Taiwan Energy Patrol Program through cooperation with other companies and organizations."

Coco Wang, Div. Manager
Brand & Corp. Div., ETT

Biodiversity

Cognizant of how our business activities impact biodiversity,
Epson is pursuing biodiversity conservation through business

Biodiversity Initiatives

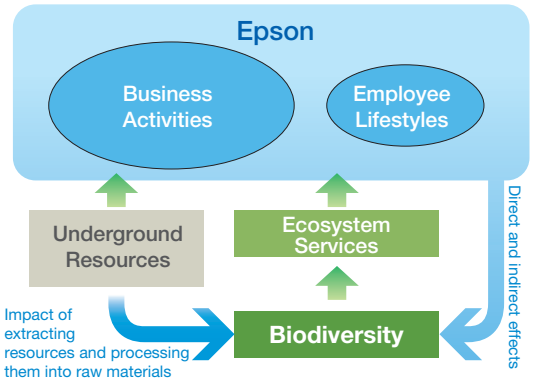
2010 was an eventful year for biodiversity issues. First, the tenth meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity was held in Nagoya, in October 2010. But 2010 was also a year of huge disasters that have worrisome ecological implications, including the April 2010 Gulf of Mexico oil spill and the March 2011 nuclear power plant accident in Japan. These disasters sparked renewed debate over the impact of crucial energy resources on biodiversity and served as a reminder that we have to be more aware of the social and business activities that depend on these forms of energy.

At COP 10, parties adopted the Nagoya Protocol and a strategic plan on biological diversity called the "Aichi Target." Corporate initiatives are among the 20 ambitious targets. 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.” Our approach to biodiversity hinges on two initiatives: conserving biodiversity throughout our business activities, and raising employee awareness of biodiversity. Table 1 summarizes five factors that adversely impact biodiversity, how Epson contributes to those factors, and what actions we are taking to mitigate the degree to which we contribute to them. The first thing we have to do is continue to move steadily forward on the actions we have been taking to mitigate the environmental impacts of our business activities.

Epson and Biodiversity

Our lives depend on biodiversity. Likewise, our businesses both benefit from and affect biodiversity in myriad ways. Neither our businesses nor our lives would be sustainable without healthy biodiversity.

● Epson and Biodiversity



JBIB Participation

Epson has been an active participant since May 2008 in the research and development program of a consortium called the Japan Business Initiative for Biodiversity (JBIB). We are working with the JBIB to explicitly define the relationship between business activities and biodiversity. Through public speaking engagements, we have presented Epson's approach and found that it resonates with many. In 2010 Epson representatives lectured and presented at spots around Japan, including Tokyo, Kyoto, Nagoya, and Nagano.

● Table 1: Environmental Measures and Biodiversity

Factor	Relationship to Epson	Theme	Main Initiatives
Climate change	Greenhouse gas emissions	Prevention of global warming	Energy-saving product designs Production & transport measures
Land use	Land alterations accompanying underground resource mining	Resource recycling Resource saving	Reduced-resource products & recycling Reduced resource inputs Waste recycling
Non-native species	Introduced along with imports of raw materials, parts, etc.		
Overconsumption	Consumption of timber resources		
Pollution	Release of chemicals into the environment due to insufficient control	Substance management	Reduced inclusion in products & use during manufacturing of hazardous substances

Reforestation Program in the Philippines

Epson engages the communities in which it operates with initiatives tailored to local needs, such as reforestation and greening programs. Epson Precision (Philippines) Inc. (EPPI), for example, launched a project to plant and care for a forest on Mount Makiling in 2004. In 2010, 135 employee volunteers participated in a tree-planting program that calls for the planting of 1.5 hectares over three years by 2012.

A reforestation project aimed at teens was also launched with the participation of 61 students from a local high school and two teachers. The aim is to give students who have been participating in a computer game where they grow and manage virtual forests and farms an opportunity to experience an actual reforestation project.

Makiling Reforestation Project (EPPI)

The Jinguji 100-Year Forest Project

Hoping to increase the number of employees who can talking about biodiversity based on personal experience, Epson became a sponsor, in 2008, of the Jinguji 100-Year Forest Project, a Suwa-based volunteer forest management project. In 2010, Epson volunteers joined members of the local community to maintain the forest, learn about nature, and enjoy forest recreation. Family participation and ongoing involvement are emphasized for these events.

Planting a seedling in a broad-leaved forest

Loggerhead Sea Turtle Protection Project

Kamogawa Sea World in Japan has joined forces with the government in a project to study and protect endangered loggerhead turtles. After an extensive exploration effort, Epson began sponsoring this project in CY2010 as a way of using our technology in ecosystem conservation.

There is much that researchers do not know about loggerhead turtles, such as how the temperature of the sand in which eggs are buried affects hatching. To find out more, Epson built a measurement system using a sensor module based on its original wireless technology. What sets this technology apart from ordinary wireless technology is the ability to capture signals from devices buried in the ground, sand, or underwater. This system was used to take data in the summer of 2010, and it enabled researchers to determine the temperature of the nest and the date and time the eggs hatched without digging them up. Epson will continue to support this program in CY2011.

Sensor installation on an artificial beach

High Expectations for Epson

Epson collaborated with Kamogawa Sea World in a project to study and protect the loggerhead turtle. Temperature sensors allowed us to continually monitor the temperature inside the buried nests, while hatching sensors enabled us to detect the movement of hatchlings in the sand. We have high hopes that the technical support provided by Epson will go a long way toward ensuring the future of the loggerhead turtle.

Yoshimichi Saito
Manager, Aquarium Exhibits
Kamogawa Sea World

Development & Design (Think)
Materials Procurement (Choose)

We look at the total life cycle of our products and incorporate eco-considerate product elements at every stage, from planning to design and procurement

Eco-Consideration from Cradle to Grave

We look at the total life cycle of our products to identify expanded opportunities to mitigate environmental impacts, not only within the confines of Epson's planning, design, and manufacturing processes but in cooperation with customers and business partners.

Basic Product Development Policies

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

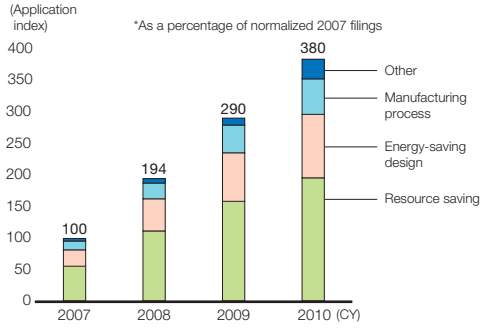
Basic Policy	Actions
Energy-saving design	The power consumed during use accounts for a large portion of a product's total environmental impact across its life cycle. With this in mind, we set energy-saving performance goals for each product and work to ensure steady progress.
Resource saving	We set goals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

Eco-Inventions

For well over a decade Epson has been providing incentives for eco-inventions; that is, inventions that have a marked effect on the mitigation of environmental impacts. The aim of the incentives program is to contribute to society by becoming the industry leader in the development of technology to reduce environmental impacts.

In CY2010 we continued to apply for and accumulate intellectual property relating to eco-considerate designs, manufacturing processes, and so forth based on our basic product development policy.

● Cumulative Patent Applications for Eco-Inventions



Product Eco Performance Data

The International Organization for Standardization (ISO) has established three types of environmental labels to indicate a product's eco performance. Epson provides products that comply with eco-label requirements in countries and regions around the world to give our customers a choice.

The Epson Ecology Label (Type II)

In addition to publishing ecology profiles, Epson began using eco labels in December 2009 to straightforwardly communicate to customers the environmental features and performance of its products and services. The labels are displayed on communication tools such as brochures and individual product boxes to highlight the environmental performance and features of our products and services.

Eco Features (See p. 45 for concrete examples)

- Volume reduced by 30% vs. EB-X6 released in 2008

● 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	●		●			● (Ink cartridges)			
	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[*1]	●	●	●	●	●				●
	China	Energy saving regulations	●	●	●					●	
	Japan	FSC certification							●		

Type I label: Indicates that the product has met the criteria set by a certified third-party organization
Type II label: A "self-declaration" label that indicates a company volunteers environmental information about its products
Type III label: Indicates that the environmental effects of a product throughout its life cycle—from raw material procurement through use, disposal, and recycling—are analyzed using LCA and that the results of such analyses are published as quantitative data. The accuracy and reliability of the data must be verified before being made public.
[*1] The International Energy Star Program is also being implemented by Canada, Australia, New Zealand and Taiwan.

International ENERGY STAR Program

In February, Epson became the first printer manufacturer to acquire third-party certification for an inkjet printer after the International ENERGY STAR Program began requiring third-party certification from January 1, 2011.

Shoko Takabayashi, a member of Epson's Legal Affairs Department who was involved in executing an agreement with the certifying body, says, "I was fortunate to be able to help conclude the agreement by bridging the cultural divide between Japan and Epson America, Inc. (EAI)."

(Left) Shoko Takabayashi, Legal Affairs Seiko Epson
(Right) Mark Heustis, Lead Test Technician Quality Assurance, EAI

Green Purchasing

When it comes to procuring production materials, Epson gives top priority to those with a low environmental impact. Epson has been applying the same standard for the procurement of production materials since 2004, regardless of from where in the world they are procured, and has maintained a green purchasing rate of 100% since then.

This standard covers the latest legal and regulatory moves and is regularly updated to ensure that we continue to upgrade our green product purchasing. We also require suppliers to provide us with a declaration that the products they deliver to us do not contain or use banned substances and evidence that levels of certain controlled substances do not exceed prescribed limits.

A Global Approach to Harmful Substances

Epson is staying on top of emerging legislative and regulatory requirements with the aim of building and shipping products to a single global standard that satisfies compliance requirements worldwide. Epson actively looks to replace or stop using substances about which there are concerns, even if not legally required. For example, on January 1, 2012, we will discontinue the use of certain environmental estrogens that adversely affect the environment and human health.

REACH Compliance

Epson will maintain compliance as follows with the European REACH Regulation on chemicals and their safe use:

- Register in a central database as required of enterprises that manufacture or import more than one ton of a chemical substance per year.
- Provide consumers with information on substances of very high concern (SVHC) that are present in articles in an amount exceeding 0.1 wt%, and comply with the requirement to report use exceeding one ton per year.

Manufacturing (Create) Logistics (Deliver)

Mitigating environmental impacts during manufacturing and delivery

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_2 emissions by conserving energy, and (2) reduce emissions of greenhouse gases (GHG) other than CO_2. On the most basic level, we are reducing CO_2 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_2, 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 2010 we reached our domestic and worldwide targets for reducing GHG. The emissions trend is shown in Figure 1.

Halving Energy Use in Manufacturing

We had always taken it for granted that scanners had to be manufactured in a cleanroom. Then one day, someone asked why. This simple question launched an effort to take scanner manufacturing out of the cleanroom.

Indonesian affiliate P.T. Epson Batam (PEB) came up with a new scanner assembly line that provides a localized clean environment in front of the line workers, where their hands extend over a workbench, without sacrificing product quality. This line enabled PEB to halve the factory's energy use primarily because workers can now wear aprons instead of hot bunny suits, so there is less need for air conditioning, there is no need to keep the entire room clean with power-intensive HEPA filter systems, and LED lighting can be used. The line also offers the incidental benefit of boosting assembly quality because line personnel are freed from the confinement and discomfort of bunny suits.

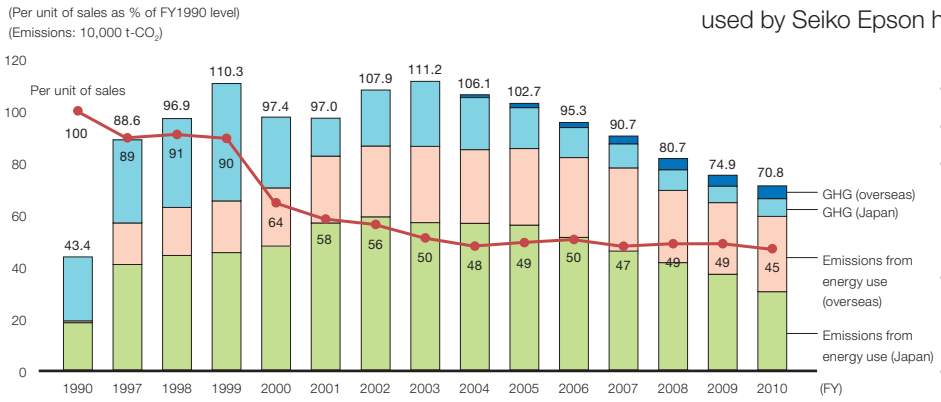
Scanner manufacturing process (inspection)

Introducing Green Energy

One of the ways Epson is trying to reduce its greenhouse gas emissions is by purchasing green energy. In fact, we have been purchasing wind power from Japan Natural Energy Company Ltd. since 2001. Cumulative purchases to date total 17,370,000 kilowatt hours (kWh). Once again, in 2010 we contracted 1,925,000 kWh worth of green power from Noshiro Wind Power Plant. This represents about 39% of the power used by Seiko Epson headquarters.

Green Power Certificate

● Figure 1: Greenhouse Gas Emissions



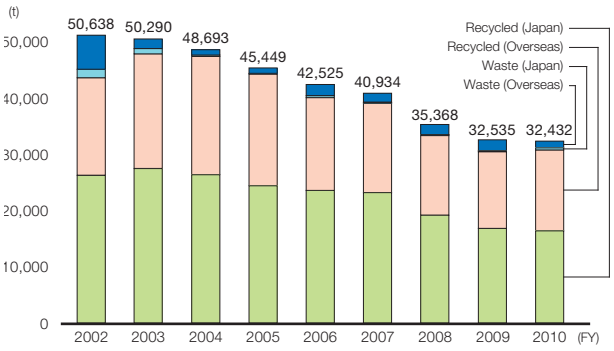
- Excludes March 2011 data from Epson Toyocom's Fukushima plant.
- 1990 GHG from sources other than energy use are calculated using corresponding emissions in 1995.
- In Japan we used an average value published by the Federation of Electric Power Companies as a conversion factor to calculate equivalent CO_2 emissions from energy consumed. Outside Japan we used national emissions factors provided by the Japan Electrical Manufacturers' Association (JEMA).
- To calculate CO_2 emissions from fuels both in Japan and abroad, we used the CO_2 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_2 equivalent of emissions of GHG other than CO_2, 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 and to reduce resource inputs and waste.

