

For Our Customers, For Society

Epson Group

**Sustainability Report  
2013**

April 2012 - March 2013

## Management Philosophy

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

### EXCEED YOUR VISION

As Epson employees,  
we always strive to exceed our own vision,  
and to produce results that bring surprise and delight  
to our customers.



.....  
Epson conducts its business activities with the aim of becoming a company that is indispensable to customers and society. These activities are rooted in our Management Philosophy and in the employee mission underpinning the "EXCEED YOUR VISION" tagline.

## Epson Sustainability Report 2013

### Editorial Policy

This report describes Epson's CSR 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 reaffirm a sense of pride in the work they do.

The feature article titled "Epson's DNA" describes how our compact, energy-saving, and high-precision technologies and mind-set, which have taken shape over 70 years in business, live on in our manufacturing and skills development and how they inform our environmental contributions and the creation of customer value. In addition, the "Customer Commitment" section starts the feature articles on the theme of "pursuing customer satisfaction".

## Reporting Period

April 2012 to March 2013

Note: Contains some information on activities conducted after March 2013.

## Scope

This report describes the sustainability efforts of Seiko Epson Corporation and 96 consolidated subsidiaries. The scope of environmental reporting, however, covers Seiko Epson Corporation, 9 affiliates in Japan and 38 affiliates overseas.

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

## Organizational Changes in This Reporting Period

- Addition of one consolidated subsidiary
- Removal of two consolidated subsidiaries

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

 Full year ended March 31, 2013  
[http://global.epson.com/IR/financial\\_results/](http://global.epson.com/IR/financial_results/)

## Referenced Guidelines

- GRI<sup>1</sup> Sustainability Reporting Guidelines v3.1
- Environmental Reporting Guideline issued by the Japanese Ministry of Environment (2012)
- ISO 26000:2010 / JIS Z 26000:2012 (Guidance on social responsibility)

<sup>1</sup> Global Reporting Initiative: This international organization creates global guidelines that organizations can use to measure and report their economic, environmental, and social performance.

## Memberships

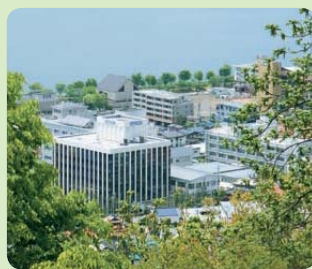
- Global Compact Japan Network
- Life Cycle Assessment Society of Japan
- Japan Portable Rechargeable Battery Recycling Center
- Japan Electronics and Information Technology Industries Association
- Japan Business Machine and Information System Industries Association
- Communications and Information Network Association of Japan
- Japanese Business Federation (Nippon Keidanren)

## Previous Reports

Epson has been publishing a report every year since 1999. In 2003, the name of the report was changed from Environmental Report to Sustainability Report.

## Next Scheduled Report

July 2014



Inquiries about Sustainability Report 2013

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

CSR activity website  
<http://global.epson.com/SR/>

## 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.

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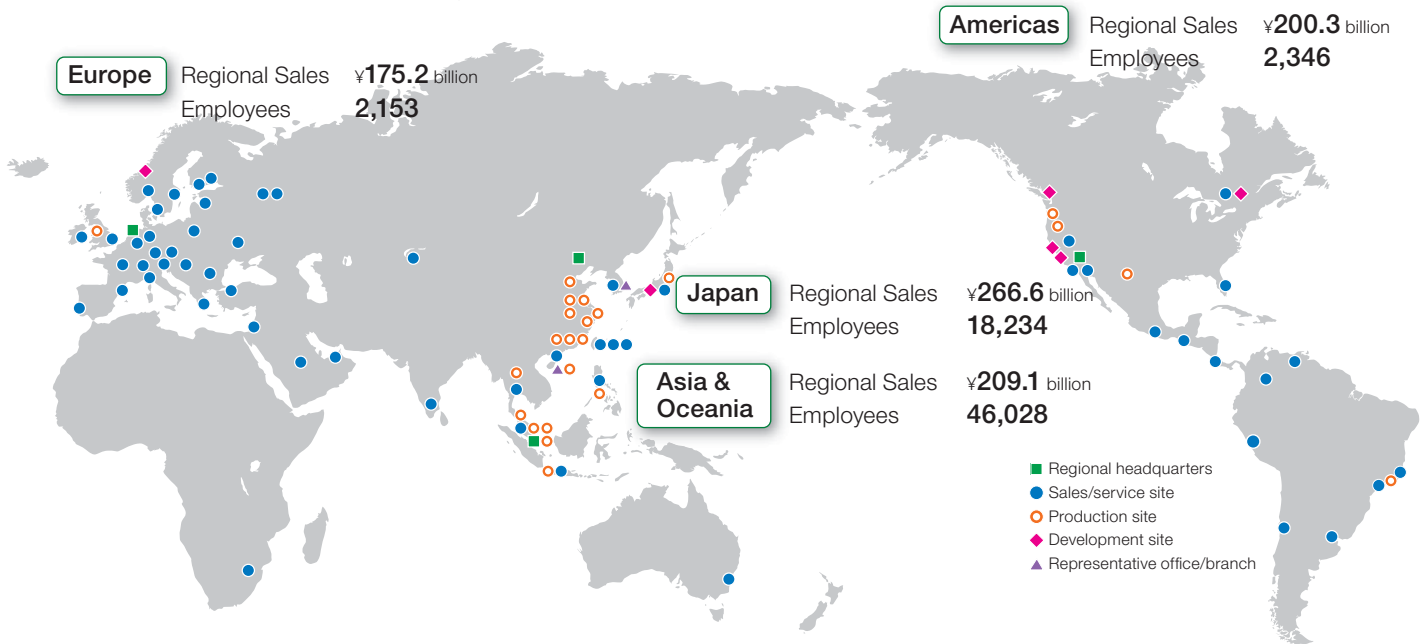
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## Company Profile (As of March 31, 2013)

- **Company** Seiko Epson Corporation
- **Founded** May 18, 1942
- **Head Office** 3-3-5 Owa, Suwa-shi, Nagano-ken, Japan 392-8502
- **Group Companies** 96 (including Seiko Epson Corp.)
- **Capital** ¥53,204 million
- **Number of Employees**  
Consolidated: 68,761  
Parent Company: 11,902

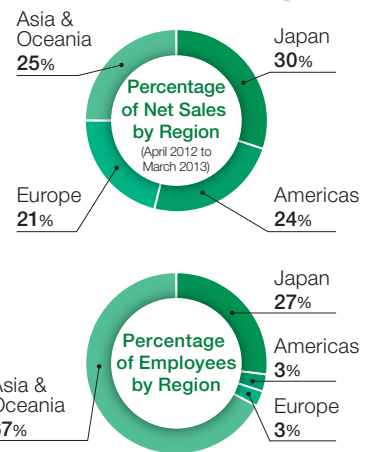


### Affiliates in Japan (20 total)

Epson Sales Japan Corporation  
Epson Direct Corporation  
Tohoku Epson Corporation  
Akita Epson Corporation  
16 others

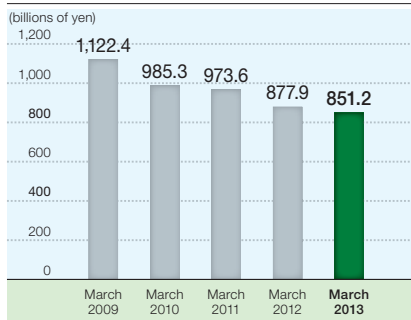
### Affiliates Overseas (75 total)

Epson America, Inc.  
Epson Europe B.V.  
Epson (China) Co., Ltd.  
Epson Singapore Pte. Ltd.  
Epson Engineering (Shenzhen) Ltd.  
Singapore Epson Industrial Pte. Ltd.  
P.T. Indonesia Epson Industry  
Epson Precision (Philippines), Inc.  
67 others

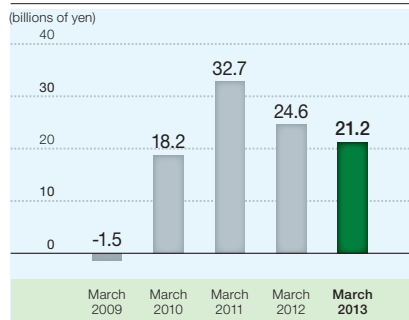


## Consolidated Results Highlights

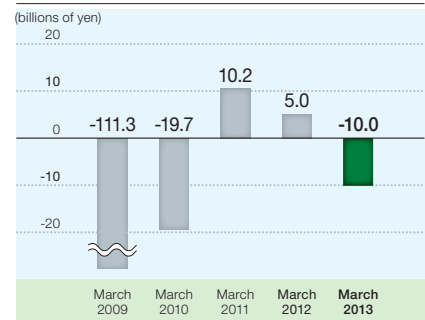
### Net Sales ¥851.2 billion



### Operating Income ¥21.2 billion



### Net Income -¥10.0 billion

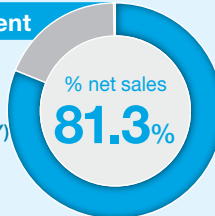


## FY2012 Performance by Business Segment

### Information-Related Equipment Segment

Net Sales: ¥688.0 billion (down 0.5% Y/Y)

Segment Income: ¥52.6 billion (down 18.8% Y/Y)



#### Printer Business

Inkjet printers, page printers, dot-matrix printers, large-format printers, printer consumables, color image scanners, mini-printers, POS systems products, etc.

#### Visual Products Business

3LCD projectors, HTPS TFT LCD for projectors, handheld label printers, etc.

#### Miscellaneous

Personal computers, etc.