The zero emissions program consists of a recycling program and a resource conservation program. In the recycling program we look to improve at the emission stage, with the goal of recycling 100% of all waste material (excluding personal wastes) generated from our business activities. By the end of 2003, all Epson sites and companies in Japan and all Epson manufacturing companies outside Japan had reached this recycling goal. Sites that have recently come under the Epson umbrella are also steadily reaching or approaching this goal. Activities are now shifting to the second area of action, resource conservation. Here the aim is to minimize resource use by improving production processes. We are looking 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



NOTE: Excludes March 2011 data from Epson Toyocom's Fukushima plant.

Energy Management Awards

In February 2011, employees of Seiko Epson, Epson Imaging Devices, and Epson Logistics were recognized with awards for energy management excellence by the Bureau of Economy, Trade and Industry - Energy Saving Committee / The Energy Conservation Center, Japan.

Award	Recipients
Excellent Energy Conservation Manager Award	8
Excellent Energy Conservation Engineer Award	4
Excellent Energy Conservation Technician Award	5

Common Sense Environmental Programs

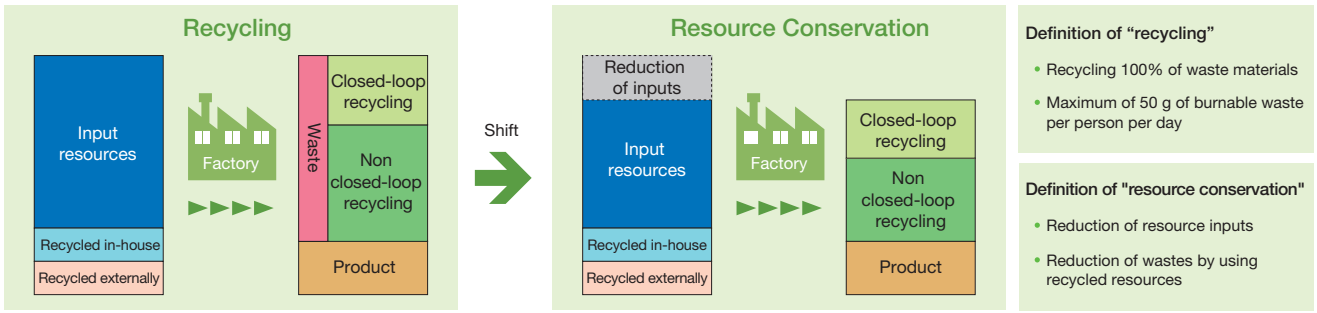
Tohoku Epson conducted extensive tests to reduce the amount of ethanol it uses for cleaning purposes. It ended up eliminating some cleaning processes altogether without sacrificing quality. The company is also steadily reducing the amount of energy it uses by, for example, systematically shutting down production systems and improving basic facilities and infrastructure. In addition, Tohoku Epson, acting on the adage of "trash if mixed, treasure if sorted," separates waste plastics into 26 types of salvageable valuable material.

Meanwhile, an "Eco-Challenge Point Rally" that employees can play at home is fostering greater environmental awareness and becoming ingrained in their daily work.

Miki Saito
Facilities Engineering Group
Tohoku Epson Corporation

Commenting on the genesis of these activities, Miki Saito of the Facilities Engineering Group says, "Enjoyment is the secret to sustaining environmental programs. You have to be able to see results from your actions and feel good about having taken them. I look forward to helping to reduce environmental impacts, cut costs, and increase corporate value.

● Zero Emissions Activities at Epson



Definition of "recycling"

- Recycling 100% of waste materials
- Maximum of 50 g of burnable waste per person per day

Definition of "resource conservation"

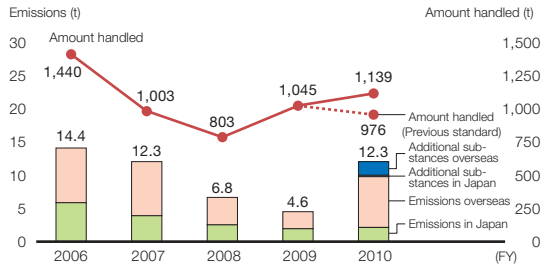
- Reduction of resource inputs
- Reduction of wastes by using recycled resources

Substance Management

Epson recognizes that all chemical substances involve at least some risk. Accordingly, we proactively aim to prohibit use, reduce use and emissions, and change to safer substances." Since 2005 Epson has used "E-Chem," a proprietary chemical data management system, to centrally track information on chemical substances used at Epson sites around the world. An amendment to Japanese law added and changed some of the chemicals subject to PRTR (Pollutant Release and Transfer Register) control. We are tracking, controlling, and reducing the use of these PRTR substances as well as volatile organic compounds (VOCs).

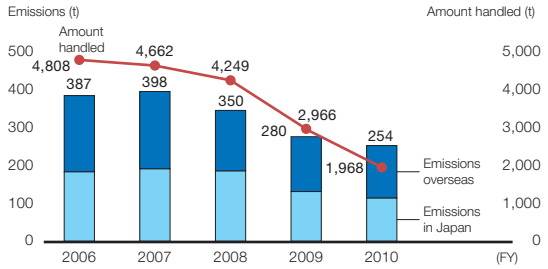
We continue to carrying out a variety of measures to reduce releases into the environment. For example, we are identifying and adopting greener alternatives to certain chemicals, minimizing amounts used, and introducing combustion abatement systems. In 2010 Epson business units began tracking their emissions against 2006 emissions and succeeded in reducing their emissions beyond the targets. In addition, we are building trust relationships by making our substance data available to the public and by creating opportunities for dialog with members of the local community.

● PRTR Substance Handling & Emission Trend



- Target substances changed in conjunction with amendments to the PRTR enforcement order from FY2010.
- Fluorine compounds in wastewater are not included in water body emissions per the latest PRTR guidelines in the electrical equipment and electronics industry. (Data from 2009 and earlier was recalculated accordingly).

● VOC Handling & Emission Trend



Water Recycling

Epson is mitigating environmental impacts and maintaining legal and regulatory compliance by managing the quantity of water we use and the quality of water we discharge.

We are proactively addressing water concerns in our manufacturing processes. For example, we are taking actions to prevent deterioration in factory water quality, increase the recycling rate of factory wastewater, and meet stricter water quality controls. Chinese affiliate Tianjin Epson Co., Ltd. (TEL) and U.K. affiliate Epson Telford Ltd. (ETL) have introduced ink waste fluid processing systems with sedimentation, microbial purification, and filtering processes that recycle water for use in toilets and cooling systems. Dewatered sludge is recycled for use in cement production.

About 1,900,000 m^3 (17.8%) of the 10,700,000 m^3 of water Epson used in 2010 was recycled by methods including those described above. (Detailed data is provided on p. 49.)

● Ink Waste Fluid Treatment Process at TEL

Internal Audits

In 2010 we audited 35 sites (21 in Japan and 14 overseas) on the basis of the Epson Group auditing standard. We confirmed that all sites have completed corrective actions for nonconformances that were found and are properly tracking and controlling pollution and wastes.

Violations, complaints, and accidents

In 2010 discharged wastewater exceeded regulatory limits in five instances (including two where oil limits were exceeded and one where the water temperature limit was exceeded). We received one complaint involving vibration. All incidents were reported to the local government and are being addressed.

Exceeded regulatory limits: 5
Complaints: 1
Accidents: 0

Waste Quality Control

Wastes pose potential hazards. We have implemented a program to strengthen the quality control of wastes so that they are comprehensively managed. As part of the program, we ensure that information on hazard checks and the results of analyses are properly communicated.

Web Global Environmental Data
http://global.epson.com/SR/environment/reports/data.html

Soil and Groundwater Remediation

We are pumping and treating groundwater contaminated by chlorinated organic solvents at several sites in Japan, including at our Head Office. In addition, we have barriers in place to prevent further contamination.

Groundwater sampling

● Site Groundwater Data and Remediation Methods

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

Site	Mar. 2009	Mar. 2010	Mar. 2011	Countermeasures
Head Office	88	36	28	Barrier, pump and treat, monitoring
Shiojiri	2.8	1.5	0.75	Barrier, pump and treat, monitoring
Fujimi	0.26	0.16	0.14	Barrier, pump and treat, monitoring
Suwa-minami	0.13	0.14	0.14	Barrier, pump and treat, monitoring
Matsu-shima	0.09	0.13	0.13	Barrier, monitoring

Reducing transport CO_2 emissions

Epson is reducing CO_2 emissions by increasing the efficiency with which goods and wastes are transported. In addition to shifting to greener modes of transportation and relocating logistics centers, we are increasing truck loading efficiencies, using innovative stack configurations and packaging, reducing the number of trucks and the frequency of departures and arrivals, and much more.

Epson maintains flexibility and always looks for the most efficient transport means, depending on the logistics situation at any given time. As a result of our efforts, we managed to reduce total CO_2 emissions from domestic transport to 9,000 tons, a level 9.4% lower than in 2009 per unit of sales.

Sample Changes

- Switched from long-haul truck to sea transport for industrial wastes
- Consolidated and decentralized warehouses
- Worked with customers to reduce delivery frequency
- Optimized vehicle size
- Consolidated shipments with other companies

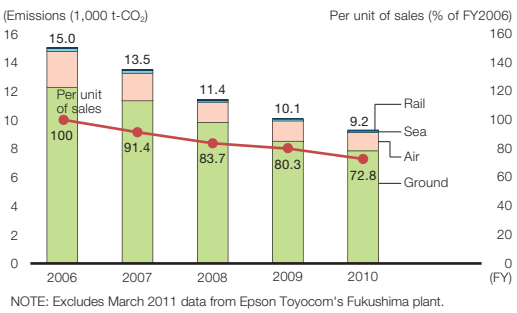
Overseas Initiatives

Epson is shifting from air to sea transport and is consolidating and eliminating logistics centers to increase transport efficiency. For example, Epson America, Inc. (EAI) has been participating in the U.S. Environmental Protection Agency's (EPA) SmartWay® Transport program since October 2009. The primary purpose of this program is to increase freight transport energy efficiency and reduce greenhouse gas and air pollutant emissions. EAI is partnering with others to attain reduction targets set by the EPA, by using intermodal ground transport (combinations of truck and rail freight), optimized pickup and delivery scheduling, high load efficiency, and anti-idling policies.

In 2010 CO_2 emissions increased 19% year-over-year, partly because of a temporary spike in air transport. However, Epson will continue to strive to deliver products and services to customers using low-impact transport.

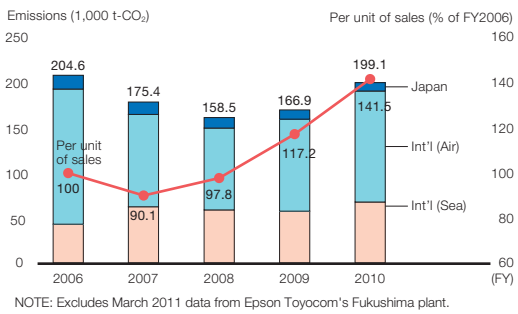
Web EAI Initiatives
http://www.epson.com/cgi-bin/Store/Landing/Environment.jsp

● CO_2 Emissions from Distribution in Japan



NOTE: Excludes March 2011 data from Epson Toyocom's Fukushima plant.

● CO_2 Emissions from Distribution



NOTE: Excludes March 2011 data from Epson Toyocom's Fukushima plant.

Environmentally Considerate Products (Use)

Delivering products that enrich lives
while minimizing customers' environmental footprint

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

In our information-related equipment business and each of our other businesses, we are always looking to take advantage of our technologies for producing small, precision products that save energy and resources and for delivering products that have a low environmental impact. Here, we present the eco features of some representative products sold in 2010.

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

● EP-803A Inkjet Printer

Eco Features

- Around 34% smaller than the PM-A890 from 2005
- Consumes approximately 7.5% less total power per day than the EP-802A from 2009[*1]

● GS-6000 Large-Format Printer

Eco Features

- Uses eco-solvent GS ink, a low-odor ink that does not contain carcinogenic nickel compounds, to improve the printing environment

● VP-F2000 Serial Impact Dot Matrix Printer

Eco Features

- Low-power design that uses just 2.7W in sleep mode
- A ribbon pack with a replaceable ink ribbon

● EB-1775W mobile projector

Eco Features

- Around 28% smaller than the EB-1735W from 2008
- Sliding lens cover cuts energy consumption by 34%[*2]

● LP-S8100 Page Printer

Eco Features

- Helps save energy in the office with a TEC value of 1.27 kWh/week[*3], among the best of its class in Japan
- Around 40% smaller than the LP-S7000 from 2006

● Endeavor ST150E desktop personal computer

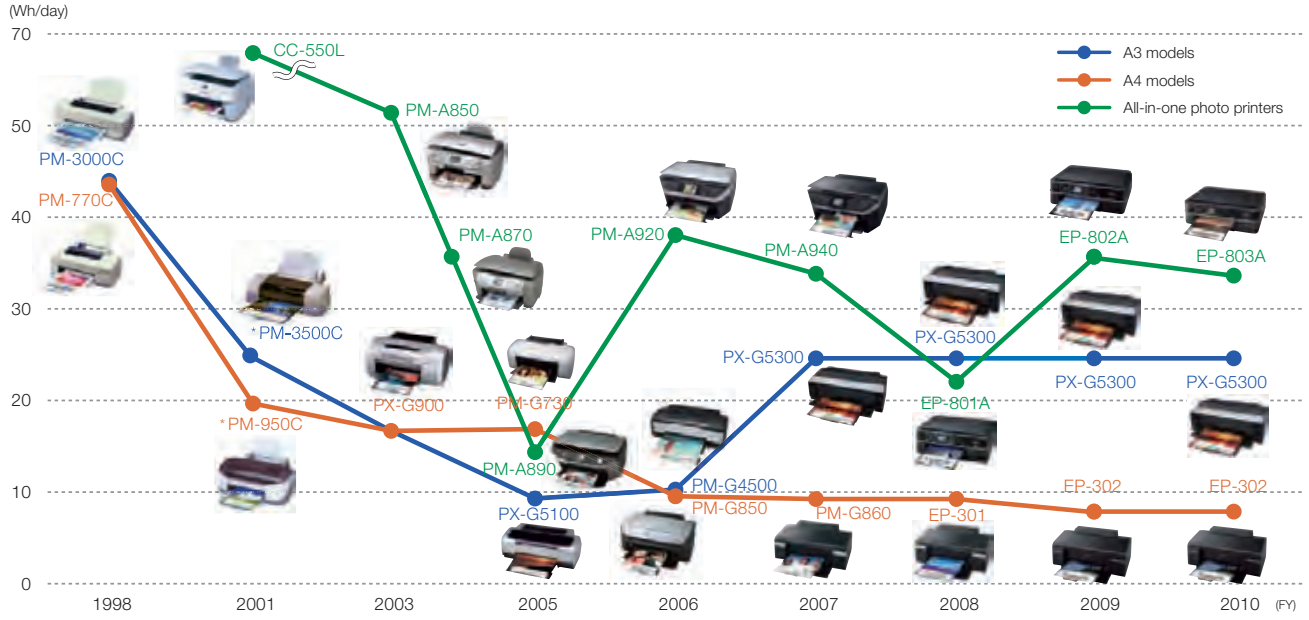
Eco Features

- Approximately 53% fewer CO_2 emissions over its life cycle than the Endeavor AT980E from 2010[*4]
- Consumes only 16.1 W of power during ordinary use

[1] Figures calculated under Epson's test conditions. Calculated based on five A4-size color copies per day, with power on for 8 hours/day and off for 16 hours/day. Power consumption may vary according to actual usage conditions.
[2] Normal mode (322 W) compared to Eco mode (212 W). Lamp output is reduced to save energy when the cover is closed.
[3] Values are of TEC (typical electricity consumption) based on measurement methods prescribed by the International ENERGY STAR Program. Power consumption mayl vary according to actual usage conditions.
[4] Calculations assume a four-year usage period based on Eco Leaf environmental label assessment results (excluding a monitor). Power consumption figures may vary depending on the actual usage conditions and options.

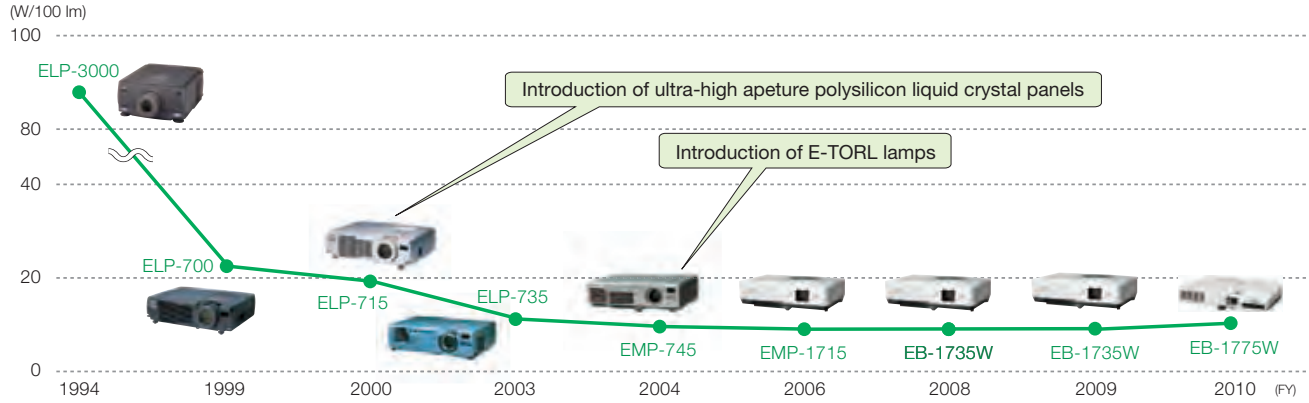
Web Design and Development
http://global.epson.com/SR/environment/lifecycle/think/case_design.html

● Comparison of Total Daily Energy Consumption for Inkjet Printers



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



Improved Eco Performance During Use

The TM-T88V thermal receipt printer uses up to 30% less paper than its predecessor, the TM-88IV (released in 2006), without requiring changes to customers' programs.

Kazuyuki Yokoyama, who led the development effort, says, "This was a hugely satisfying project. At first, we proposed reducing print size, but to meet customers' needs, we instead added new functions, including one that saves paper without requiring changes to the print data and another that uses the margins at the edges of receipts, thereby reducing the environmental impact of the printer."

Kazuyuki Yokoyama
BS Planning & Design Dept.

Potentially Greener Uses

At the Eco-Products 2010 exhibition Epson proposed a new use for high-resolution projectors that realize high-resolution images on a big screen. A projector can be used to project panoramic 3-D photos of an actual space taken with a digital camera and then processed using virtualization technology. The realism of the experience might enable users to reduce exhibit space or the number of items physically on display. It could even mean that an exhibit could be experienced without leaving the confines of an office, lightening the load on transport systems and leading to reduced environmental impacts.

An Epson booth with virtual exhibits

Collection and Recycling (Recycle & Reuse)

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 (Fig. 1).

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 2010 we collected 78.6 tons of used equipment, and from that recycled 61 tons of materials.

Ink Cartridge Homecoming Project

This project is a joint effort by six printer manufacturers to collect used ink cartridges in Japan. Consumer cooperation has grown since the project was launched in 2008, and the number of cartridges collected has steadily increased. In the beginning, collection boxes were provided at post offices around the nation, but now, thanks to the cooperation of municipal governments, the boxes can be found at city halls and other government buildings across the country. The collected cartridges are recycled to eliminate resource waste and contribute to the creation of an environmentally sound materials cycle.

Ccollection box

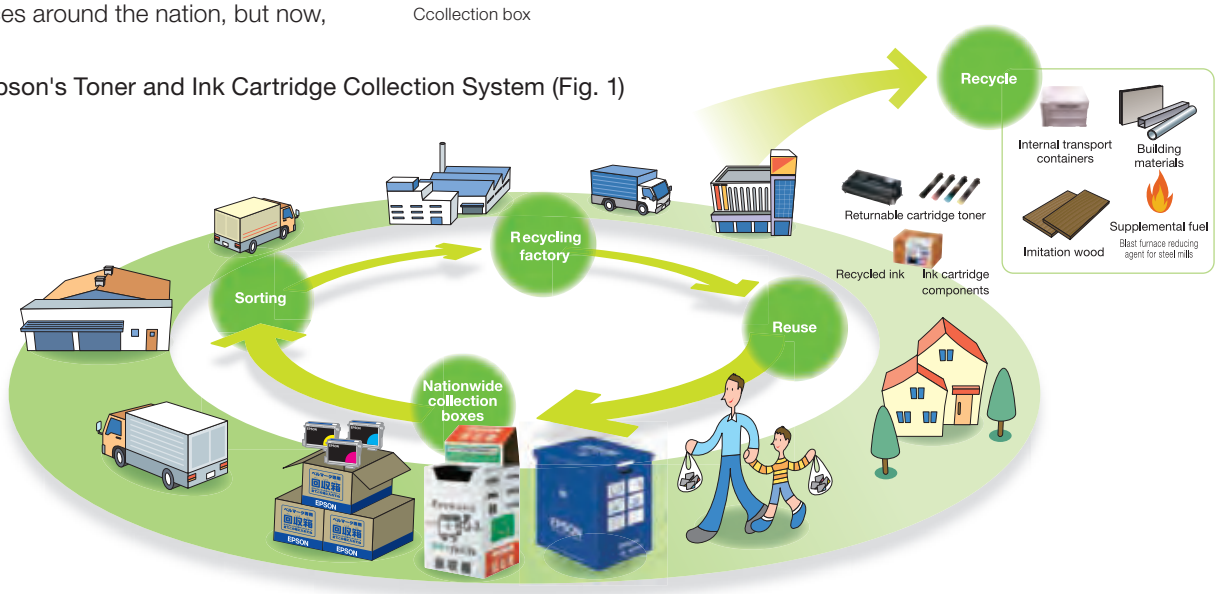
International Roll-Out

Epson is preparing for a second-half roll-out of the Ink Cartridge Homecoming Project overseas. Working jointly with the other companies, we will collect ink and toner cartridges at major libraries in Singapore.

Richard Yeo of Epson Singapore Pte. Ltd. (ESP) says, "After seeing the success of the Homecoming Project in Japan, we decided to roll it out to Singapore in order to raise awareness of the importance of ink and toner cartridge recycling. We want to build an efficient, nation-wide collection network and make it an important step for environmental conservation."

Richard Yeo
Environmental & Quality Management Specialist
ESP

● Epson's Toner and Ink Cartridge Collection System (Fig. 1)

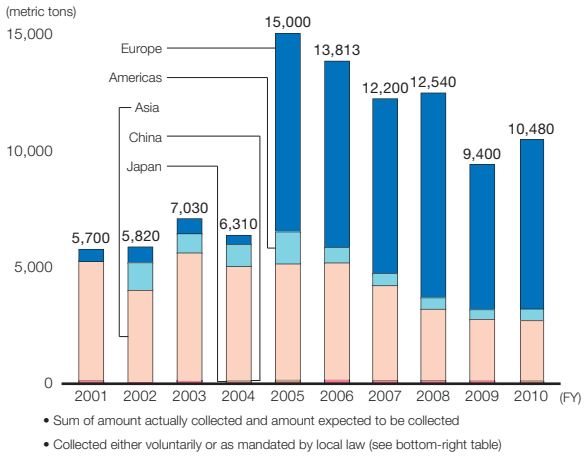


Initiatives Around the World

Since 2003, when the EU WEEE (Waste Electrical and Electronic Equipment) Directive was enacted, legislation requiring manufacturers to collect and recycle the goods they sell has been gaining momentum in countries and regions around the world.

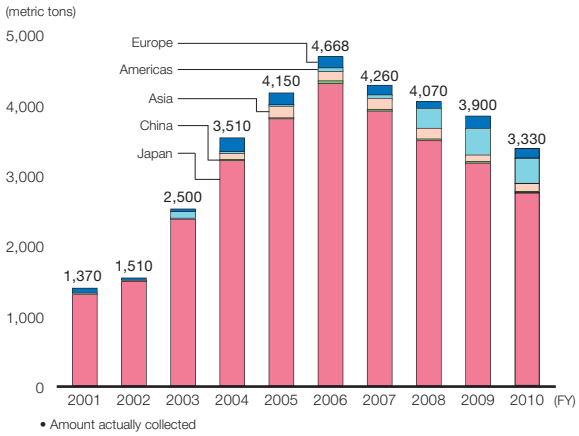
To comply with these requirements, Epson has put in place a global system to collect and recycle Epson goods. Epson currently collects and recycles not only finished products but also consumables in 35 countries and regions.

Collection Trends for Finished Products by Region



• Sum of amount actually collected and amount expected to be collected
• Collected either voluntarily or as mandated by local law (see bottom-right table)

Collection of Ink & Toner Cartridges



• Amount actually collected

European Cartridge Collection Program

In 2008 Epson Europe B.V. (EEB) began expanding across Europe, the Middle East, and Africa (EMEA) a consumables collection program that it had launched in France, Germany, and Italy in 2000. This program provides consumers with an opportunity to recycle cartridges via the mail and collection boxes.

In January 2008 Epson Express Centres, independent shops offering Epson products for sales as well as technical and repair services, also began collecting cartridges. There are now 210 such centres in the U.K. and several other countries in Europe. The collected cartridges are recycled at a processing center.

EEB's Christine Clabots says, "We made some changes in our program in 2010 to further enhance customer service and cost performance. Today, this collection program operates in 24 countries, and we hope to expand it to the Baltic countries going forward."

Christine Clabots
Departmental LCA Assistant
LCA Department, EEB

Regional Recycling System

Finished Product Compliance Programs

U.S. (by state)
Canada (by province)
27 EU member nations
Norway
Switzerland
Japan (PCs only)
South Korea
Taiwan

Voluntary Finished Product Programs

China
Hong Kong
Japan (business only)
Philippines
Indonesia
Malaysia
Singapore
Thailand
India
Australia
Chile

Voluntary Consumables Programs

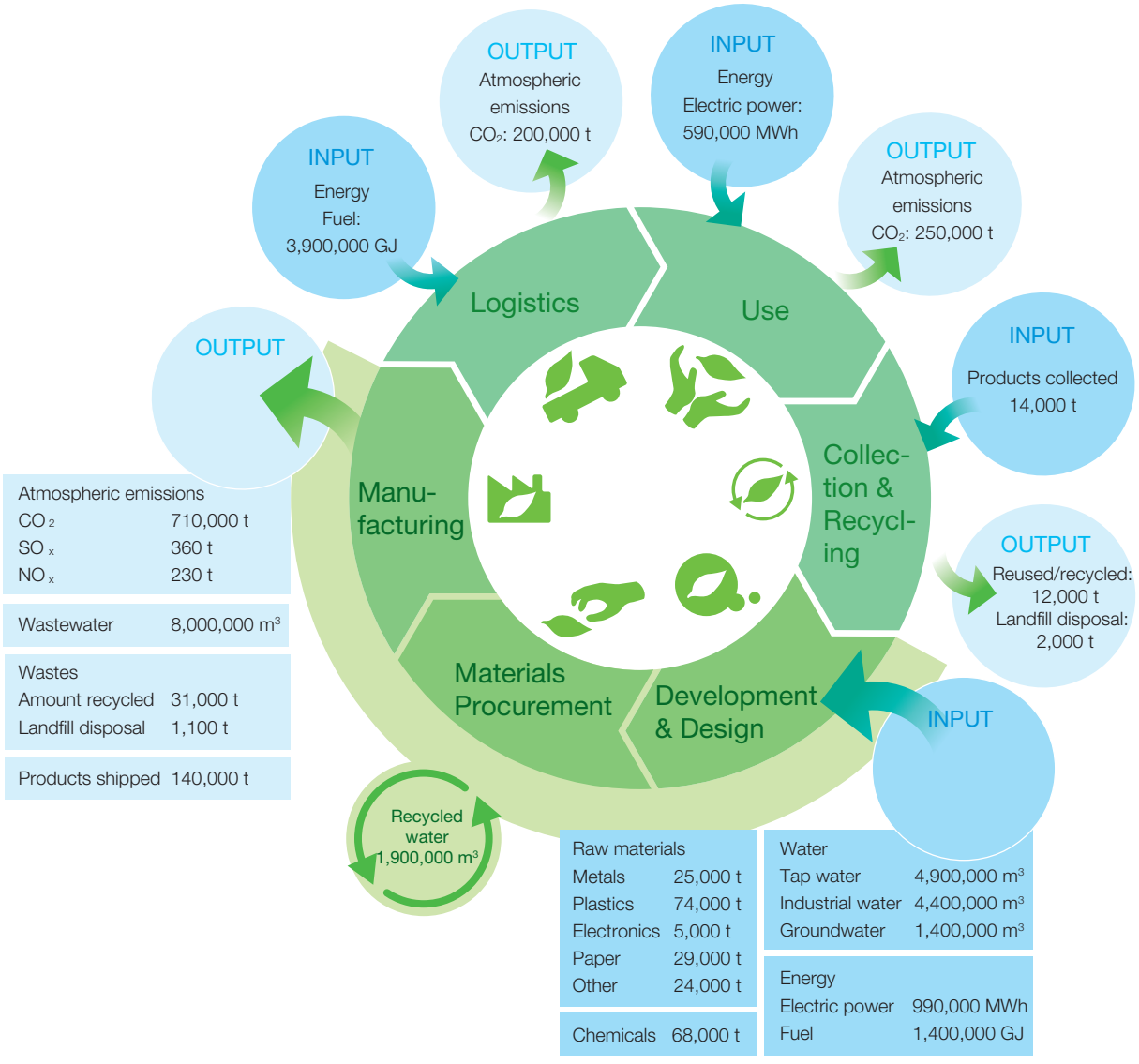
U.S.
Canada
Columbia
Belgium
Czech Republic
Denmark
Finland
France
Austria
Germany
Greece
Hungary
Ireland
Italy
Luxemburg
Netherlands
Poland
Portugal
Romania
Slovakia
Spain
Sweden
United Kingdom
Norway
Switzerland
Turkey
China
Hong Kong
Japan
South Korea
Taiwan
Philippines
Singapore
Australia
South Africa

2010 Results

Epson material flow and SE15 Mid-Term Environmental Policy results

Material flow

The figure 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.