Inkjet printers



Business inkjet printers



Large-format printers



Scanners



High-temperature polysilicon TFT LCD



See-through mobile viewers



Dot-matrix printers



Mini-printers



Digital label presses



Digital minilabs



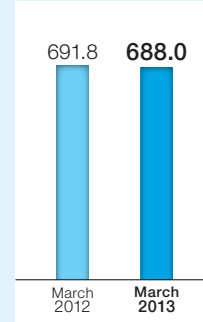
Projectors



PCs

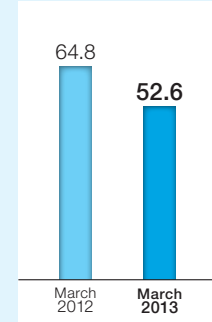
### Net Sales

(billions of yen)



### Segment Income

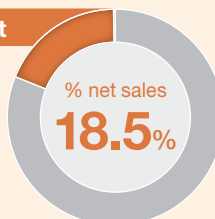
(billions of yen)



### Devices & Precision Products Segment

Net Sales: ¥156.8 billion (down 10.3% Y/Y)

Segment Income: ¥7.6 billion (Up 65.4% Y/Y)



#### Device Business

Quartz Device Business (crystal units, crystal oscillators, crystal sensors, etc.)  
Semiconductor Business (CMOS LSI, etc.)

#### Precision Products

Watch Business (wristwatches, watch movements, etc.)  
Factory Automation Products Business (SCARA robots, IC handlers, industrial inkjet equipment, etc.)

\* The optical products business was transferred to Hoya Corporation and Hoya Group companies on February 1, 2013.



Timing devices



Sensing devices



Semiconductors



Inertial measurement units



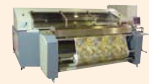
Wristwatches



Compact six-axis robots



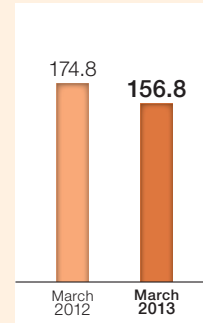
SCARA robots



Digital inkjet textile printers

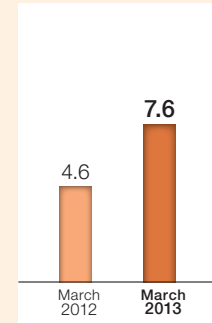
### Net Sales

(billions of yen)



### Segment Income

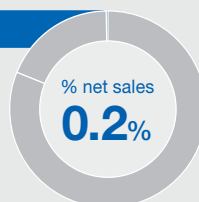
(billions of yen)



### Other

Net Sales: ¥1.2 billion (down 92.6% Y/Y)

Segment Income: -¥1.1 billion (¥1.5 billion loss in previous fiscal year)



#### Intra-Group Service Business, etc.

Note: The percentage of net sales includes inter-segment sales from April 2012 to March 2013.



## Aiming to Be an Indispensable Company



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## Realizing Our Management Philosophy and Becoming an Indispensable Company

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Epson currently employs over 68,000 persons worldwide. I feel a tremendous responsibility to them as well as to our countless stakeholders—our suppliers, customers, shareholders, and the people in the communities where we operate.

The business environment during the 2012 fiscal year (ended March 2013) was difficult, with advanced economies slow to recover and growth in emerging markets slowing. But regardless of the business environment, we are united as a company in our desire to make Epson an indispensable company for customers and society by embodying the ideals spelled out in Epson's Management Philosophy.

Epson is on the cusp of transforming itself into a company that once again posts strong growth by creating and providing new information tools and equipment for businesses and professionals, as well as for consumers. Epson's Updated SE15 Mid-Range Business Plan (FY2013-15), launched in April 2013, is a three-year plan for building the foundation for that transformation. We have already realigned our businesses, concentrating our management resources on select areas. We are now ready to further hone our strengths and create unique products that drive additional growth in existing businesses or open up new business areas.

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## Exceeding Customer Expectations with Great and Original Products

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To provide value that exceeds the expectations of our customers, we first have to look hard at the needs that arise from their wants, expectations, and problems. We then have to correctly read the underlying trends, following them to explore the potential future needs. Our responsibility is to then bring Epson's strengths to bear so that we can provide the best solutions to satisfy those needs.

With roots in wristwatch manufacturing, Epson has for seven decades resolutely developed and pursued advances in technologies to make products smaller, more

energy efficient, more precise and more accurate. These advanced technologies have yielded original core technologies that help define Epson, including in inkjet and projection systems. We are using these technologies to create unique, customer-pleasing products. These products, augmented by ever-evolving information technology and social infrastructure, are now being turned into solutions that precisely meet customer needs.

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## Becoming an Indispensable Company through Products, Services, and Conduct that Garner Trust

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The fundamental key to being recognized as an indispensable company by customers and society is trust that is built through the course of business activities. Essential to earning trust is compliance. All Epson executives and employees are, of course, obligated to observe legal and regulatory requirements, internal regulations and policies, and a corporate code of conduct. Moreover, we as a company are morally bound to help solve issues such as environmental problems and human rights abuses. Epson joined the United Nations Global Compact in 2004 and, in 2005, established "Principles of Corporate Behavior," a code of conduct that reflects the ten principles of the Global Compact and which all Epson executives and employees are required to uphold. In April 2013, Epson established a Compliance Office to further solidify compliance and risk management.

Going forward, through the conduct of our people and the value and quality of our products and services, Epson will garner trust around the world and contribute to society. In so doing, we hope to become an indispensable company.



Minoru Usui  
President  
Seiko Epson Corporation

# Forging Strong Growth

## The Updated SE15 Mid-Range Business Plan (FY2013-15)

Changes in the business environment and worsening financial performance in the first half of the 2012 fiscal year prompted Epson to re-examine and adjust some of the strategies and financial targets in its business plan in March 2013. The result is the Updated SE15 Mid-Range Business Plan, a three-year plan that runs from FY2013 to FY2015.

### A Time for Laying the Foundation for Fresh Growth

Epson's Updated Mid-Range Business Plan represents an important strategic shift. In existing businesses, where Epson has focused largely on consumers, we are re-aligning our product mix as we also adopt new business models. In new business segments we are aggressively developing markets. Under the next mid-range business

#### ● Basic Policy

**Basic Policy**

Manage businesses so that they create steady income, and avoid the single-minded pursuit of net sales growth.

Initiatives for achieving the SE15 Long-Range Corporate Vision

- Strengthen the financial structure with an emphasis on generating cash.
- Change the profit structure with an eye toward fresh growth.

#### ● Corporate Vision

**FY18** Next mid-range business plan

A company that once again posts strong growth by creating and providing new information tools and equipment for businesses and professionals, as well as consumers.

**FY16**

**FY15** Updated Mid-Range Business Plan

Develop firm foundations

Transform existing business domains

Develop new business domains

**FY13**

Epson today

Primarily a consumer imaging product provider

plan, which starts in 2016, Epson aims to transform itself from being primarily a provider of consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers. The Updated Mid-Range Business Plan maps out the actions to be taken to build that foundation over the next three years.

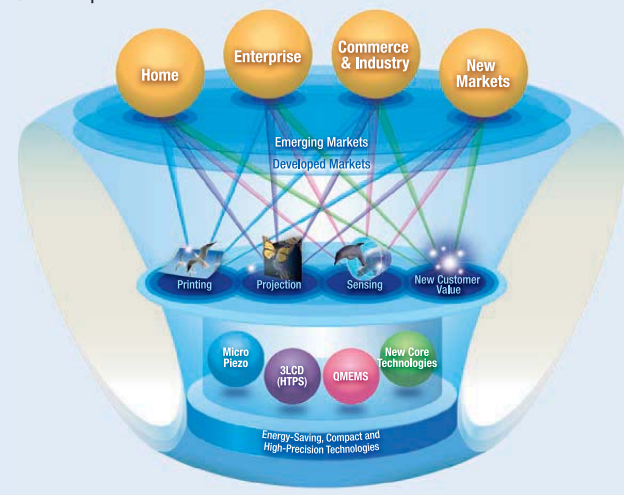
### "SE15" Long-Range Corporate Vision

#### ● "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<sup>1</sup> will become a community of robust businesses, creating, producing, and providing products and services that emotionally engage customers worldwide.

<sup>1</sup> Shared foundations and infrastructure

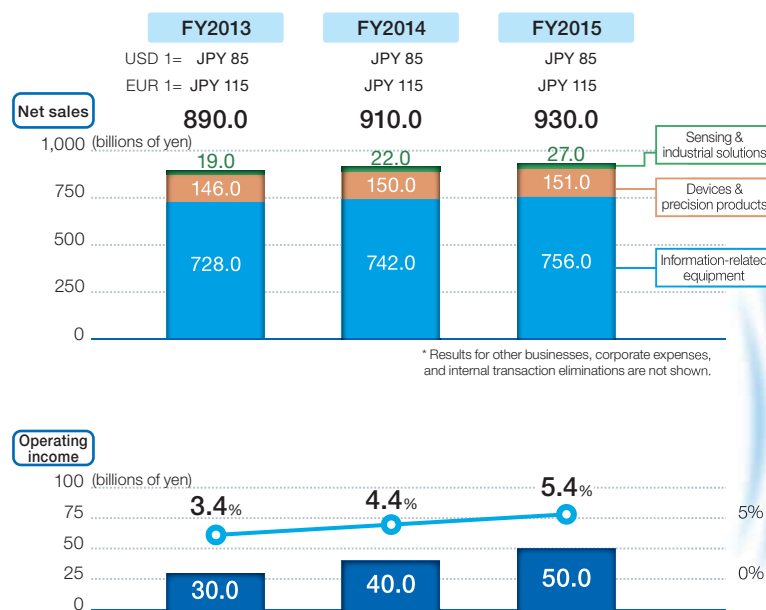
#### ● The Epson Envisioned in SE15





## Financial Targets

Avoiding the single-minded pursuit of revenue growth for the three years from fiscal 2013, we will generate steady income and cash as we realign in existing business segments and develop new business segments. Once we have positioned the company to generate steady profits, we will aim, from 2016, to achieve 10% ROS and at least 10% ROE on a continuous basis as early as possible.