2010 Results of Actions Based on SE15 Mid-Term Environmental Policy

Epson introduced the SE15 Mid-Term Environmental Policy in 2010. In line with the policy, which is tightly bound to Epson's business strategies, we are reducing the environmental impacts of our products and services.

In 2010 each business unit planned and drove its own actions to achieve the five goals laid out in the plan. This results in actions that were more tightly intertwined with their respective businesses in each product and service area. A variety of actions were also carried out in manufacturing, enabling the Epson Group as a whole to achieve its reduction targets.

The 2015 Vision	2010 Results
Halving of life-cycle environmental impacts Achieve customer satisfaction by aiming to create new products and services whose environmental impacts across their life-cycles are reduced by 50%.	We made significant strides in terms of making products smaller, lighter, and more energy efficient. For example, we redesigned the optical engine and cooling system used in the EB-1775W mobile projector to make it approximately 28% smaller than its predecessor, the EB-1735W, released in 2008. (See Photo 1) p. 45
	In manufacturing, we reached our Group-wide 2010 reduction targets. • CO_2: 26% lower than in 2006 p. 41 • Emissions: 24% lower than in 2006 p. 42 • Water: 39% lower than in 2006 p. 43 • PRTR substances (Pollutant Release and Transfer Register): 14% lower than in 2006 p. 43 • Volatile organic compounds (VOC): 35% lower than in 2006 p. 43
Expansion of recyclable products and services Expand the resource reuse and recycling loop by delivering new recyclable products and services.	Launched sales of the EC-01, a new-concept inkjet printer that does not require ink cartridges. The printer can be refilled with ink and reused up to three times. (Photo 2)
	Expanded the used ink cartridge collection network in Japan via the Ink Cartridge Homecoming Project p. 47
Environmental applications of advanced technologies Help society mitigate its environmental impacts by pursuing advances in compact, energy-saving, high-precision technologies and applying these technologies in various fields.	Launched the SurePress L-4033A, a commercial digital inkjet label press that does not require the film or chemicals that analog label presses do p. 13-16
Legal & regulatory compliance Respond quickly and without fail to new environmental regulations and social movements around the world.	Developed and evaluated technologies to comply in advance with product substance content regulations p. 40
	Strengthened pollution and waste auditing internationally to mitigate environmental risks p. 43
Fostering of an environmental community Try new socially and economically sustainable practices through environmental actions centered on products and services.	Contributed to energy conservation in Asia via the Taiwan Energy Patrol Team (Photo 3). p. 36
	Used our sensing technology to help conserve biodiversity by working with Kamogawa Sea World on a loggerhead sea turtle protection project (Photo 4) p. 38
	Ran reforestation projects, educational projects, and other environmental programs that engage communities worldwide p. 34, 36, 38

Photo 1. The EB-1775W, the world's thinnest mobile 3LCD projector

Photo 2. The EC-01 inkjet printer with high-capacity ink pack

Photo 3. Taiwan Energy Patrol Team members on-site for energy assessment

Photo 4. Loggerhead sea turtle hatchlings on an artificial beach inside Kamogawa Sea World

Human Development at Epson

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

A New Personnel System for Management

Epson's ideal corporate image is one in which it continuously creates customer value that exceeds customer expectations and continues to be an indispensable company for society. To create and maximize customer value, we must fully utilize our strengths, business foundations, and core technologies to continuously create products that delight customers and become a community of robust businesses. This will require adopting a formation that allows us to maximize our abilities as an organization and as a team so that each and every employee is fulfilling their expected role.

Epson is moving forward with the implementation of a new personnel system for management in April 2012. The new system is designed to achieve the optimum formation to create customer value, to develop human resources, and to ensure fair and impartial evaluations and benefits.

In our development of human resources, we took another look at the type of person needed to fulfill a role. Getting the most out of teamwork requires more than just the skills required for the job; it requires actions that have a positive effect on those around us. We clarified the need for such actions and for the values that Epson prizes.

Epson uses various techniques to develop employees that are capable of fulfilling their roles, but we also want employees to achieve personal growth as they create customer value and execute our business strategy. In 2010, we established a framework for the new system and held briefings to explain the purpose of the system to management.

HR Development and Training

Approach to HR 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 autonomy and personal growth, and enables people to make the most of their unique competencies. Human development is the basis for product development.

Epson develops and trains its human resources in line with a human resources development policy established in 1996. The policy 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."

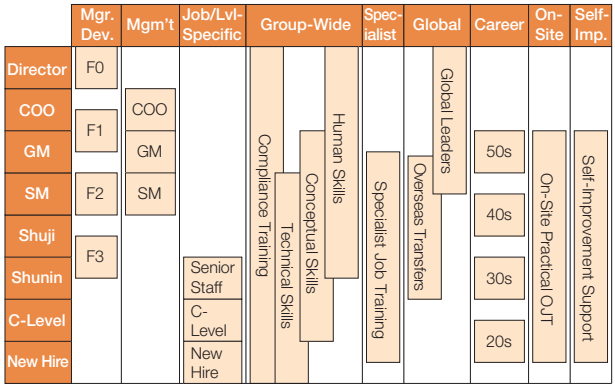
Supporting HR Development with Off-JT

Epson uses human development to support the achievement of the SE15 vision in line with its Human Resources Development Policy. This allows each and every employee to understand their role and what is expected of them as a member of the Epson team, and to grow as they tackle the issues they face in their job. We run training programs designed to improve the quality of team communication and to boost problem-solving skills so that every employee can fulfill their expected role.

● Basic Policy on Off-JT

- **All employees:** Fulfill your required role in the team, and use self-study to make up for any shortcomings in your competencies and skills.
- **Managers:** Convey team expectations to all members and strive to create an environment conducive to leaning in all situations.

● Training System (Japan)



Training for New Employees

After joining the company, new employees spend one whole year learning about the Epson approach to work. However, there is only so much they can learn during this period, so Epson looks for people with the basic skills required to become a productive member of society and the company. We use interviews to check whether a person will fit in with the corporate culture and whether they can agree to the Epson values that have been fostered over the years. We also focus on whether he or she has the three basic skills expected of adults in our society: the ability to move forward, the ability to think matters through, and the ability to work in a team; and whether or not he or she can apply those skills after joining the company.

In the group training after hiring, employees learn about the company's systems, financial figures (how to read financial statements), personnel systems, the Epson Code of Conduct, and other knowledge needed to work at the company along with the values on which Epson is based. The purpose of this training is to impart a solid understanding of Epson's core values, to shape their awareness and conduct as members of society, and to teach the basics of business. We also teach new employees practical business manners such as how to exchange business cards, how to answer the phone, and how to greet customers so they can be productive immediately after joining their workplace.

Employees then move on to two weeks of practical training in the art and science of manufacturing, where they learn about the manufacturing mentality at the core of Epson's values and under the slogan of "making things means making people." Here they study the Epson approach to work and develop the mental, technical, and physical qualities required to function in society.

Watch disassembly and reassembly

OJT as the Basis of HR Development

Group training is only one part of the training program. Epson's human resource development is grounded in on-the-job training (OJT). After placement in a workplace, every new employee is assigned a development leader who works with the manager to create a one-year development plan. When necessary, OJT is augmented with a combination of special training, on-hands manufacturing practice, sales training, and other kinds of training. Development leaders are selected from second and third year employees so they can improve themselves in the course of guiding the younger employees. Epson considers human resource development to be one of the key duties of workplace managers and development leaders, and places emphasis on practical training in the workplace that lets employees accomplish their jobs quickly, correctly, and with ease.

● Main Online Learning Courses in 2010 (Japan)

Training[2]	Start Date	Trainees[1]
Introduction to Information Security (2010)	3/2010	19,697
Epson Code of Conduct Part 1	10/2010	16,377
Procurement Basics (Subcontract Act)	10/2010	12,478
Security Trade Control Training (FY2011 Basic Training)	11/2010	12,277
Basic Environmental Training II (2010 Edition)	12/2010	15,103
Epson Code of Conduct Part 2	2/2011	11,086
Introduction to Information Security (2011)	3/2011	4,658

[1] The number of persons completing the course by March 31, 2011.
[2] Compliance training

● Training in 2010 by Employee Level (Japan)

Training	Who	People Trained	Percent Trained
New Employee Orientation (Group Training)	New Hires	279	100%
C-Level Employee Training	New C level personnel	322	98.8%
Senior Staff Training	New senior staff	251	99.2%
Section Manager Training	New section managers	78	92.8%

● Workforce Composition

Male/Female Ratio		Management* Ratio		Management Diversity	
Female	18%	Management	14%	Female	1%
Male	82%	Non-management	86%	Male	99%

Workforce composition data for Seiko Epson employees as of March 31, 2011
* Section manager and higher

Learning by Doing

Ultra-precision machining and mechatronics skills, legacies of watchmaking, are part of Epson's DNA. In November 2002, Epson established its “Monozukuri-Juku” manufacturing school to make sure this DNA is passed down to future generations. This practical training program includes many different kinds of training, including hands-on manufacturing training for new employees, efficiency training on the manufacturing floor, production control training, mechatronics training, basic part fabrication skills training, key process technology training, and facility improvement training.

A small number of young employees are selected for an intensive training program where they study to become skilled technicians. At Japan’s 48th annual Technical Skills Olympics in 2010, employees in the program won a silver medal and three “fighting spirit” awards. Epson also has an “Advanced Technology Dojo” where ten new employees selected from recent technical university graduates train for two years to become key research and development personnel. Through these kinds of programs, we aim to develop technicians who have the mental, physical, technical, and intellectual qualities needed for manufacturing, who can approach manufacturing from a broad point of view, and who can see things through to the end.

Yoichi Nakagomi, one of the 2010 graduates who became an advanced technology trainee, says, “I am thrilled to be able to learn a lot about a wide range of fields and about being a production engineer. I am also grateful for the opportunity I have been given and will work hard so I can contribute to the company with my manufacturing skills in the future.” We have high expectations for him as a future leader of Epson the manufacturing company.

Yoichi Nakagomi studies device control

Employing Persons with Disabilities

Epson takes a number of steps to ensure that persons with disabilities have the same opportunities as other employees, such as providing sign language interpretation for training and promotion interviews. We also have two special subsidiaries, Epson Mizube Corporation and Epson Swan, Ltd., to provide employment opportunities for persons with disabilities while catering to their special needs.

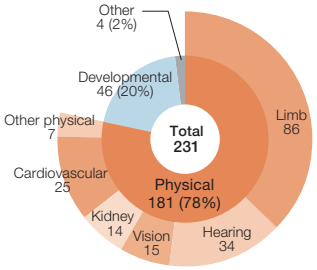
In addition to these initiatives, Epson works with the community to encourage employment of people with disabilities and is an active supporter of events such as the Special Olympics.

Epson Mizube and Epson Swan strive to create a good working environment for everyone with barrier-free architecture, extra support staff, and many other measures. Employees are also encouraged to better themselves by pursuing qualifications. Our employees with Epson’s Level 1 Soldering qualification are good enough to win a silver medal at the National Abilympics.

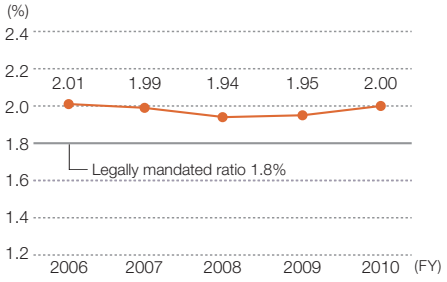
Epson Mizube employees with Level 1 Soldering

Soldering wires to a board

● Types of Disabilities (Japan)



● Ratio of Employees with Disabilities (Japan)



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 a manual designed to prevent excess overtime. We have also deployed time management initiatives and monitoring systems across the organization. We are committed to maintaining a well-balanced working environment and to building awareness of the importance of regulating working hours.

Discrimination and Unfair Labor Practices

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

Epson has a number of services, including a harassment hotline that handled 20 inquiries last year in line with privacy protection laws, a compliance helpline, and other counseling services. We also strive to prevent fraud and other forms of legal misconduct through regular reporting to the Trust-Based Management Council and by posting reminders on our company intranet.

● Main Employee Welfare and Benefits Systems (Japan)

Category	Description of System
Childcare	Childcare leave, shorter work hours, parental leave, home care service
Caregiving	Caregiver leave, shorter work hours, leave of absence
Retirement	Retirement benefits (defined contribution pension plan, corporate defined benefit pension plan), asset-building incentives, etc.
Wellness	Personal injury/illness leave, in-house therapy, payment to defray costs of injury, illness and child-rearing, medical subsidies
Training	Subsidies for passing national exams, work-related correspondence courses, self-study, etc.
Housing	Company housing, home ownership savings, home financing, etc.
Commuting	Commuting expenses (commuter passes, gasoline costs, tolls, etc.)
Insurance	Group insurance policies, 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 our female employees (98% in fiscal 2010) return to work after taking maternity or childcare leave. In fact, women stay with Epson longer than men, on average (22.4 years for women versus 18.4years for men).