### Next mid-range business plan (FY2016-18)

**Aim for 10% ROS and at least 10% ROE on a continuous basis**

(ROS = operating income / net sales  
ROE = net income / shareholders' equity)

### Key performance indicators (FY2013-15, aggregate)

|                     |                       |
|---------------------|-----------------------|
| Capital expenditure | 120.0 billions of yen |
| Free cash flows     | 68.0 billions of yen  |

### Dividend policy

The objective is to consistently achieve a consolidated dividend payout ratio of 30% over the medium to long-term

\* These financial targets are the figures that were announced on March 13, 2013. These figures were subsequently revised based on amended foreign exchange rate assumptions. As announced on April 30, Epson now expects to record consolidated net sales of 910 billion yen and operating income of 33 billion yen in FY2013.

## Increasing Collective Strength to Increase Customer Value

Epson's competitive strength comes from a unique set of core technologies that are undergirded by precision processing technologies. As we move ahead, we will

increase the competitiveness of the devices that these technologies yield while we also look to increase total customer value by enhancing systems and services for making effective use of these devices. And, by offering unique, inimitable value to a broader range of customers, we will achieve the SE15 Long-Range Corporate Vision.

## Leveraging our unique technologies to create products and services that exceed customer expectations

Epson's unique compact, energy-saving, and high-precision technologies, which can be traced back 70 years to our roots in watch manufacturing, create value that exceeds customer expectations and, when combined with unsurpassed technical skills, result in products that surprise and delight our customers while also providing value in the form of solutions to environmental and other social problems.

The feature articles that begin on the next page highlight a number of examples.

## Epson's Evolving Compact, Energy-Saving, and High-Precision Technologies

# Tracing the Roots of Epson's DNA



Wristwatch assembly line (1962)



The printing timer (top)  
The Seiko Crystal Chronometer QC-951 (bottom)

### The Rise of Suwa's Watch Industry

The history of Epson officially begins with Daiwa Kogyo Ltd. (est. 1942) but actually traces back to 1881 and the Hattori Tokeiten. In 1937 the wristwatch department of Seikosha, the manufacturing arm of Hattori Tokeiten, was spun out as an independent company, Dai-Ni Seikosha Co., Ltd. (now Seiko Instruments Inc.). Daiwa Kogyo was born as a contract factory of Dai-Ni Seikosha. In 1944, a portion of Dai-Ni Seikosha's operations were evacuated from Tokyo to Suwa, giving Daiwa Kogyo the machinery and people needed for an end-to-end watch manufacturing process. In 1959 Daiwa Kogyo and Dai-Ni Seikosha's Suwa factory merged to form Suwa Seikosha Co., Ltd.

### Official Timekeeper for the Olympics

The Seiko Group was named the official timekeeper for the 1964 Tokyo Games. As soon as Tokyo was selected, in 1960, the Seiko Group began as one to develop the necessary equipment.

Suwa Seikosha (now Seiko Epson) was in charge of developing a crystal chronometer and printing timer.<sup>1</sup> Despite the short development period, the company produced an incredibly small, low-power crystal chronometer (the QC-951) and a printing timer, the first-ever system to both measure and print times in an Olympics.

<sup>1</sup> The printing timer was jointly developed with Seikosha.

### The Quartz Watch That Revolutionized Horology

Released in 1969, the Seiko Quartz Astron 35SQ was the world's first quartz wristwatch. Achieved by further shrinking the desktop-sized QC-951, it rewrote horologic history with its remarkable accuracy. At a time when the daily rate for mechanical watches was 20 seconds, the 35SQ offered a daily rate of 0.2 seconds ( $\pm 5$  sec/month).



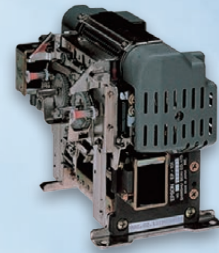
The Seiko Quartz Astron 35SQ

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## The Digital Printer that Launched Epson

In 1968 the company developed the EP-101, the world's first electronic calculator printer derived from the printing timer. The small size and light weight of this groundbreaking printer laid the foundations for Epson's information-related equipment business.

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The compact, lightweight EP-101 digital printer

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## Revolutionizing Printing with Micro Piezo Technology

In 1994 Epson launched the MJ-700V2C color inkjet printer. Boasting amazing image quality, the printer was a global hit that touched off a dash to ascend to even higher image quality heights.

In 1998 Epson's MAXART printers produced photo-quality wide-format prints. Capable of handling high-mix, low-volume print jobs, these plateless inkjet printers sent shockwaves throughout the world of high-volume analog printing.

Epson's Micro Piezo technology is today expanding, reaching beyond the home and into commercial and industrial printing domains by providing value in the form of outstanding image quality, high added value and high throughput.

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The color inkjet printer MJ-700V2C



The Large-format printer MAXART MC-9000



Inkjet printers



Business inkjet printers



Large-format printers



Digital minilabs



Digital label presses

Epson's evolving compact, energy-saving, high-precision technologies that began with watches continue to evolve and endure.



# Epson's Compact, Energy-Saving, High-Precision Technologies Change the World

Lake Como (Italy)

## Italy-Proven Epson Core Technology Inkjet Textile Printing Reduces Environmental Impacts to a Level Unthinkable with Traditional Printing



Product samples printed by Monna Lisa



Digital textile printer Monna Lisa EVO (2011)

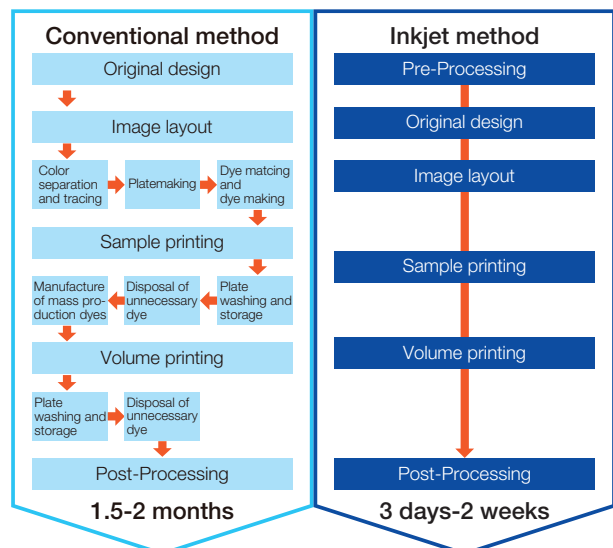
### Helping to Revitalize One of the World's Great Silk Centers

The Como region of Italy was renowned as one of the world's great silk fabric production centers, but cheap products from low-cost competitors in emerging nations in Asia has put many in the local industry out of business since the early '90s. With the bulk fabric end of the trade migrating elsewhere, Como was looking to concentrate on the high-end of the market, a niche where it can differentiate by design work but which required flexible digital textile printing systems to provide fast turnaround on relatively small orders. Given this, in 2003, Epson and Italian companies F.Lli Robustelli S.R.L. and For.Text S.R.L., which have expertise in textile printing, forged a partnership to provide total textile printing solutions by pairing the Monna Lisa textile printers jointly developed by Epson and Robustelli with the textile inks and textile pre-processing know-how of For.Text.

It took time for digital textile printing to gain traction in the Como region, but as printing firms gradually learned more about this digital technology and as the mechanical performance of digital systems improved, more and more firms turned to digital textile printers. Today, Monna Lisa printers account for more than half of all the digital textile printers operating in the Como region.

Digital textile printing is greener than traditional "analog" textile printing. Since the digital process is shorter and does not require plates, it uses anywhere from 40% to 75% less electrical power and water than a traditional process, as well as far less ink and fewer chemical products. The dramatically lower environmental impacts and higher printing efficiency of the digital process are thus changing the mature textile printing industry.

#### Comparison of analog and digital textile printing processes



## New Models in Development for Short-Run Applications

Once Monna Lisa digital textile printers began spreading in the Como region, designers began asking specifically that their designs be printed digitally because of digital printers' ability to faithfully reproduce original designs. When this happened, firms that already owned one or more Monna Lisa printers began asking about ways to increase their utilization rate. In response, Epson, with technical cooperation from Robustelli, began developing a new short-run textile printer that could be used to produce samples or small orders with a quick turnaround time. The new model, which Epson plans to release in the autumn of 2013, will be 100% compatible with the Monna Lisa. By purchasing a new short-run model, firms that already own a Monna Lisa will be able to shift production of samples and low-volume, fast-turnaround orders to the new model, thus freeing up their Monna Lisa for longer production runs.

Firms that purchase a short-run printer can minimize the waiting and down times for retooling their Monna Lisa systems by turning them fully over to bulk production. This helps to reduce the amount of electricity used by a plant per unit of production volume.



The SurePress FP-30160 inkjet digital industrial textile printer (scheduled for release in autumn 2013)

Hiroataka Ishizuka of the IS Planning & Design Department says, "The Monna Lisa has earned a strong reputation in the market for stable quality and system reliability, but users weren't able to capitalize on its full potential because they had to also use it to create samples. Our current mission is to provide customers with a short-run printer to handle samples and small orders so that they can keep their Monna Lisa operating at peak capacity. The short-run printer will have the significant advantage of being fully compatible with Monna Lisa thanks to Epson's ink deposition and color management technology.