● Parental Leave Trends

Fiscal Year	Individuals Taking Childcare Leave				Individuals Taking Caregiver Leave
	Total[*1]	Women	% of women taking leave[*2]	Men[*3]	
2010	82	64	100%	18 (15)	2
2009	74	53	100%	21 (20)	0
2008	73	62	98%	11 (10)	4
2007	77	70	100%	7 (6)	3

[1] Includes individuals who took well-being leave
[2] Number of individuals granted childcare leave / eligible* individuals.
* Individuals who have had a child and are eligible for childcare leave
[3] 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 children, provides an environment that allows employees to balance their careers with their personal lives so that they feel comfortable staying with the company. As a result, Seiko Epson was certified for two years in a row by the Nagano Labor Bureau as a company that is implementing policies that benefit the next generation.

In 2010, Epson implemented a number of actions from the action plan that was formulated in 2009. We studied initiatives to enable people to regain skills before returning to work, updated our web page on child-rearing, and instituted a fixed eight-hour workday for people who cannot work overtime. We also ran an on-site day care trial to help employees achieve an even better work-life balance.

We plan on taking a number of other actions by the end of March 2012, such as instituting a second mandatory eight-hour workday each week and letting employees work remotely through telecommuting and satellite offices. Epson intends to roll out these and other actions that help secure a healthy work-life balance.

"Kurumin" certification is granted to companies who support employees with children

Occupational Safety and Health

Occupational safety and health are the bedrock of our business

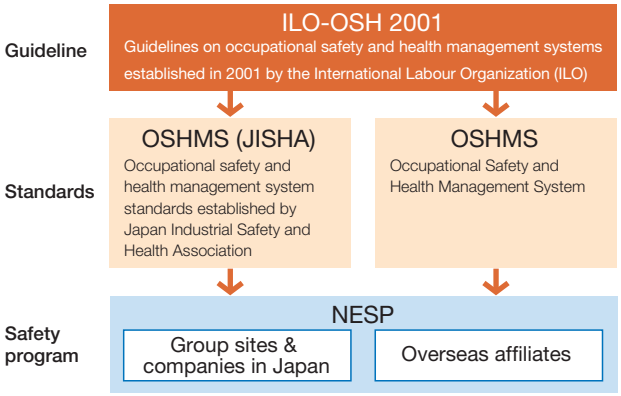
Basic Occupational Health and Safety Policy

Worldwide Hazard Elimination Programs

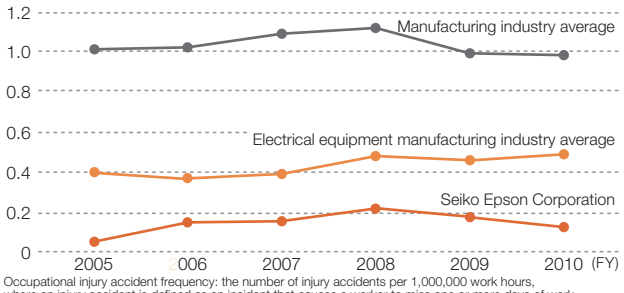
Believing that healthy, dynamic employees and a safe, clean, and secure environment form the bedrock of a strong company, and spurred by the president's declaration that safety, security, and health are the lifeblood of the company, Epson introduced an occupational safety and health management program called "NESP" (for "New Epson Safety & Health Program") in fiscal 2000.

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 organization.

● 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 Accidents Overseas

All Epson manufacturing sites around the globe have introduced NESP activities as the core component of their efforts to eliminate industrial equipment accidents and occupational injury accidents.

Epson Telford Ltd. ("ETL") of the U.K. provides its managers and supervisors with internal training via an Institution of Occupational Safety and Health (IOSH) certified safety management course. Says one course-taker, Michael Brooks (shown on in the back-right of the photo), "The course gave me a better understanding of the importance and role of health and safety management within organizations. As a manager, I have to lead by example."

Certificate granted at end of safety manager course (U.K.)

Epson Toyocom Malaysia Sdn. Bhd. (ETMY) raises employee awareness of safety by holding a "Health and Safety Fair" at which visitors can experience simulated disasters. Said one fair-goer, Ahmad Danial Kumar bin Abdullah, "This kind of activity is valuable as a way to remind people of the importance of health and safety."

Health and safety fair (Malaysia)

Epson Group companies also undergo third-party safety assessments and have received OSHMS certification.

Third-Party OSHMS Certification

● Domestic Production Sites (Sites)

Production Sites by Region		JISHA OSHMS certifications acquired
Hokkaido/Tohoku	4	4
Shinshu	10	10
Kanto	1	1
Western Japan	2	2

● Overseas Production Sites (Sites)

Overseas Production Sites		OSHMS certifications acquired
Europe	1	1
Asia	19	5
North America	4	0
South America	1	0

Fire and Disaster Prevention

Preserving Safety, Security, and Trust

Epson's independent fire brigades help to prevent disasters, protect ourselves, our property, and our jobs, and maintain the trust of communities in which we operate. Every August 31st, on "Epson Disaster Prevention Day," all Epson Group companies in Japan conduct fire and disaster drills. As part of these drills, we test our emergency communication systems, which we have in place to confirm employee safety and determine the extent of damage in the event of a disaster.

Fire brigade competition (Japan)

Fire extinguisher practice (Malaysia)

Maintaining Mental and Physical Wellbeing

"Healthy Epson 21" Revised

Introduced in 2001, "Healthy Epson 21" is a mid- to long-term plan designed to help prevent occupational illness and promote employee health and wellbeing by involving all employees in the creation of a healthful working environment.

However, employees had a hard time understanding the vision and focal points of the plan. So, to redress this problem, we revised the plan in 2010 to provide further clarification, presenting concrete examples of actions individuals can take and actions the company can take in three areas: maintaining health when faced with a heavy workload, lifestyle-related illnesses, and mental wellbeing. Epson will work to this new plan in 2011.

New Mental Health Program

After extensive exploration since fiscal 2009, Epson established, in May 2010, a new employee mental health program that emphasizes prevention.

Since establishing a mental health policy in 2006, Epson has increased employee awareness and knowledge of mental health issues as a result of actions taken over the past three years.

We will continue to expand the program and reduce the number of employees on long-term mental health leave by focusing on prevention. We have also set up seven subcommittees whose mission is to help foster a dynamic workplace climate that is conducive to the growth of rich personal relationships.

Healthy Epson 21 (leaflet)

Organizational 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.

Corporate Governance

Our basic approach to corporate governance is encapsulated in our commitment to sustaining trust-based management. Along with ongoing efforts to increase corporate value, we have initiated a number of practices designed to reinforce management checks and balances and to assure corporate ethics compliance. In so doing, we seek to ensure the transparency and soundness of management in the eyes of our customers, shareholders, employees and other stakeholders.

Epson has a board of directors and a board of auditors. Our ten-member 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 timeframes, and other important issues.

Epson also has outside statutory auditors who offer frank opinions to the board of directors based on a wealth of experience and keen insight, contributing to the transparency and objectivity of decisions made by the directors.

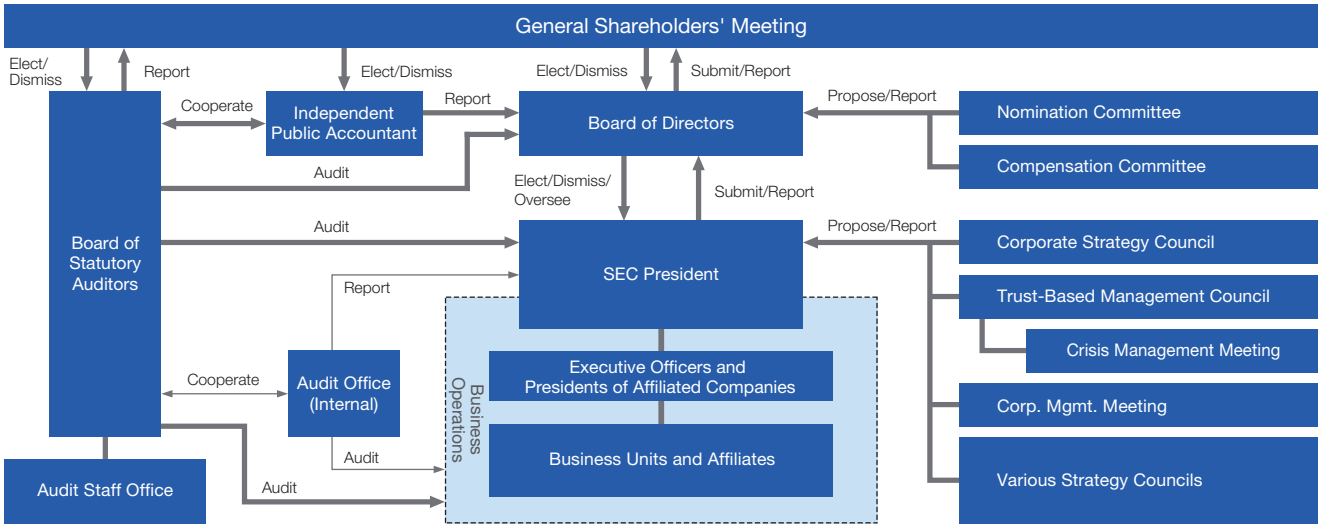
Design of Internal Control System

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 worldwide across the Group. Departments within Epson pursue improvements to internal controls based on the Principles of Corporate Behavior, and these improvements are then 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 Principles of Corporate Behavior is the embodiment of the values that Epson holds dear. It has been translated into 14 languages and is shared as a code of conduct so that Epson can remain a trusted company throughout the world.

Web Principles of Corporate Behavior
http://global.epson.com/company/epson_way/principle/

● Epson's System of Corporate Governance



Risk Management

As part of its risk management, Epson has established a crisis management program that provides a crisis management system to handle major risks that could have a material impact on the management of the Group. The program also spells out a swift initial response to be led by the president in the event of a devastating earthquake or other major disaster.

Basic Approach

Epson works to prevent and manage risks that would have a major impact on management of the Group in order to maintain its trust-based management.
We have built a company-wide crisis management response system to deal with our changing business structure and operating environment. This system is designed to prevent crises and to minimize damage should one materialize.

Action Guidelines

When a crisis occurs,

1. leverage the collective strength of management in the response; and
2. overcome internal theories and respond with an awareness of corporate social responsibility.

To prevent a crisis,

1. flexibly revise the response system to preempt any changes; and
2. have all departments be responsible for maintaining a state of constant readiness.

Earthquake and Tsunami

The earthquake and tsunami that occurred in Japan in March 2011 damaged several Epson business sites. These include Epson Toyocom Corporation's Fukushima Plant near the epicenter, Epson Atmix Corporation located on the Pacific coast in Hachinohe City of Aomori Prefecture, and Tohoku Epson Corporation and Akita Epson Corporation on the Sea of Japan side of the country.

Immediately after the disaster occurred, Epson launched the Central Disaster Task Force, headed by the president, at its head office in accordance with the crisis management program. The task force served as the administrative office for the crisis management committee, which consists of high-level managers such as the head of the trust-based management department, and was composed of corporate departments with specialized skills needed in the response such as human resources, general affairs, public relations, production planning, safety, and environment. After gathering and analyzing information on the damage in each of the affected regions and business sites, the task force studied and decided the best plan of action and quickly moved to implement it.

In the first stage of the response, we dedicated all resources to verifying and ensuring the safety of employees and their families. We then built an organization aimed at sustaining and recovering operations at the damaged sites and began working with the related operations divisions and Group companies.

Two months after the disaster, the damaged sites shifted from the initial response into recovery. By this point, issues that still needed work were clear as was the system for following up on them, so on May 25 we terminated the Central Disaster Task Force and launched a recovery and support organization at the head office. The recovery and support organization, with the president as its top official, set up administrative offices in the production planning and trust-based management departments and created teams of the relevant corporate departments that are addressing the remaining issues.

Compliance Management

In December 2006, Epson faced allegations of involvement in a LCD price-fixing cartel from antitrust authorities in the United States. Epson reached a settlement in August 2009 in which it agreed to pay a fine.

Using this incident as a learning experience, Epson has taken a number of steps throughout the Group to prevent a recurrence. First, we established Group-wide regulations and standards on compliance with antitrust laws and strengthened the organizations involved. We also have ongoing training sessions aimed at executive management, operations divisions, and Group companies to promote understanding of antitrust laws.

Going forward, we will roll out similar sessions at overseas companies in addition to those in Japan.

J-SOX Compliance

Our long-standing commitment to CSR is reflected in our efforts to comply with applicable laws and regulations and maintain the trust of the community. We believe that compliance with J-SOX includes not only legal compliance but also the development of infrastructure to mitigate risks and strengthen our corporate foundations.

Although the J-SOX Act (Financial Instruments and Exchange Act) is a Japanese law, the global reach of Epson's business activities means that we apply the same approach overseas. We have overcome language and cultural barriers to vigorously engage in activities to strengthen our corporate foundations as a Group.

Epson uses an autonomous distributed implementation system in which each organization unit (Head Office, operations division, subsidiary, or affiliate) takes responsibility for building, operating, assessing, reporting on, and improving (PDCA) its internal controls. Organization units are evaluated by an evaluator selected from within their ranks. We have been using this system of evaluation since the first year of J-SOX to encourage workplace-driven compliance.

In the three years since J-SOX came into effect, J-SOX activities have started to become part of the workplace culture and we have had the following successes with our internal control activities.

1. We rebuilt our global system of internal control.
2. We increased awareness of internal control at the operational department level by using an autonomous distributed implementation system.

These accomplishments enabled us to ensure a certain level of reliability in our consolidated financial reporting for fiscal 2010.

A J-SOX evaluation

Trainer program for overseas employees

Security at Epson

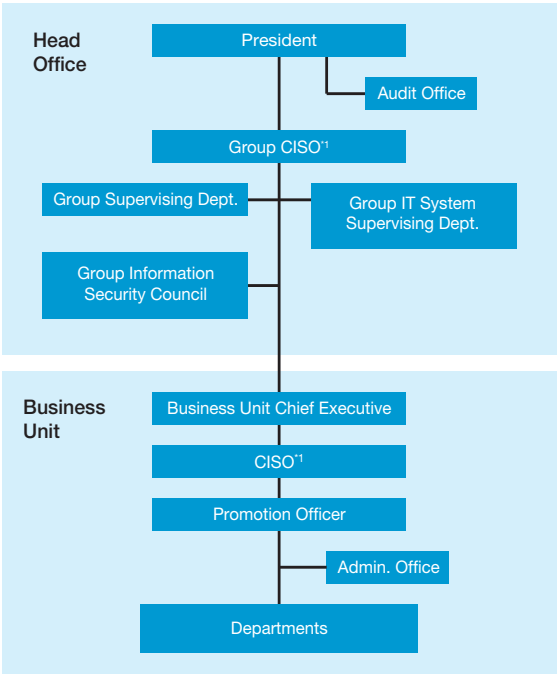
Epson's Basic Information Security Policy, established based on the company's Principles of Corporate Behavior, describes our approach to information security and the requirements that we must satisfy. The policy calls for each and every member of Epson to recognize the importance of information security, exercise effective governance, and build information security into the corporate culture so that Epson maintains its trustworthy reputation in information security.

Information Security Governance and Management

In 2010, Epson continued augmenting information security-related systems and providing related training. Self-checks on the soundness of information security were conducted at 14 business sites and 11 were audited internally. We also conducted group audits, which evaluate and give advice on the design and operation of controls, at two business sites to ensure that their risk management for information security was functioning effectively. Senior information security managers held five meetings, where they worked to deploy initiatives across the organization and track the progress of those efforts.

Information security regulations and standards underwent their first major revision since 2008 to reflect changes in the internal and external environment.

● Information Security Organization



[1] Chief Information Security Officer

July is 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 group readings of our information security & personal data protection guidelines and warnings to employees about the risk of virus infection via USB memory devices. Epson also gathers examples of near misses in information security and incorporates that information into future initiatives.

Training efforts included an online training program taken by some 20,000 managers and general employees, as well as the continuation of training aimed at managers.

IT System Security Initiatives

Epson has begun looking into building a new office platform that will provide a consistent and secure user experience on PCs and IT systems in the office. We also built a framework to support document management and began pilot operations in some divisions.

Epson Sales Japan Corporation acquired ISMS (information security management system) for the first time while our certified data centers, Business System Operations Division and Epson Toyocom Systems renewed their certifications.

Personal Data Protection Initiatives

Epson also continued its efforts in the protection of personal data, conducting internal audits in eight departments. In addition, our three PrivacyMark-certified sales companies in Japan renewed their certifications.

Physical Security

In 2007 Epson launched a Group-wide project to improve the level of physical security. This involved various actions aimed at boosting physical security in order to protect people and corporate assets. After achieving the level of security required of global corporations at its main business sites and reaching certain milestones, Epson decided to draw the four-year project to a close in 2010 and continue the actions as a part of normal operations in general affairs departments.

In 2010, we conducted the following activities to strengthen physical security at all Group companies in Japan.

- At the Epson Osaka Building, we performed a risk assessment on physical security and installed a new security system that uses an ID card with an embedded microchip (G3-ID card).
- At the Epson Imaging Devices Corporation Toyoshina Plant (currently Epson's Toyoshina Plant) and Akita Epson Corporation, we issued new G3-ID cards and installed a security system to use them.
- At Epson Atmix Corporation, we strengthened the gates and the perimeter fence to prevent entry by unauthorized persons, established a new security booth, and stepped up inspections of entry authorization.
- At Epson's Chitose, Suwa-Minami, Matsumoto, Hino, Matsushima, and Sakata Plants and at Epson Toyocom Corporation's Ina Plant, we strengthened security further by expanding the use of the G3-ID card-based security system.
- In addition to these enhancements to security hardware and systems, we also strengthened operational controls by prohibiting visitors from entering buildings and moving around on their own.

New security booth at Epson Atmix Corporation

Protection of Intellectual Property

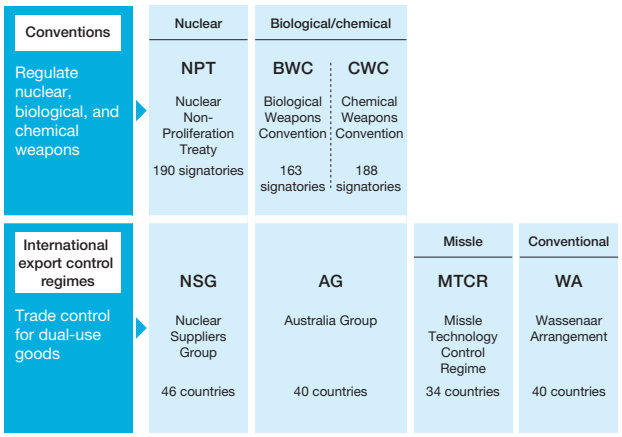
One way that Epson practices trust-based management is by fully respecting the rights of third parties in the conduct of business. At the same time, to protect its legitimate rights, Epson takes legal action against the unauthorized use of patent, trademark, and other ownership rights.

International Trade Control Framework

Epson is a global company with manufacturing and sales sites in various countries and regions. We also have business partners located throughout the world. With such wide-ranging trade operations, it is important to have systems in place that can smoothly handle the "create, produce and deliver" business value chain.

Various trade control conventions and regimes have been built to maintain peace and security in the international community and to ensure smooth delivery of goods and services. Based on these accords, Japan established the Foreign Exchange and Foreign Trade Act for security trade controls and the Customs Act for import and export control. As a member of the international community, Epson implements trade controls to comply with these laws and regulations and to ensure smooth trade.

● International Export Control Conventions & Regimes



The key points in security trade control are

1. determining whether the goods or technologies are subject to export controls;
2. screening transactions to determine whether the export destination or the end user are subject to export controls;
3. in the shipping stage, confirming that the previous two steps are complete, that any necessary export permits have been obtained, and that the goods match the shipping documents.

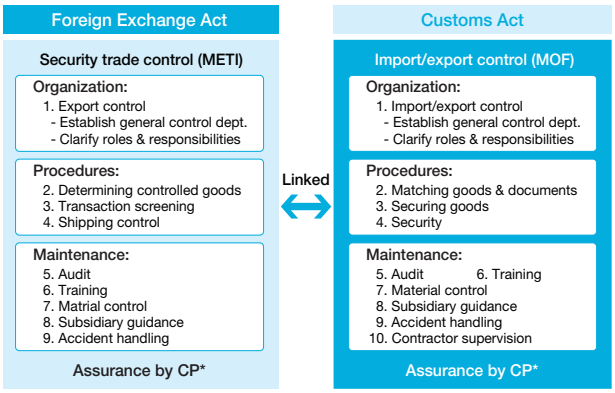
The key points in import and export control are

1. verifying that the goods match the shipping documents;
2. ensuring that the goods remain secure in storage and in transit so that no goods are removed, switched, or used to hide illegal items;
3. building a security environment that deters internal and external fraud and prevents unauthorized use of goods and customer data.

The key points both in security trade control and in import and export control are

1. building a control system that includes a general control department;
2. systematic training and awareness-building;
3. internal audits.

● Legally Mandated Trade Control



* Compliance Program

Epson Initiatives

Epson takes a comprehensive approach to security trade control and has received a General Bulk Export License from Japan's Ministry of Economy, Trade, and Industry. We have also been certified as an authorized exporter by Japan Customs under the Authorized Economic Operator program. We pursue similar initiatives overseas. Epson Portland Inc. (EPI), Epson America, Inc. (EAI), and Epson El Paso, Inc. (EEI) have been certified as partner companies in the Customs-Trade Partnership Against Terrorism (C-TPAT) program and are given preferential treatment in customs inspections when declaring imported goods.

After September 11, 2001, the international community made a decision to work together to stop the proliferation of weapons of mass destruction and prevent consumer devices and technologies from being used in weapons. Advanced economies along with ASEAN countries, South Korea, and other countries began drafting and enacting laws on the control of strategic goods. In light of the spread of such international regulations, Epson will share trade control guidelines and techniques developed in Japan with the rest of the Group to ensure that products are delivered to our customers without impediment.

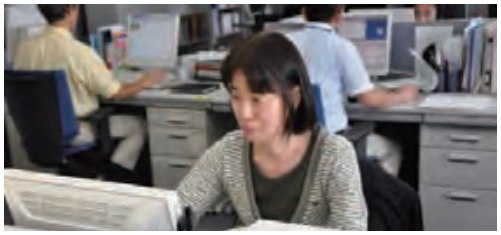
In-House Customs Clearance

Epson's trade management department has been performing in-house customs clearance since 2010 based on our Authorized Exporter certification. After receiving an outstanding evaluation from customs on our level of compliance and security, we were able to shift customs clearance duties from a contractor to in-house operations.

Specific points of control in trade management are divided amongst various departments in the business value chain. Customs clearance, the final step in the export process, serves as an independent check function over the value chain by checking whether the goods being exported are subject to export controls and verifying that the goods match the items in the declaration. Any errors found in a declaration are promptly corrected and communicated to the relevant departments to prevent future occurrences.

Currently, all general goods are processed in-house. In 2010, the number of errors found and corrections made in the clearance stage dropped to less than one third of the number two years prior. Our current level of quality and risk management is higher than when the operations were contracted out. We have expanded the use of in-house customs clearance within the Group and Epson Toyocom Corporation also completely shifted to in-house clearance in 2010.

Futami Sato, the leader of in-house customs clearance in the trade management department, says, "I have to be careful so no mistakes are made in the customs declarations. I have to handle a lot of declarations in a short time due to tight export schedules, but the importance of the work keeps me motivated."



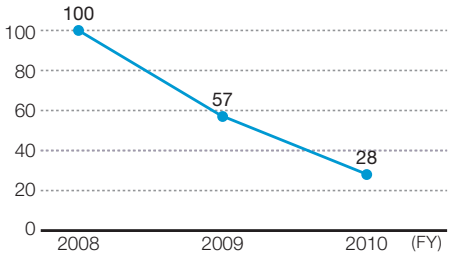
Futami Sato handles in-house customs clearance

C-TPAT Verification by U.S. Customs

Epson America, Inc. (EAI), one of our affiliates in the U.S., is a certified C-TPAT partner company. After certification, security controls at partner companies are periodically validated by U.S. Customs and Border Protection. EAI and P.T. Indonesia Epson Industry (IEI), an Epson manufacturing site in Asia, working with the trade management department, went through the validation process in April 2011.

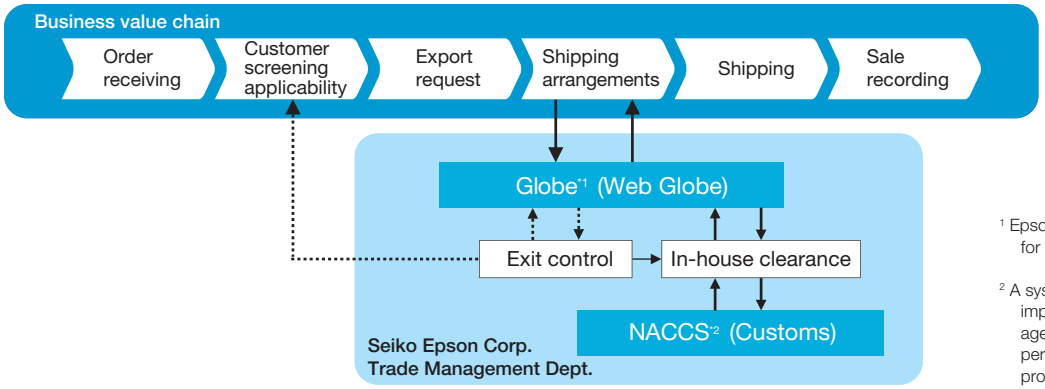
C-TPAT Verification

● Corrections During Customs Clearance



* As a percentage of normalized 2008 filings

● Business Value Chain and In-House Customs Clearance



[1] Epson's export and shipping system for performing export procedures

[2] A system that lets Japan Customs, import/export-related governmental agencies, and private industries perform import/export-related processing online

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. We also believe that part of our responsibility is not only to deliver quality products but also to make sure that the manufacturing process for our products and services maintains a suitable level of human rights, labor standards, and environmental preservation. This underscores the importance of working with our suppliers on CSR activities.

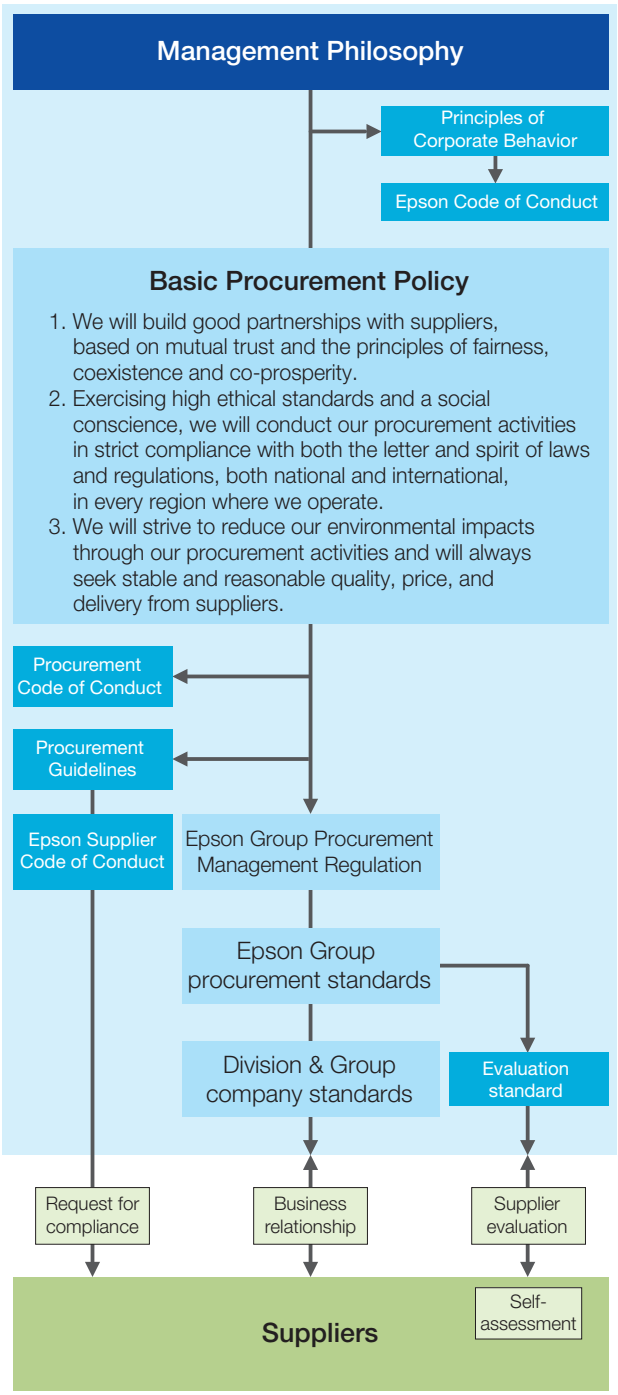
These partnerships are the roots that allow Epson to grow in harmony with the local and international communities. This is why we select our suppliers from companies that excel in terms of technology, quality, price, delivery, stability, and social engagement.