I spent a month at Robustelli in Como and learned a great deal. I talked with people on the production floor and saw their products. Normally you don't get to see how amazing the designs and gradations produced by digital textile printing are. I am now more confident than ever that digital textile printing has the potential to unlock new value that traditional printing never could. I can hardly wait to launch the new short-run printer and broaden the base of digital textile printing."



Hiroataka Ishizuka (the 2<sup>nd</sup> on the left) IS Planning & Design Department with members of Robustelli

## VOICE Voice of the Customer

### Monna Lisa allowed us to greatly explore new business

We have been working in traditional printing and finishing for many years. In the early '90s, our business was hurt by lower-priced competitors from Asia, forcing us to find new ways of doing business to survive. What we found was digital printing. However, the main digital printers on the market did not adequately meet our printing quality and productivity requirements. Then we learned of the Monna Lisa being developed by Epson, Robustelli and For.Tex. Realizing that the Monna Lisa offered better performance than other printers, we decided to work with them. The Monna Lisa gave us a great opportunity to develop a new printing business. We were able to create new prints that would have been impossible with traditional printing processes. The outstanding performance and productivity of Monna Lisa helped us to become one of the major printing mills in Como in a short period of time. The Monna Lisa afforded us a great opportunity to explore a new business that was not just an extension of the past business.



Mr. Adalberto Guggiari  
Managing Director  
NOMEGA S.R.L.



## Relentless Innovation in Compact, Energy-Saving, High-Precision Technologies

# Marshaling the Power of Technologies Originating in the Watch Business and Honed Over 70 Years

## Seiko Astron GPS Solar Watches



\* Seiko Astron GPS solar watches are sold by Seiko Watch Corporation.

### The Second Astron Watch Revolution

Wristwatches have continued to evolve since the Seiko Quartz Astron ignited the first watch revolution, in 1969. About a decade ago, for example, radio-controlled quartz watches, which self-correct based on captured time calibration signals, began gaining in popularity. The most recent evolutionary descendent of the Quartz Astron appeared in 2012, in the form of the Seiko Astron, a GPS wristwatch that recognizes all 39 of the world's time zones and automatically adjusts to them at the press of a button.

The solar-powered Astron's GPS module had to be far more energy-efficient than Epson's earlier GPS modules, which were widely used in mobile phones. And it is. The small, accurate new module consumes only about one-fifth the power of its predecessors. Epson combined the module with a number of innovative new components, including a small yet acutely sensitive ring-shaped antenna, to enable the Astron to capture even weak GPS satellite signals so that it can automatically correct the time anywhere in the world. The power requirements not

only of the GPS module but of the entire watch had to be drastically reduced for the Astron to be a viable product. To reduce power consumption, Epson developed a new signal receiving algorithm, lithium-ion battery, and battery-protecting IC. Ultimately, all of these components had to fit into a package that is both comfortable and aesthetically pleasing. They do, and Seiko Astron GPS solar watches are fully worthy of bearing the Astron name.

#### 2012 Nikkei Superior Products and Services Award

The Seiko Astron GPS solar watch was one of 24 products and services recognized by the Nihon Keizai Shimbun with a 2012 Nikkei Superior Products and Services Award for Superiority. This award acknowledges products and services that carve out new markets using advanced technology and ideas that provide evidence of Japan's underlying strength.

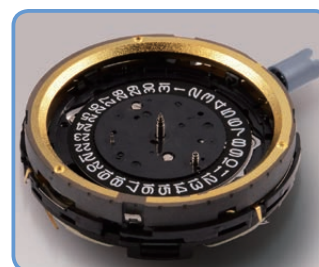
## A Convergence of Original Technologies

Development leader Katsuyuki Honda says, "The Astron project is not something that could be achieved by any one person. Everyone who had a hand in the project, which included people from component R&D, design, engineering, planning, and manufacturing, was unified by the desire to achieve an amazing product. Development started about 10 years ago. Since some members of the GPS module development team were from the watch business, they had a natural affinity for working with the people on the watch development team, so cooperation was excellent. We had heard that the Quartz Astron was built entirely in-house from original components, including its quartz crystal resonator and purpose-built IC. We wanted to continue this tradition of self-reliance with the Astron GPS solar watch, so we created the GPS module and every other part that did not yet exist, by ourselves.

"The power consumption of the GPS module had been reduced considerably, but from a watchmaker's perspective, it was still too high. A stable power supply was essential for product commercialization. That is because the module draws about 10,000 times more current than

a normal watch when it is receiving GPS signals. For that reason, we developed a new lithium-ion battery and battery-protecting IC.

"The ring-shaped antenna we developed had to provide the ideal reception while being enclosed in a small, attractive, durable metal case that is comfortable to wear. To build it to specifications, we traveled around Japan to gather data in conditions where we expected the watch to be used. Then, after analyzing the data, we made design adjustments. Through this painstaking process we achieved the best possible product performance."



The golden part is the ring antenna

Kensuke Tomidokoro, one of the Astron's planners and marketers, says, "The Astron GPS solar watch is the result of a team effort. This watch represents a convergence of original technologies. I feel that we were able to surprise and delight customers by creating unprecedented new value. Forty-four years ago the Quartz Astron had a major impact on society as the most accurate watch the world had ever seen. Our goal for its namesake, the Astron GPS solar, is to make it the new standard for watches in the future."

Development continues, and one day there will be a model for every need and taste.



Katsuyuki Honda (left), W Development & Design Group  
Kensuke Tomidokoro, W Products Planning & Sales Department

## VOICE Voice of the Customer

### As a Global Road Warrior, I'd been Waiting for a Watch Like This

I do a lot of international travel in my line of work, and I had been hoping for a watch that could quickly and easily give me the correct local time. The Seiko Astron is that watch, and I don't go anywhere without it. It has everything I ever wanted in a watch. The GPS function recognizes all of the world's time zones and is easy to use and operate. The design is refined and elegant, which is unheard of in a multifunction watch. The watches' stately appearance is at odds with its surprising lightness (it weighs only 135 g) and comfort. The Astron stands as a proud example of Epson's outstanding engineering capabilities and of Japanese craftsmanship as a whole. The only way the watch could be better is if it gets even slimmer and lighter as it evolves.



Shigeyuki Nakamura, Tokyo



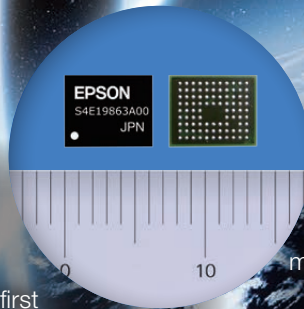
## Epson's Compact, Energy-Saving, High-Precision Technologies Paving the Way to New Domains

Epson's evolving low-power GPS modules

### Developing Modules as Users Ourselves

#### The Development Path

At the heart of a Seiko Astron solar watch and a WristableGPS running monitor lies a GPS module, the roots of which trace back 17 years. Epson's first GPS module, developed jointly with a partner, emerged from the laboratory in 1999 following a three-year development period that began in 1996. It was used in the world's first GPS mobile communication device, the Locatio. The following year, in 2000, we began a project



to develop our own GPS IC. In 2006 we completed work on a powerful yet energy-efficient GPS module that was adopted by major Japanese mobile phone manufacturers.

In 2010 we developed an even more power-stingy GPS module. This module is today used in Seiko Astron wristwatches and WristableGPS running monitors.

#### Small GPS Modules Realize Big Dreams

Epson made significant technological advances in its compact, energy-saving, high-precision technologies during the course of GPS module development for mobile phones, paving the way for the development of GPS modules for wristwatches. Norio Teruuchi of the S Key Components R&D Department says, "We decided to produce the GPS IC in-house and rewrite the software to further reduce power consumption. It was a challenging job that took six months to complete, but the combination of streamlined circuitry and elegant software enabled us to further shave power consumption." Later, we increased the module's positioning accuracy by preprogramming a new algorithm and shrank its size by squeezing all functions into a single module. Hidekazu Maezawa of the S Planning & Design Department recalls the problem they were up against. "We were able to increase the accuracy of GPS positioning information, which changes with time and place, because we developed new tests and analytic methods and repeatedly verified the algorithm with a mountain of data."



From the left, Kazunari Kobayashi of the Business System Planning & Design Department, Norio Teruuchi of the S Key Components R&D Department, and Hidekazu Maezawa and Fumihiko Misawa of the S Planning & Design Department

An advantage that Epson has is that the GPS module developers can also get involved in end-product development. This enables us to take ideas that will maximize customer value and incorporate them into our products from the planning phase. The GPS modules that grew out of our compact, energy-saving, and high-precision technologies have the potential to transform lives and make dreams come true in a wide range of fields.



# On the Frontier of Wearable Devices

## Creating Customer Value in New Domains

### WristableGPS Running Monitors



The SS-700S multi-sport model

Running monitors have to be compact, lightweight, and power-parsimonious while still delivering accurate positioning information, pulse data, and advanced data processing capability in a comfortable, nice-looking design. In developing GPS running monitors that fit this bill, members of the development team ran in races while using runners' watches already on the market to identify issues with setup, operations, comfort, battery life, and performance in rainy weather. The end result is monitors with low-power GPS modules and long battery life. Combining technologies derived from watch manufacturing with technologies for integrating sensors and an innovative flat antenna, our WristableGPS monitors are wearable devices that embody Epson's unique set of technologies.