Procurement Policy and 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 and forced labor, respect for human rights, environment preservation, and health and safety.

Stakeholders are taking an increasing interest in how we take overall responsibility for human rights, labor standards, and environmental preservation in our supply chain. Epson established the Epson Supplier Code of Conduct in conformance with the Electric Industry Code of Conduct (EICC) under the belief that suppliers involved with Epson products and services need to maintain an equivalent standard of conduct.

● Procurement System

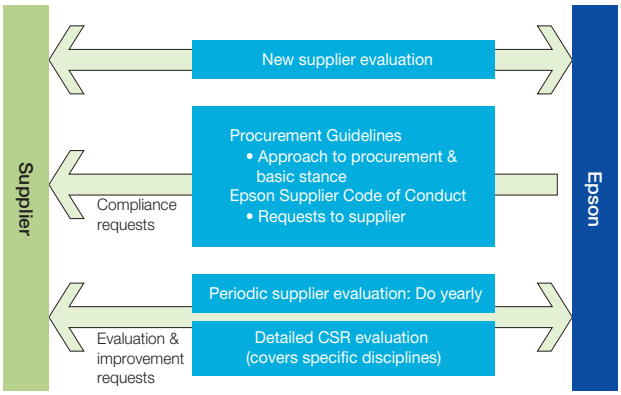


Sustainable Procurement Initiatives

As part of its sustainable procurement initiatives, Epson conducts periodic supplier evaluations every year to assess the quality and delivery management systems at suppliers and to check the kinds of CSR activities taking place. In 2010, we asked 1,200 companies to conduct self-checks and performed on-site checks at nearly 100 of them.

We also conduct detailed CSR evaluations as necessary and practice CSR activities in the supply chain. Between 2008 and 2010, our main business units asked 374 suppliers to conduct self-assessments and received responses from 362 of them (a response rate of 97%). We then performed on-site audits at 130 of the suppliers that responded and requested improvements for any nonconformances that were found. The training program we put together to teach eligible employees how to perform the evaluation has been completed by a total of 317 people.

● Supplier Evaluation Framework



● Periodic Supplier Evaluation

Evaluation items

1. Management in general: Stability of management
2. Labor & ethics: Labor management & corporate ethics initiatives
3. Health & safety: Health & safety initiatives
4. Environmental performance: Efforts to mitigate environmental impacts
5. Quality: Efforts to improve quality
6. Cost: Efforts to reduce prices
7. Delivery: Efforts to meet deadlines

Compliance Management Initiatives

Unethical actions or violation of laws or company regulations in procurement activities would result in the loss of trust built up over the years and cause serious damage to the entire company.

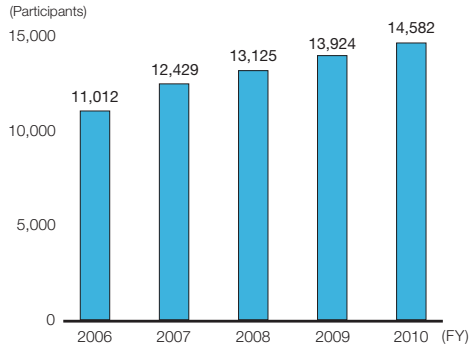
Compliance management is a core part of Epson's business activities. We perform continuous in-house training and internal audits based on company regulations to ensure that our procurement activities comply with laws, regulations, and social norms worldwide and that they respect fair and open competition.

Training to Ensure Fair Business Dealings

Epson defines every October as Trust-Based Management Month. As part of this event, every employee participated in two online training programs to ensure a minimum level of procurement knowledge. In addition, our company regulations require all procurement staff and decision-makers involved in negotiating prices with suppliers to take procurement and compliance management training. So far, nearly 14,500 employees have been certified.

We believe that these kinds of training programs teach employees the importance of self-driven compliance management and foster a workplace culture of self-discipline. This, in turn, leads to procurement activities that earn trust from stakeholders.

● Procurement Staff Certification Training



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 local community-based activities in all the countries of the world in which we operate.

Epson is changing the direction of its corporate citizenship activities from a "virtue" to a "strategy." In other words, we are updating our corporate citizenship activities according to the times by making contributions using the, technologies, knowledge, and human resources that support our businesses in addition to financial and monetary support.

Philosophy for Philanthropy and Giving

(Established March 2004)

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

FY2010 Activity Highlights

In 2010, among our five priority areas of engagement, we were particularly active in education for young people. Epson's corporate citizenship expenditures totaled nearly 650 million yen.

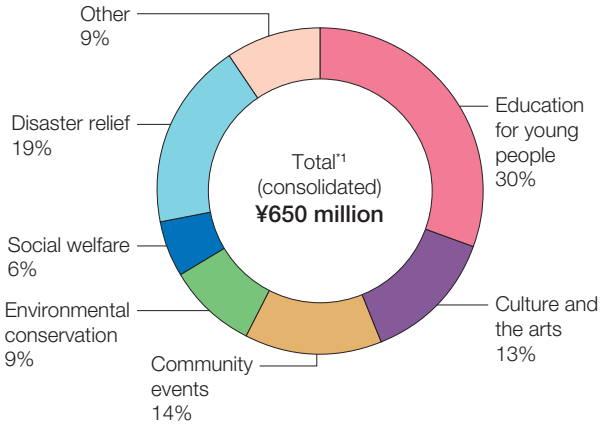
As a good corporate citizen, Epson will continue to seek harmonious coexistence with society and strive to build a better world through a wide range of supporting programs that engage local communities.

Education for young people
Epson Green Next-Generation Environmental Protection Education (China)

Corporate Citizenship Expenditures

Five Areas of Priority

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



[1] Includes the monetary equivalent of human and material assistance.

Earthquake Assistance

Epson has engaged in various forms of support to help the recovery of people affected by the earthquake and tsunami that struck on March 11, 2011.

- Relief Money
  Epson donated 100 million yen to the Japanese Red Cross Society to help with rebuilding.

Helping through Our Business

- Support for Photo Restoration Project
  Epson believes it can provide emotional support by helping people get back photos that were damaged in the disaster. We are providing printers, scanners, computers, ink, and paper to a project aimed at restoring mud- or water-damaged photographs to their original state. The project is run by the Japan Society for Social Service and includes students from various Japanese universities.

A student volunteer helps restore photos

- Helping Print Disaster Area Maps
  Epson donated large-format printers to disaster volunteer centers through Japan's National Research Institute for Earth Science and Disaster Prevention. Maps and satellite photos of local areas are printed to share information on damage and to help plan recovery efforts.
- Donating Epson Products to Shelters
  Working with local governments in the affected areas, Epson donated sets of Epson products and laptop computers to emergency shelters in those regions. Each set includes a projector, a computer with a TV tuner, and a projector screen. These donations will help the people affected by the disaster gather information, watch movies, and more.
- Discount Repairs for Epson Products
  Epson is providing free labor and discounted parts for repairs of products that were damaged by the earthquake or tsunami.

Epson also organized an employee fundraising drive and will continue to provide support for the affected areas according to the needs on the ground.

Education for Young People

Educational Support Project (Chile)

Epson Chile, S.A. (ECSA) offers various kinds of educational support to a school located in La Ensenada, a small rural town in the Los Lagos Region of southern Chile. This support allowed the school to meet certain requirements established by the government and thus receive government aid. A scholarship program was also created to help the best students continue their education at a high-level school. The school, which has grown to 180 students, is recognized as the only public school in the region where students have the opportunity to use IT equipment.

Esucuela Rural Epson Ensenada, an Epson-supported school

The school has also opened its doors to any parents who want to finish their studies or learn new skills and occupations. In recognition of our efforts, the school added Epson to its name and the local community feels very close to the company.

According to Barbara Ibarra, the ECSA customer satisfaction specialist, "ECSA launched the educational support program in 1985 after we saw the state of the school when we were searching for a place to hold a distributor meeting. This support program is meaningful because it helps children succeed in the future."

Barbara Ibarra
Customer Satisfaction, ECSA

Guest Lecturer at SE Gakuen (Japan)

SE Gakuen is an information science college established by Epson in 1989 to provide a place for high school graduates to learn the skills needed by regional businesses. In November 2010, an employee with disabilities from Epson Mizube Corporation taught a class on universal design (UD) at the school. This gave students the opportunity to develop a deeper understanding of UD and acquire useful knowledge for the future.

Special lesson on universal design

Epson Scholarship Foundations (Hong Kong, Japan, South Korea)

Epson's foundations aim to promote education, technology, and culture, to engage in environmental activities, and to contribute to the development of local communities.

In 1990, we established a foundation in Hong Kong that provides scholarships to students and carries out activities such as disaster relief. It also aims to protect the environment by working with environmental groups and by holding environmentally-themed photography exhibitions.

Then in 1997, we established a foundation in Japan to promote human resource development, education, and science in Asia and to help foster development and positive relations between Japan and the rest of Asia. The foundation also provides scholarships to students from Asian countries and helps fund educational, technological, and cultural exchange programs.

South Korean scholarship award ceremony

Two years later in 1999, Epson established a foundation in South Korea that offers support for youth research and exchange programs in South Korea and overseas, funds scholarships for junior and senior high school students, and provides computers and other equipment for learning.

Culture and the Arts

Saito Kinen Orchestra (Japan)

Epson has helped sponsor the Saito Kinen Orchestra since 1989 as part of our patronage of music and the arts in Japan. We are also a special corporate sponsor of the Saito Kinen Festival Matsumoto, held annually in Matsumoto City since 1992. In 2009, the festival began holding concerts by up-and-coming performers for students from elementary and special needs schools in Nagano. These concerts offer the students a rare and valuable opportunity to experience a live orchestra and to develop an interest in classical music.

Saito Kinen Festival Matsumoto

Community Events

Snow Removal Volunteers for the Elderly (Japan)

Every year, Akita Epson Corporation employees form a team of snow removal volunteers who help elderly people living alone remove the snow on and around their houses.

This past winter marked the eighth year of the activity. Yuzawa City, where Akita Epson is located, has a lot of snowfall even for Akita Prefecture and removing the snow is physically demanding work. The twelve employees who volunteered in January 2011 talked about the sense of achievement and satisfaction they felt when they finished. The record snowfall in 2011 had the elderly eagerly awaiting the team's mobilization. This team of snow removal volunteers is just one way that Akita Epson aims to earn the trust of the community.

Volunteers battle the heavy snowfall

Local Cleanup Activities (Worldwide)

Epson offices around the world help keep communities clean with local cleanup activities. These activities also serve to foster a corporate culture where employees actively participate in local events as members of the community.

Road Warrior cleanup activities (U.S.)

Mangrove Ecological Reserve cleanup (China)

Environmental Conservation

Donations for Cartridges (Europe, Japan)

Epson runs various programs throughout the world in which donations are given to environmental and charitable organizations based on the volume of ink and toner cartridges that are returned.

In Europe, Epson France S.A. (EFS), Epson Iberica, S.A. (EIB), and Epson (U.K.) Ltd. (EUL) run programs in which one euro in France and Spain and one pound in the U.K. is donated to the local chapter of the Red Cross for each toner cartridge that is returned.

In Japan, six printer manufacturers launched the "Ink Cartridge Homecoming Project" in April 2008 together with post offices across Japan. For every ink cartridge collected since April 2010, we donate three yen to the United Nations Environment Programme (UNEP). We also give donations to the Nature Conservation Society of Japan and to the Organization for Industrial, Spiritual and Cultural Advancement (OISCA) through our used cartridge collection service.

Tree-Planting Activities (Worldwide)

Epson employees around the world are contributing to the prevention of global warming and the preservation of biodiversity through tree-planting activities in various regions worldwide.

Carbon Trading Model Forest Project (China)

Reforestation on Mt. Palay (Philippines)

Region	Main Activities
China	• Carbon Trading Model Forest Project • Tree-planting at Shenzhen Zhongshan Park • Tree-planting at Mt. Longmen in Fuzhou
Philippines	• Mt. Makiling Reforestation Project (details on p. 38) • Reforestation activity on Mt. Palay
Indonesia	• Tree-planting activity on Kalimantan
Portugal	• Gardunha Verde Project
Japan	• Jinguji 100-Year Forest Project (details on p. 38)

Social Welfare

Employee Volunteer Program (Taiwan)

Epson Taiwan Technology & Trading Ltd. (ETT) employees formed a volunteer club in 2009. The club engages in activities such as taking special needs children and their families to science museums and providing sales support for used goods shops that employ people with disabilities. In 2010, a total of 174 employees participated in the program. Working and learning together was a good experience for everyone.

ETT also added a day of paid volunteer leave in 2010 so employees can now take two days off to participate in volunteer activities. ETT uses its internal web site to let employees know about volunteer activities.

Visit to science museum with special needs children

Charity Marathons and Walks (Worldwide)

Epson participates in charity marathons and walks across the globe as a way to contribute to society through employee engagement.

- In October 2010, Epson Portland Inc. (EPI) participated in Race for the Cure, an event designed to promote awareness of breast cancer.
- In the same month, Philippines Epson Optical (PEO) joined in Run for the Pasig River. This event serves to protect the rivers of Manila from pollution.
- Epson Group companies in Japan agreed to make matching contributions to social causes for employees who participate in the Lake Suwa Walk and Suwako Marathon.

Hospice Fundraising (U.K.)

Every month, employees at Epson Telford Ltd. (ETL) pool their loose change and donate it to hospice. Based on a desire to be socially engaged in some way, over 130 employees contribute to the fund, which goes to Severn Hospice, an independent charity in the U.K.

Communication

Deepening trusted relationships through constructive communication

Approach to Communication

Communication serves as a vital bridge to our various stakeholders, including customers, shareholders, investors, governments, communities, NGOs and NPOs, media outlets, suppliers, students, and employees. With its global business presence, Epson established a Global Communications Standard in 1998 to bridge cultural differences and to deliver communication activities that are trusted throughout the world. As a progressive company that upholds the ethical standards of the international community, Epson's communication programs go beyond legal compliance to ensure the timely delivery of information on our activities and initiatives, even if it is of a negative nature. We actively communicate with our stakeholders both directly and through the mass media.

Shareholders and Investors

At Epson, we treat the General Shareholders' Meeting as an excellent opportunity to directly communicate with our shareholders. At the 68th annual meeting in 2010, President Minoru Usui delivered a progress report on the first year of our SE15 Long-Range Corporate Vision and detailed our initiatives for the second year.