#### Developed for Runners, by Runners

Yoshihiro Yamamura of the S Planning & Design Department says, "The members of the WristableGPS development team ran in full marathons in Nagano, Tokyo, and Osaka to find out for ourselves what sort of solutions runners were looking for. We wanted to know, for example, how runners who are testing the limits of their endurance would feel if they were to glance down at their runner's watch just before crossing the finish line only to see that the distance displayed was off by 100 meters. Actually running in races gave us a sense of the level of performance a runner expects. With WristableGPS monitors, we wanted to exceed that level. In the future we plan to use a variety of sensors to further increase the accuracy of distance measurements. We will also look at interoperability with communications equipment. The hope is that our monitors will encourage people to get out and enjoy exercise."



Yoshihiro Yamamura, S Planning & Design Department

## VOICE Voice of the Customer

### The WristableGPS Makes Running to Work Fun

My daily run to work became a lot more enjoyable when I started using a WristableGPS. I used to always run along the same route because I knew the distance, which can be monotonous, but once I strapped on a WristableGPS I started taking different routes because I could measure the distance. My WristableGPS helped me finish the Nagano Marathon, in the snow, in less than four hours. I can even use it in ultra-marathons because the monitor can continue to take GPS measurements for up to 14 hours, so I don't have to worry about the battery dying in the middle of a race. That allows me to just concentrate on the race. Hokkaido is cold in the winter, so I do a lot of running indoors. In the future I would like to see a GPS running monitor that can also accurately measure distances indoors. I'd also like to see more stylish designs for women.



Ms. Kaori Nakatsugawa, Hokkaido

# Building Products and People

## Capitalizing on Skills in the Workplace

# Using Invisible Assets to Give Concrete Shape to Customer Value

Unparalleled skills that are indispensable for developing and making the most of Epson's unique technologies are continuously passed down.

Akira Takahashi (left) and Takashi Iimori  
Imaging Products Production Technical Development Department

## Manufacturing Strengthened by a Combination of Technology and Skills

Using original technologies to create products that excite customers requires great communication between design engineers and technicians, as well as a united effort toward a common goal. There are three important capabilities that technicians must have for this. First, they have to be able to grasp and give concrete form to the vision of the designer that could not be fully expressed in a drawing. Second, technicians have to be able to ac-

celerate improvements in design quality on the factory floor. Third, they have to be able to establish manufacturing technologies that allow products to be produced with stable quality. Epson engages highly skilled technicians in strategic steps of the product development process to work with design engineers in order to give concrete shape to customer value and deliver products that customers can trust.

## Unique Manufacturing Technologies Retained Via a System for Passing Down Skills

With production moving offshore, Epson, in 2002, set up an in-house manufacturing school called the "Monozukuri Juku" to train young technicians so that they can learn and carrying on the craft of manufacturing from an older generation. Students at the Monozukuri Juku who are given the chance to compete in the Skills Olympics undergo intense training to master fundamental skills in a short period of time.

Meanwhile, skills acquired on the manufacturing floor are also handed down. In his third year after joining Epson, Akira Takahashi, who was working in the mold production workshop, was "discovered" by Contemporary Master

Craftsman Takashi Iimori, who noted Takahashi's talent. Takahashi made it his mission to learn the craft



Honing manufacturing skills

of mirror finishing and precision-mold finishing from Iimori. There is every reason to believe that Takahashi will develop into a master technician himself after many months and years spent devoted to the production of parts and molds on the manufacturing floor.



## Contemporary Master Craftsman<sup>1</sup> Takashi Iimori Imaging Products Production Technical Development Department

With four decades working exclusively in mold production, Iimori is a justly recognized master of his craft. In 2008 he was chosen as a Contemporary Master in acknowledgement of his superior skills in press and plastic mold finishing, assembly adjustment, and especially high-precision plastic mold manufacturing. He has also served on the National Injection Molding Skills Certification Committee.

<sup>1</sup> Recognized by the Japanese Minister of Health, Labor and Welfare.



## Cultivating Abilities on the Manufacturing Floor

Takashi Iimori says that to produce critical plastic molded parts for Epson's Moverio head-mounted display (HMD), he had to fabricate high-precision molds to demanding flatness requirements. This meant that the molds had to have a mirror finish of unprecedented quality. So, using his decades of experience and interpreting the quality required for the product, he established a method for achieving this mirror finish after much trial and error. Then, showing actual molded parts to the HMD's design engineers, he established molding conditions for mass production. Epson's technicians enhance their own capabilities and build trusting relationships with design engineers by taking on the challenge of meeting the strict requirements of design engineers. The Monozukuri Juku and factory floor serve as places where young technicians can hone their manufacturing skills. Moreover, the most ambitious can earn the chance to enter the Skills Olympics and develop a level of skill unsurpassed on the manufacturing floor. Having an environment like this is tremendously valuable for the company and society.

Akira Takahashi says, "In manufacturing we have to meet strict quality, cost, and delivery requirements. I'm learning mirror-finishing and mold-finishing skills on the job by asking Mr. Iimori a lot of questions and by analyzing individual tasks and processes. I want to be the type of technician who communicates closely with design engineers, learns how to interpret and embody their vision, and raises the accuracy and precision of each and every part that goes into a product."



The Moverio BT-100 head-mounted display

## Epson's DNA Yields Unique Technologies and, When Combined with Unsurpassed Skills, Make Customers' Dreams Come True

A commitment to pursuing compact, energy-saving, high-precision technologies that originated with watches is embedded in Epson's DNA and has been passed down for 70 years to produce many other unique core technologies. Those technologies have combined with unsurpassed skills to produce unique, customer-pleasing products. Epson's DNA, firmly embedded in business activities that create customer value, is expressed in products that continue to surprise and delight our customers.

# CSR at Epson

Discharging our social responsibilities via programs to realize our Management Philosophy

## What Is Epson's CSR?

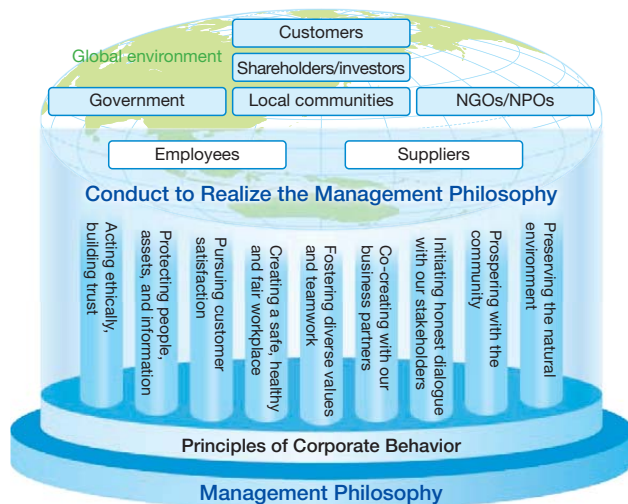
Epson's Management Philosophy is the bedrock on which our businesses are run. Our mission is to build stakeholder trust as we grow and prosper with communities and to help create a better world. To this end, we strive to practice the values preached in the Management Philosophy, maintain legal and regulatory compliance, adhere to the highest standards for business ethics, and create value that exceeds the expectations of our customers. We consider any action designed to realize the Management Philosophy to be a CSR activity.

### Codes of Conduct

Established in 2005 and applying to the entire Epson Group, "Principles of Corporate Behavior" spells out principles of conduct for realizing the Management Philosophy. "Epson Code of Conduct," established in 2006 and based on these principles, describes the conduct required of all Epson employees. We revised the code in 2009 and again in 2013 to instill greater consciousness.

The graphic below illustrates the nine core principles that form the foundations of corporate activities for realizing the Management Philosophy.

### CSR Initiatives at Epson



## 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 Pursuing customer satisfaction

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.



Principles of Corporate Behavior

[http://global.epson.com/company/epson\\_way/principle/index.html](http://global.epson.com/company/epson_way/principle/index.html)



The "Epson Code of Conduct," "Principles of Corporate Behavior," and "Interpreting the Management Philosophy"

## Realizing Our Management Philosophy

**Kenji Kubota**  
Senior Managing Director

Epson aims to be an indispensable company for customers and society by realizing our Management Philosophy. To do so we must earn the trust of our stakeholders, most notably our customers, and contribute to the betterment of society. As a member of society, we seek to fulfill our roles and responsibilities as a corporation citizen to build a healthy society. We pledge in our Management Philosophy to be a “progressive company” that contributes to the wellbeing and advancement of society, so actions to realize the Management Philosophy are themselves CSR activities.



Solid corporate governance and ethical conduct are essential for achieving the Updated SE15 Mid-Range Business Plan and, by extension, Epson’s Management Philosophy. As part of our governance efforts, we began in 2010 to better define the respective roles and functions of the Head Office, operations divisions, and Group companies in an effort

to strengthen group governance. In 2012 we further solidified the integrity of corporate governance by appointing an outside director. Then, in March of 2013, we established an internal Compliance Office to further enhance compliance and risk management. The Compliance Office’s mission is to build and maintain stakeholder trust by reminding executives and employees of their legal and ethical obligations and forestalling potential violations.

Meanwhile, the conduct of executives and employees must conform to legal, ethical, and societal requirements and be aligned with the Management Philosophy. For this reason we have implemented ongoing programs to educate executives and employees about compliance issues. For example, in 2011, we created a pamphlet titled “Interpreting the Management Philosophy.” Distributed to Epson personnel worldwide, the pamphlet serves to build understanding of the Management Philosophy, to get individuals to think about what kind of customer value their work yields, and to guide them toward action that adds value.

The pursuit of the Management Philosophy has no end. That is because customer and societal expectations not only differ by region but also continuously change over time. We remain committed to making Epson an indispensable company for all of our customers and other stakeholders through sincere and unstinting efforts to contribute to the well-being of society.

## Programs to Instill the Management Philosophy

We have programs to prompt Epson personnel to consider, recognize, and practice conduct that reflects the ideals of the Management Philosophy in their own work.

### ■ CSR Month

October is CSR Month at Seiko Epson, a time for reflecting on the kind of conduct for realizing the Management Philosophy. The theme for 2012 was “Wedding your work to the Management Philosophy and practicing conduct that earns trust.” During the month, all personnel throughout the Epson Group in Japan were instructed to (1) analyze the Management Philosophy and identify con-

crete actions that embody it; and (2) discuss risks within the places based on the reading of the Epson Code of Conduct.

A survey was conducted after CSR Month ended to determine the extent to which these activities were carried out, the degree to which the Management Philosophy is understood, the nature of actions taken on the workplace level, and the content of discussions. The survey was also used to find out about any compliance concerns and gather opinions and suggestions about the activities. The results were shared with employees. The survey showed a participation rate exceeding 90%. For a large majority of employees the events served as a meaningful reminder of the importance of the Management Philosophy.

### Instilling the Management Philosophy in Greater China

In 2012 training seminars were held as part of a program to instill knowledge and awareness of the Management Philosophy using the pamphlet "Interpreting the Management Philosophy," with most of the participants for sales companies in China, Hong Kong, and Taiwan. A total of 629 employees participated in the seminars, from Epson (China) Co., Ltd. (ECC), Epson (Beijing) Technology Service Co., Ltd. (EBTS), Epson Hong Kong Ltd. (EHK), and Epson Taiwan Technology & Trading Ltd. (ETT).

At the seminars, ECC President Kiyofumi Koike explained why we need to study the Management Philosophy at this point in time, and each department and individual created and announced a declaration of conduct based on the Management Philosophy. As a team building exercise, the participants broke up into teams and created their own logos and slogans for putting the declarations into practice, later presenting them to the group.

Epson also offers an online course in the Management Philosophy to help employees see the links between the Management Philosophy and their own jobs.



Discussing the team's declaration



Creating a logo and slogan

### The United Nations Global Compact

Epson has participated in the United Nations Global Compact since 2004. We have pledged to uphold the ten principles of the Global Compact, and we participated in driving global initiatives in the areas of human rights, labor, environment, and anti-corruption.

Epson's Principles of Corporate Behavior, which concretely describes the type of internationally acceptable conduct necessary for realizing Epson's Management Philosophy, is reflected the concept of the Global Compact. The Epson Code of Conduct explains in detail the conduct required of employees based on the Principles of Corporate Behavior. Epson inculcates these values into employees so that they can independently make the right decisions.

Through these actions, Epson intends to continue to be a progressive company, trusted throughout the world.



 U.N. Global Compact Initiatives  
[http://global.epson.com/SR/un\\_global\\_compact/index.html](http://global.epson.com/SR/un_global_compact/index.html)

#### Epson's Codes of Conduct Framework and the ten Principles of the U.N. Global Compact

Management Philophy



Principles of Corporate Behavior



Epson Code of Conduct

United Nations Global Compact

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2: Businesses should make sure they are not complicit in human rights abuses.
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Principle 5: Businesses should uphold the effective abolition of child labour.
- Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- Principle 7: Businesses should support a precautionary approach to environmental challenges.
- Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



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## FY2012 CSR Initiatives

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Epson seeks to build trusting relationships with all stakeholders and to grow and prosper with communities.

Epson's 2012 CSR initiatives were oriented around the five tenets of the Epson Management Philosophy.

# Meeting Challenges with Innovative and Creative Solutions

-  **Customer Commitment** ..... 23 - 32  
Epson constantly strives to create customer value.
-  **Commitment to Environmental Conservation** ..... 33 - 38  
Epson engages in various environmental initiatives.
-  **Individuality and Teamwork** ..... 39 - 44  
Epson values its employees.
-  **Trusted Throughout the World** ..... 45 - 50  
Epson practices organizational governance.
-  **Prospering with the Community** ..... 51 - 56  
Epson contributes to the communities in which it operates.



## Commitment to Customer Satisfaction

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.



### Maximizing "must-have quality" and "attractive quality" from a customer perspective to provide satisfying products and services

**Ryuhei Miyagawa**  
Executive Officer

Deputy General Administrative Manager, Business Infrastructure Improvement Division (in charge of CS/Quality Assurance, Environmental Affairs, Safety, Monozukuri-Juku) / General Manager of Safety

#### Product Value That Meets Customer Expectations

Product value is made up of two components that are essential for satisfying customers. The first is "must-have quality," attributes that are essential for any product and that provide customers with assurance. The second is "attractive quality," attributes that are not essential but that, when provided, perfectly match customer needs and exceed their expectations.

"Must-have quality" derives from two elements: product safety and expected performance. A product must not ignite, produce smoke, cause an accident, or contain harmful chemicals that could impair health. Meanwhile, it has to demonstrate the promised and expected performance.

"Attractive quality," on the other hand, is, in Epson's case, achieved by providing the best solution to customers' difficulties or needs by capitalizing on advances in our compact, energy-saving, and high-precision technologies. To achieve "attractive quality," we have to provide products that meet or exceed customer expectations by finding out exactly what they actually want, by making products smaller, more energy efficient, and more accurate, and by supplying them with useful new technology.

To create product value that satisfies customers, we seek to satisfy these two components on the highest level.

#### Building in Customer Value in Every Process and Department

To incorporate these two essential components in a product, we first have to apply the customer-focused "create, produce, and sell" process to all work performed in every department, from product planning and development to sales and marketing. Only when customers are satisfied with the value we created and embodied in the product can we say that we have actually delivered the value we intended. The cycle for creating product value that will earn customer satisfaction is completed by listening to customer feedback and using it to fashion new value.

In addition, we have to reexamine the work we do in every department from a customer perspective and enhance the quality of work with a commitment to achieving 100% conformance. In the "create" process, in particular, we have to identify customer difficulties and needs in the usage environment; we have to dig down to unearth the real needs of customers and the real causes of problems. To do so, we think it is important to go out into the market, actually visit places where work is performed, and ask ourselves constantly what customers want. By using what we learn to shape product specifications and quality from the development phase, we prevent quality problems and provide the kind of product value that customers seek.

Going forward, we will strive to deepen communication with customers and markets, and continuously execute the "create, produce, and sell" cycle to provide product value that earns customer satisfaction.

## Create, Produce and Sell

"Create, produce, and sell" represents the cycle of value through which we at Epson forge bonds with our customers by providing products and services that engender trust, assurance, and shared enjoyment.

### Create

Confront customer expectations head-on, involve all personnel from the planning phase, and pursue value to deliver to customers.

- Enhance planning quality (must-have quality and attractive quality) to meet customer expectations.
- Establish a QA system that meets customer use needs.

I'm a product design engineer. Since customer likes and dislikes have a major impact on the size, shape, appearance of a product, and ease of use, I am acutely conscious of the customer whenever I'm designing a product. I have to hone my own sensibilities and attune product designs so that they are in accord with what customers say they want.



Yusuke Kimura  
Imaging Products Design  
Department

### Produce

Provide customers with new value by continuously improving the quality of your work and by maximizing teamwork.

- Take action to achieve the goal of 100% conformance, never neglecting the things you are supposed to do.
- Establish data analysis techniques that lead to higher built-in quality.

I help manufacture approximately 800 kinds of tape cartridges for handheld label printers. To ensure that all products are conforming, I always work in accordance with work process standards, assiduously follow instructions, maintain 5S<sup>1</sup>, and determinedly drive continuous improvements to improve quality.

<sup>1</sup> 5S; Sort, Straighten, Scrub, Standardize, Sustain  
3T; Predetermined position, Predetermined item,  
Predetermined number



Keiko Hatano  
VP Manufacturing Department

### Sell

Listen to customer feedback, and use what you learn to create new value.

- Enhance communication with customers.
- Listen seriously to customers and relay their opinions to the planning department.

I work in the information center, fielding customer inquiries. My goal is to enable customers to easily use their products by helping them quickly solve difficulties. I analyze inquiries and share my data with the Head Office in Japan and relevant departments. I strive to provide and enrich online instructions for users with movies and illustrations.



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

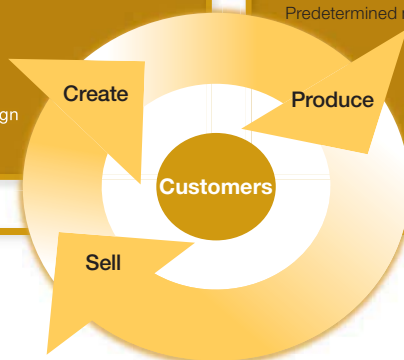
Establish relationships with customers so that they feel confident in choosing Epson products.

- Provide customers with accurate, easy-to-understand information.
- Provide customer-assuring service and support.

I sell and market industrial robots. There are a lot of potential robot customers who assume that their factories lack the necessary environmental setup for robots or that robot maintenance would be a problem. My job is to dispel these notions by showing them the actual environmental setup and maintenance requirements, which are minimal.



Ho Kok Koon  
Epson Singapore Pte. Ltd. (ESP)



## Customer Value Delivered by Epson

Epson's products and services provide benefits that customers need and expect, as well as benefits that they may not even notice. The customer value that Epson creates, produces, and delivers often comes in the form of convenience, greener performance, and personal assurance.

Delivers **convenience** in the form of speed and power with more features and improved usability



Delivers **greener performance**, reducing users' carbon footprint across the product life-cycle



Delivers **assurance** to customers, who know they can trust Epson products



Photo : EP-805A Japan model

## The Expression Premium Series



**Compact Size and Low Power Consumption**



Epson learned from a survey of the Artisan 730 (launched in 2011) users that they often installed these printers somewhere other than where they wanted because of size constraints. So, when we began studying the size requirements of the 2012 Expression Premium XP-600, we went into the field to see where users actually wanted to place their home printers. We then made numerous mockups to evaluate printer functionality, usability, ease of installation and so forth within the given space constraints. After repeated tests and analyses, we settled

on target measurements of 390 mm (width) by 341 mm (depth from front to back), and a height of 139 mm.