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

68th Annual General Shareholders' Meeting

External Organizations

As a member of the Nagano Employers' Association, Epson is actively involved in the association's activities. As part of our involvement, we cooperate with the manager training course offered by the association. The manager training course is a basic education and training program designed to rethink the role of individuals and organizations from the viewpoint that professional development is indispensable to improving the productivity of an organization. The program, in its 48th year in 2010, covers various topics over the course of six months and has a curriculum that includes practical skills. The nearly 2,000 people who have completed the course were able to form bonds that will serve as valuable assets in the future.

Members had long been asking to tour other companies and increase inter-company dialog. In 2010, we provided an opportunity to learn about our collection and recycling of ink cartridges as an example of an environmental initiative. Epson will continue to support association efforts to provide opportunities for the 620 member companies to learn about the way other companies conduct their business.

Manager training course at Kanbayashi Plant (recycling site)

Communities

Epson organizes events to engage in dialog with the local residents of the communities in which we operate. We strive to build a positive relationship of trust with the community by cultivating a deeper understanding of our environmental initiatives and risk management system.

During 2010, we held such events at ten of our business sites in Japan.

Dialog with local residents

NGOs and NPOs

Epson Deutschland GmbH (EDG) has been a member of Initiative Pro Recycling Paper, a non-governmental organization in Germany, for the past 3 years. In February 2011, the annual general meeting was held at EDG.

An alliance was formed by 23 companies from different industry sectors to promote the acceptance of recycled paper. The initiative closely cooperates with key institutions like the Federal Environment Agency and consumer and environmental protection organizations, and also serves as a contact point and the driving force behind actions. During the eight years since its formation, the Initiative managed to put the topic of recycled paper back on the media's radar and raise its public profile.

Members of Initiative Pro Recycling Paper

Media

Every year, Epson invites members of the media from around the world to its Head Office and business sites in Japan. In November 2010, we invited over 30 journalists from Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, and Taiwan for a press tour where President Usui talked about his experiences as the project leader for the Micro Piezo technology that became one of Epson's core technologies, and how 20 years ago it led to the commercial launch of the first inkjet printer.

The visiting journalists were able to deepen their understanding of how Micro Piezo has become the foundation of our wide range of products, our business domains, and our latest technologies.

Journalists listen to President Usui

Suppliers

Epson considers its suppliers to be important business partners. We strive to build trust by solving problems and sharing objectives through meetings and dialog. Our divisions and overseas manufacturing sites periodically hold procurement policy meetings to explain our business plans and procurement policies and to ask for cooperation in bringing them to fruition.

Students

Epson's Monozukuri-Juku (Manufacturing School) facilitates communication by holding watch assembly workshops and work-study programs for local elementary and junior high school students, and by providing practical courses on manufacturing for senior high school students and teachers.

One of the high school students who took the course commented on the concentration required to keep the file level when filing a surface. He was impressed by how easily the instructor could tell which part was not level and said that he wanted to attain that level of proficiency in something.

High school students get hands-on experience

Other Stakeholders

The Arts

Epson holds various digital imaging contests to support the creative efforts of photographers and users across the globe.

Epson Australia Pty. Ltd. (EAL) holds the Epson International Pano Awards.

Web http://www.thepanoawards.com/

Epson Europe B.V. (EEB) holds the Epson Red Sea competition.

Web http://www.eilatredsea.com/

In Japan, Seiko Epson Corporation organized the Color Imaging Exhibition 2010. Prize-winning art from the contests held in India, Indonesia, China, Malaysia, and Taiwan were exhibited in Japan to introduce the diversity of the various countries and regions. This year's exhibition was cancelled due to the March 11 earthquake, so the prize-winning works have been posted on our global website.

Web http://global.epson.com/SR/community/citizenship/exhibition.html

External Websites

In April 2011, Epson finished updating almost all of its external websites worldwide based on a new global design template. The template is designed to enhance the user experience and make it easier for users to find the information they are looking for.

In rolling out the redesign, we analyzed the needs and browsing habits of our customers and positioned the menus and content according to the preferences of customers in each region. Here are some of the improvements that were made:

Globally unified design

- We established rules on basic design and logos to ensure a consistent brand image and better usability.
- We improved accessibility with globally unified images and icons.
- We designed the menu structure to incorporate regional characteristics and respond to customer needs.

Manufacturing Museum

This museum is dedicated to teaching visitors about Epson's roots and how it grew into the company it is today. Notable products from the time of the company's founding are on display, including several world firsts. Over 11,000 customers have visited the museum since its opening in May 2004.


Manufacturing Museum

Employees

Internal Website

In November 2009, Epson launched an English version of its WorkPlace website to encourage bidirectional communication between employees worldwide and boost productivity. Starting in April 2010, we began using the site to share the thoughts of management, the direction that group management should take, and other important information.

The website is an important tool to ensure that employees worldwide carry out business activities in a way that fosters trust, that they understand and act upon the decisions made by the head office, and that they abide by company regulations and standards.

English version of WorkPlace

Dialog Between the President and Management

The president has been holding roundtable discussions with managers at the business sites of Epson Group companies in Japan to have an open dialog on the Management Philosophy. The discussions began with general managers in 2009 and covered the SE15 Long-Range Corporate Vision.

In 2010, they were expanded to include section managers in order to deepen their understanding of the Management Philosophy so they can hold similar discussions with the members of their workplaces to ensure that all Epson employees share the same values and work as a team to create customer value.


Roundtable discussion

Labor Union

Labor-management conferences are held every month to facilitate communication between managers and employees in Japan. Informal meetings are also held on the business and workplace level to provide a venue for bidirectional communication and to deepen mutual understanding.

Communication in India

With GDP growth between eight and nine percent for the last several years, India is undergoing a dramatic transformation and is on its way to becoming an economic powerhouse. Within this environment, Epson is engaging in active communication with the Indian market to clarify and satisfy customer needs.

Incorporating Indian Culture

Epson India Pvt. Ltd. (EPIL), now located in Bangalore, has been an Epson sales site for nearly 20 years, progressively developing its presence during that time. Sales have been steadily increasing due to efforts in the sales channels and the reliability of the products themselves, but we realized that better direct customer communications was needed to increase visibility of the Epson brand.

At the beginning of 2010, Epson decided to utilize the knowledge and experience of its staff on the ground to develop a comprehensive strategy to expand our business in the increasingly-competitive Indian market and to increase our brand recognition so that customers would start asking for Epson by name. Based on these policies, EPIL focused its mid-range plan on a communication program aimed at finding the voice of the customer.

EPIL Bangalore Office

Brand Communication

In 2010, the first year of the program, EPIL ran an advertising campaign in busy locations to strengthen the Epson brand. With the catchphrase of “See Beyond the Usual,” the campaign was designed to improve brand recognition and to hear the voice of the customer directly.

As part of the campaign, EPIL demonstrated products on a mobile stage and was able to get unfiltered opinions from potential customers. Those ideas are now being used to improve our future products.

Mobile demonstration stage

Sales Channel Communication

EPIL is strengthening programs for its sales channels to deepen their understanding of the features and quality of Epson’s many product families. EPIL builds a relationship of trust with its sales channels by holding regular training sessions and through close communication.


Sales channel program training

Communication with Retailers

In line with the goals of Epson’s communication program, EPIL strives to increase recognition of the Epson brand by providing support for multi-brand retailers. EPIL then certifies the best retailers as Epson Certified Channel Partners and strengthens collaboration with them through even closer communication.

In 2010, EPIL marked its 20th anniversary with impressive sales growth of 25% year-over-year and will continue to enhance the Epson brand in the Indian market by pinpointing customer needs, running active promotions, and rolling out various communication measures.

Mr. Sukumar from EPIL says, “With ambitious plans in place, a continued clear focus on the needs of customers in various segments is of course important, but it will be the careful execution of these multi-level communication activities that will grow the Epson brand in India to 2015 and beyond.”


(Left) T. Sukumar, Finance & Admin & HR Dept Deputy Country Manager, EPIL
(Right) N. Samba Moorthy, Sales & Marketing Dept Senior General Manager, EPIL

Worldwide Recognition (Major Accolades)

Epson makes a wider social contribution by engaging in steady business activities, making information available to the public, and sharing technology and know-how with non-Epson parties. These efforts consistently receive worldwide recognition.

Product and Service Awards	Conferred by	Recipient	Date
TIPA Awards 2010: Best Expert Photo Printer, Best Pro Photo Projector, Best Photo Scanner	Technical Image Press Association	Epson Stylus Pro 3880, Epson EH-TW5500, Epson Perfection V600 Photo	Apr. 2010
Best Proofing Printer of the Year 2010	European Digital Press Association	Epson Stylus Pro WT7900	Apr. 2010
No. 1 in 2010 After-Sales Satisfaction	Nikkei Business Publications, Inc.	Epson Direct Corporation	Jul. 2010
EISA Awards: European Printer 2010–2011	European Imaging and Sound Association	Epson Stylus Pro 3880 (PX-5002 in Japan)	Aug. 2010
Fourth Kids Design Award (Social Kids Support)	Kids Design Association	Epson Printown	Aug. 2010
iF Product Design Award	iF Industrie Forum Design e.V.	Won 6 awards for EH-R4000, EP-803A, and others	Mar. 2011
Environmental Awards			
ASEAN Energy Awards 2010 (photo 1)	ASEAN Centre for Energy	Philippines Epson Optical Inc.	July 2010
2010 DevNet Award	Japan DevNet Association	Epson Group	Oct. 2010
China Green Gold Award (photo 2)	Sohu.com Inc. (Chinese search engine)	Epson (China) Co., Ltd.	Nov. 2010
EcoHiTech Award 2010	Consorzio Ecoqual'it	Epson Italia S.p.A.	Dec. 2010
Named as "Water-Saving Company"	Shenzhen Water Conservation Office	Epson Engineering (Shenzhen) Ltd.	Dec. 2010
Environmental Performance Award	Philippine Economic Zone Authority	Epson Precision (Philippines), Inc.	Mar. 2011
Health and Safety Awards			
Ministry of Health, Labor and Welfare Award for Health and Safety in the Workplace	Japan Ministry of Health, Labor and Welfare	Tohoku Epson Corporation	Jul. 2010
Workplace Safety & Health Performance Silver Award 2010 (photo 3)	Singapore Workplace Safety and Health Council	Singapore Epson Industrial Pte. Ltd.	Jul. 2010
Outstanding Employer Award	Philippine Economic Zone Authority	Philippines Epson Optical Inc.	Mar. 2011
General CSR Awards and Recognition (including SRI)			
Included in Dow Jones Sustainability Index	Dow Jones & Company (U.S.)	Epson Group	Nov. 2010
China Outstanding Corporate Citizen Award	21st Century Network (China)	Epson (China) Co., Ltd.	Dec. 2010
Certified as Silver Class by SAM, a sustainability investing group	SAM (Switzerland)	Epson Group	Feb. 2011
Included in FTSE4GoodGlobal Index	FTSE Group (U.K.)	Epson Group	Mar. 2011
Included in Morningstar Socially Responsible Investment Index	Morningstar, Inc. (Japan)	Epson Group	Apr. 2011
Included in Ethibel Sustainability Index Excellence	Forum Ethibel (Belgium)	Epson Group	May 2011

Dow Jones Sustainability Indexes Member 2009/10 | sam 2010 silver class | FTSE4Good | MS-SRI モーニングスター社会的責任投資株価指数 Morningstar Socially Responsible Investment Index | ETHIBEL PIONEER & EXCELLENCE

(April 2011)

Web FTSE4GoodGlobal Index
http://www.ftse.com/ftse4good/index.jsp

Camera Journal Press Club Award

In May 2011, Epson's PX-5V inkjet printer won the Camera GP2011 Editors Award. This was the first time a printer had won the award since it was established in 1990. The judges praised the PX-5V for its excellent image quality, rich color reproduction, and great usability.

Camera GP Japan 2011
カメラ記者クラブ賞
Editors Award


Photo 1

Photo 2


Photo 3

Thank you for reading Epson Sustainability Report 2011

Epson considers the Sustainability Report to be an important means of communicating with you, our stakeholders. In an effort to further improve our reporting and CSR activities, we ask that you take a few minutes to fill out a survey at website. We appreciate your cooperation.

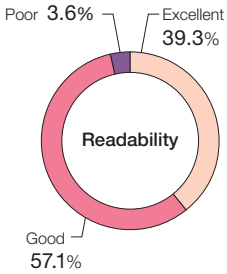
Web Sustainability Report 2011 Survey
https://cform.epson.jp/form5/pub/e042/sr2011_e

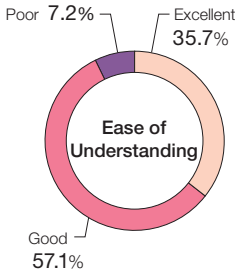
Listening to Our Readers

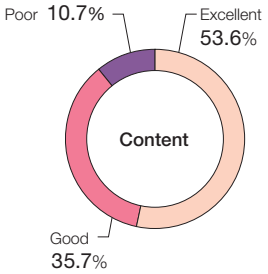
We would like to thank all the people who responded to last year's survey. The results, compiled from responses provided by 337 people, are summarized below.

NOTE: The survey for general stakeholders was different from the one given to employees.

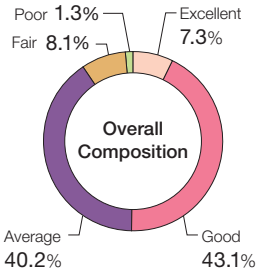
- General Stakeholders

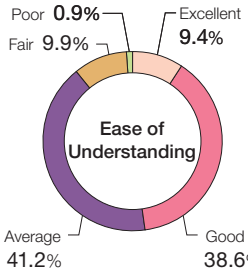


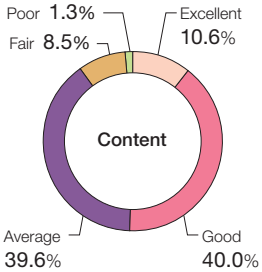




- Employees







Top Comments

- Include more employees in the report.
- Include more global information.
- Include more information on water conservation.
- Take universal design into consideration.
- I could tell that a lot of work went into the Chinese version with region-specific articles.

Main Improvements in Sustainability Report 2011

- We included as many employees as possible in the report.
- We reported on a lot of activities outside of Japan, including in the special features.
- We described specific water recycling (p. 43) and material flow (p. 49) initiatives and talked about the results of such initiatives.
- Photo sizes, graphs, and colors were adjusted in consideration of colorblindness and monochrome printing.

CSR Initiatives

Web Japanese website
http://www.epson.jp/csr/

Web English website
http://global.epson.com/SR/

Web Chinese website
http://www.epson.com.cn/

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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.