These measurements would make the XP-600 approximately 40% smaller than the Artisan 730. The size target was met by shrinking the printer's mechanisms, including a duplexer for two-sided printing, and developing a new type of print head and lower ink cartridges. Epson also increased printer energy efficiency, reducing daily power consumption by about 57%. The new design reduced global warming impacts across the product life cycle by approximately 28%.



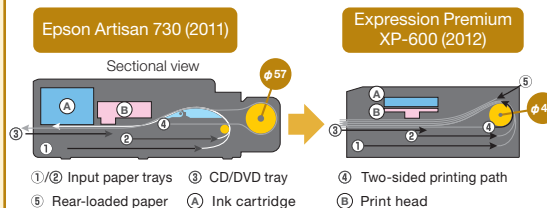
The XP-600 is 40% smaller than the Artisan 730 in terms of cubic measurements.

### Providing Environmental Value with Compact Printers

|                      |        |   |
|----------------------|--------|---|
| Miniaturization Keys | Depth  | Miniaturization of a built-in duplexer (two-sided printing unit)  |
|                      | Depth  | On-carriage ink cartridges <ul style="list-style-type: none"> <li>On-carriage system that supplies ink directly to the head</li> <li>Low-height print head and ink cartridges</li> </ul>  |
|                      | Width  | Miniaturized main board & optimized layout <ul style="list-style-type: none"> <li>Dense boards &amp; optimized placement of components</li> <li>Arranged over the carriage driving area</li> </ul>  |
|                      | Height | Thinner (lower) print head and ink cartridges <ul style="list-style-type: none"> <li>Optimum arrangement of ink flow channels in head &amp; smaller parts</li> <li>Simplified ink chamber structure (higher volumetric efficiency)</li> </ul> |

#### Miniaturization and embedding of the duplexer

The five media paths were unified in the XP-600, and all media except for discs travel over a reverse roller. The diameter of the roller was reduced to 45 mm, enabling the duplexer to fit inside the printer and reducing the front-to-back depth.



Reduction rates calculated under Epson's test criteria. Power consumption and global warming impact may vary depending on printer use.  
 Cubic size: 30,572 cm<sup>3</sup> (Artisan 730) vs. 18,352 cm<sup>3</sup> (XP-600) Energy consumption: 34 Wh (Artisan 730) vs. 15 Wh (XP-600)  
 Global warming impact: 83 kg-CO<sub>2</sub> (Artisan 730) vs. 60 kg-CO<sub>2</sub> (XP-600)

**Improved Touch Panel Usability** C A

Customers told us that on the previous touch panel it was hard to tell when it was okay to press the next button. We solved this issue on the new panel of the Expression Premium XP-700 / 800 by lighting up the buttons that can be used. We also enlarged the size of the areas around the icons that respond to touch, since users sometimes press the lettering or their fingers stray from the intended target.



Touch panel

**Convenient Network Environment** C A

The growth and spread of wireless networks and wireless devices have made our lives more convenient. On the other hand, setting up a connection can be complicated. That is why Epson Sales Japan created an easy-to-understand yet thorough guide to using wireless LANs for customers who want to learn how to enjoy wireless network printing the easy way. The guide uses actual screenshots and illustrations to show how to connect smartphones, tablets, and other devices to the printer and how to make prints.



Guide to using wireless LANs

**Scatter-Free Prints** C

On earlier printers prints were deposited on an output paper tray that had to be pulled out manually, so if the user was not near the printer or forgot to pull out the tray, the prints would fall to and scatter on the floor. The Expression Premium XP-700 / 800, however, was designed so that the output paper tray automatically extends when printing starts, so that prints never scatter.



Auto-extending output paper tray

**A Better Red** C

The Expression Premium series, which was launched in 2011, was available in red in Japan as well as black or white, but some consumers felt that the red model lacked the high-end feel of the black and white models.

So, for the EP-805AR and XP-700 (sold only in Japan and some Asian markets as a variation of the Expression Premium Printer) we explored and tested other compositions, constructions, and designs to find the most appealing look, feel, and color. We switched to a plastic that has a richer, deeper color. We also expanded the area composed of glossy plastic, and we used a metallic finish film on the front face of the printer to improve the overall impression of the product. As a result of these efforts we were able to come up with a red with an appealing quality. A survey showed a higher level of customer satisfaction with the new red color.



EP-805AR

**Ensuring Product Safety** A

Epson strictly controls product safety in conformity with the Epson Quality Standard (EQS) which specifies far-reaching product safety requirements uniformed within Epson group. Under the EQS, Epson obviously strives to ensure that emitting smoke, ignition and customer's injuries are never caused by our products. We also consider electro magnetic compatibility (EMC), product substance content, chemical emission from product and product information security vulnerabilities as part of said product safety.

In addition, every effort is made to build product safety into our products at the planning and design stage, to eliminate potential hazards and to make sure the products are safe even if misused.



EMC testing facility



### Powerful Features for Productive Meetings

#### Interactive Projector **C** **G**



BrightLink Pro 1410Wi

Epson's BrightLink Pro 1410Wi interactive projector is loaded with features that enable smoother, more productive meetings and presentations. Since it can be used in PC-free mode as

a whiteboard, you can start meetings fast, with very little fuss or setup required. In PC interactivity mode you can annotate a projected image and share it over a network. With split-screen functionality you can display presentations and live teleconferences at the same time, and people in separate locations can interact with the same image. This projector enhances productivity by shrinking the amount of time it takes from setup to sharing of content, sending screens directly to others by email, and saving travel time, trouble, and energy.



Teleconferencing tool

### Select Green Products Based on Objective Ratings

#### EPEAT® Registered **G**



EPEAT-registered WorkForce Pro WP-4590 in the U.S.

EPEAT, an American environmental rating system that helps identify greener electronic equipment, expanded its registry to include imaging equipment, in February 2013. In response, Epson registered a number of

business inkjet printers and large-format printers that are sold in the U.S. to make it easier for consumers to choose eco-considerate products.

To be registered, products in the imaging devices category must meet at least 33 required environmental performance criteria. (There are also 26 optional criteria.) Products are rated on a life-cycle basis, addressing such aspects as the elimination of toxic substances, the use of recycled or recyclable materials, and energy efficiency.



EPEAT logo

### High-Capacity Ink Tank for Volume Printing

#### High-Capacity Ink Tank Printer **C**



M205 monochrome printer

In 2010, Epson's L-series printers became the first printers sold with Epson's ink tank system.

These printers, which can output a large quantity of prints on a single tank, proved to be extremely popular in emerging markets. In

2012 we launched the M series of low-priced monochrome printers. The smaller size, faster printing speeds, and increased durability of these models match the needs of small business users, banks, and government agencies.

The new products are currently sold in markets such as Indonesia, Russia, China, Brazil, and India and will be successively rolled out to other regions in the future.



Refilling the ink tank

### Aiding Automotive Safety

#### Quartz Gyroscopic Sensors **A**



XV-9000 series

The XV-9000 series of gyroscopic sensors detect vehicle fishtailing and potential rollovers, and activate compensatory safety systems. Because these sensors have a role in controlling vehicle safety and saving lives, Epson takes special care to ensure the utmost reliability. To identify and eradicate potential defects, we exhaustively analyzed every step in the design process and in work procedures, looking for and addressing potential causes of problems, including human error.

In addition, we mark the built-in ICs with serial numbers to allow us to trace and retrieve inspection and production history information so that we can pinpoint the cause of problems, if necessary.



The Automotive Safety mark is used in manufacturing processes to signify the need to special control



## Understanding Products through Actual Use

### GPS Running Monitors **A**



The SS-700S multi-sport model

Epson's WristableGPS monitors (currently available only in Japan) record distance, time, pace, and other data during exercise such as running and jogging. To introduce our running monitors to potential users, Epson Sales Japan (ESJ) conducted free product trials at numerous events.

ESJ set up booths at popular road races in Japan and offered runners—both serious athletes and fun runners alike—a chance to sample one of our products. Those who tried them out commented that the running monitors were light, comfortable, easy to use, useful even for beginners, and would even make training more enjoyable.



Epson booth at the Fujisan Marathon

**Main races at which product trials were conducted:**  
Arakawa 30k, the Turtle Marathon in Adachi, the Suwako Half-Marathon, and the Fujisan Marathon

## Visibility Improved by Universal Design

### Large-Format Printers **A**



SureColor SC-T5050

Epson acquired Color Universal Design (CUD) certification for the SureColor SC-T3050, SC-T5050, and SC-T7050. Launched in 2012, these large-format office and school printers are designed to print architectural drawings, posters, point-of-purchase displays, and more. The CUD program certifies products, printed materials, buildings and facilities that are accessible to persons with color vision deficiency. These products are designed so that they are easy to use even for persons with deficient color vision, with carefully selected color schemes for display lamps, messages on the LCD, control buttons, labels, and software screens.



The CUD mark can be placed on products that have been approved by the nonprofit Color Universal Design Organization.

Example of improved colors



Lighting up an orange LED

Switched to a shade of red

## Multiple Functions for Greater Productivity

### Check Scanner **C** **G**

Paper checks are an integral part of life in the U.S. and some other locales. In the past, banks would physically mail checks to one another for processing, but legal changes and technological advances have made electronic check processing standard. With the TM-S9000MJ, Epson supports electronic check processing, which not only lightens the work load on banks but also reduces the environmental impact by eliminating the need

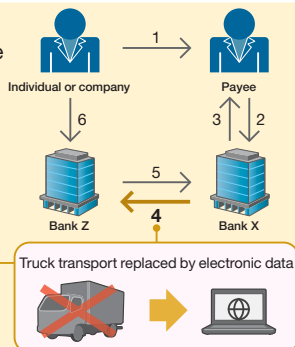
for physical transport.

The TM-S9000MJ combines check scanning, endorsement and receipt printing functions in a single device. In addition to having a small footprint that saves space at the teller counter, this all-in-one device is fast and easy to use. By maximizing work efficiency and eliminating the need for several separate devices, the TM-S9000MJ helps save energy and resources.

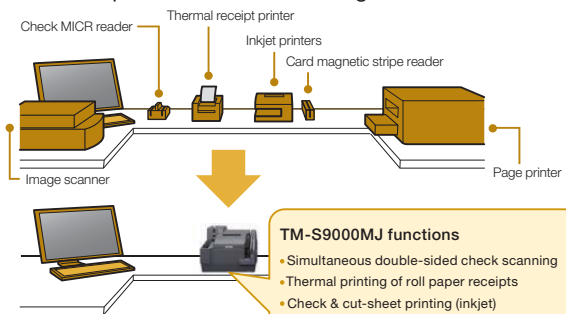
#### Electronic Check Processing: The Faster, Greener Alternative

##### Check clearance process

- The payer fills out a check for the proper amount and hands it to the payee.
- The payee takes the check to the bank for cashing or deposit.
- The bank pays the payee.
- The bank mails the check**
- Bank Z remits funds to Bank X.
- The amount is debited from the payer's account.



#### All the required functions in a single unit



##### TM-S9000MJ functions

- Simultaneous double-sided check scanning
- Thermal printing of roll paper receipts
- Check & cut-sheet printing (inkjet)
- Check magnetic ink character recognition (MICR) scanning
- Photo ID scanning
- ATM card magnetic stripe scanning (optional)

## Quality Improvement Program

Epson conducts a variety of programs in line with a quality policy we established to provide concrete guidelines for continuing to create products and services that please and are trusted by customers. Good programs are shared across the global organization to boost the level of the Epson Group as a whole.

**Web** Quality Policy  
[http://global.epson.com/company/epson\\_way/principle/quality.html](http://global.epson.com/company/epson_way/principle/quality.html)

### Quality Control Training

Epson provides QC training to all employees. The goal is to continuously improve quality by developing people who can identify and address the root causes of problems. Employees receive practical training that they can put to immediate use. In the basic course they learn the fundamentals of QC along with problem-solving tools and techniques. Epson also offers professional courses that teach advanced analytical techniques.

#### Quality control training program

|                     | Primary                                 | Intermediate   | Advanced                               |
|---------------------|---|--|--|
| Common              | QC Introduction Course                  | QC-A Course (Manufacturing)<br>QC-B Course (Engineering)<br>QC-C Course (Administration)   |  |
| Small group/Team    |   | Problem-solving type QC story training<br>Target-achievement type QC story training<br>Why-Why analysis training   |  |
| Professional course | Quality engineering introduction course | Robustness evaluation course<br>Parameter design course<br>On-line (LPI) course<br>With orthogonal array, soft inspection course<br>Factor analysis course | Reliability evaluation advanced course |

\* QC-ABC courses shall be selected one or more.

#### Standard QC Courses for All Employees (Japan)

| Course          | People trained <sup>1</sup> | % trained                 |
|-----------------|-----------------------------|---------------------------|
| QC Introduction | 583                         | 93.6% (15,229 cumulative) |
| QC-ABC          | 590                         | 88.4% (13,545 cumulative) |

<sup>1</sup> The number of persons completing the course by March 31, 2013.

### Trainer Training at Overseas Production Sites

Epson's products should be of the same high quality no matter where they are manufactured. That is why Epson also puts a great deal of effort into QC training overseas.

Employees of overseas production sites who have undergone QC trainer training and who are recognized to have reached a certain level of knowledge and teaching proficiency become licensed as trainers.



Trainer Training (Thailand)

#### Trainer Training

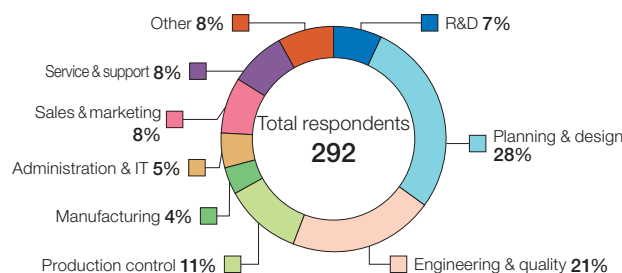
| Region         | Production Sites | Licensed Trainers |
|----------------|------------------|-------------------|
| Southeast Asia | 7 companies      | 103, cumulative   |
| China          | 8 companies      | 125, cumulative   |

### Pay Day is Customer Satisfaction Day

Every month on pay day Epson publishes on its intranet bulletin board comments and opinions received from customers. This is part of a wider program to share voice-of-the-customer (VOC) data with all employees. Sharing customer problems and praise with all employees instead of only those who directly interface with them enables us to coordinate cross-organizational programs to increase customer satisfaction.

On pay day in February 2013 Epson posted customer complaints about our products. This generated a lot of feedback from upstream departments such as R&D, planning, design, engineering and quality. Epson will use VOC data to improve its products going forward.

#### Section Breakdown of VOC Feedback



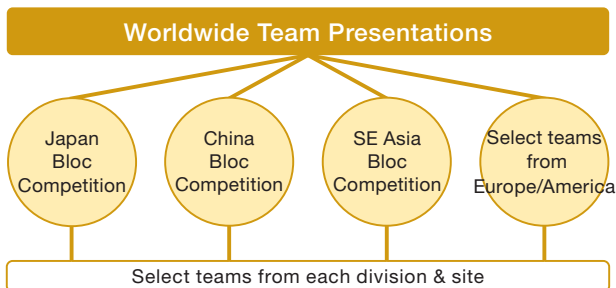
**Quality Improvement Initiatives (E-KAIZEN Activities)**

In the Epson Group, "E-KAIZEN" activities are taken on the individual and team level to systematically solve problems and issues encountered on the job.

In the 2012 fiscal year we implemented actions to achieve Epson's mid-term CS/quality goal of constantly improving quality and team strength so that we can keep delivering new value to customers.

Every year, the results of team-based improvement activities are presented in blocs. There are four blocs, consisting of Japan, China, Southeast Asia, and Europe/America. The teams with the best presentations in each bloc are invited to the Worldwide Team Presentations in Japan, where the teams with the best presentations are recognized with awards. In addition to sharing presentations at the various events, we upload details about activities to the company intranet. The objective is to promote similar activities across the Epson Group, for mutual improvement and enlightenment.

**Selection Process**



The Worldwide Team Presentations conference was held in October 2012, with 17 elite teams from the various blocs giving their presentations. A team from the Micro-devices Operations Division in Japan was presented with the President's Award in recognition of its outstanding activities. The team earned high marks for improving the existing oscillator test process so as to increase customer value. Presenter Mayumi Kamijo says, "We had meeting after meeting to try to quickly solve issues and, ultimately, our persistence paid off. Our motto is to work steadily to improve in every area, not matter how small."

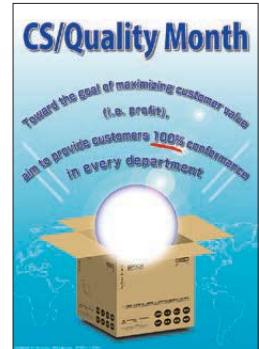


Members of the QC team that won the President's Award (Mayumi Kamijo is in the middle.)

**CS & Quality Month Best Practices Assembly**

Epson has designated November as CS & Quality Month. During the month, we carry out programs across the Epson Group to increase awareness of day-to-day quality assurance activities and to further improve quality.

One of the key activities during the month is an assembly at which people share best practices. The purpose is to roll best practices out across the entire Epson Group. More than 100 employees from operations divisions around Japan participated in the 2012 event, where they presented case studies on best practices in two thematic areas: assessment costs ("A costs") and a customer perspective.



In-house poster promoting CS & Quality Month

**Theme 1: Efforts by designers & engineers to cut A costs**

Epson aims to build quality into products from the start of the commercialization phase so as to attain manufacturing quality high enough to eliminate the need for inspections. Numerous case studies described ways to develop new methods to increase inspectors' evaluation capabilities and designs that do not rely on inspections.

**Theme 2: Products arising from a customer perspective**

To satisfy customers, you have to start by asking yourself not what kind of products to make but what kind of value to provide. Reports on this theme were presented at a round-table discussion at which project leaders talked about actual products that arose from a customer-based perspective. People who were directly involved in product development talked about how they identified customer wants and requirements, how they incorporated them into products, and about such things as processes, tools, and keys to unearthing underlying issues.



Best practices presentation during CS & Quality Month

## Sales / Service & Support

Epson provides customer value through its products and services. We want consumers to be able to identify products that meet their needs, so we always look to provide accurate, readily understandable product information and quality after-sales service so that they can use our products with assurance.

### After-Sales Service for Epson PCs

Epson Direct Corporation's support policy reads as follows: "Every second counts. Never make customers wait. Earn customer satisfaction and ongoing loyalty."

Our customers' work does not wait just because their PC failed. Obviously a strong quality program is essential for preventing PC failures in the first place, but when failures do occur, minimizing customer downtime becomes the top priority. In addition to providing free repairs during the standard warranty period, we also offer a type of extended warranty in which we guarantee a one-day turnaround on repairs. If an Epson PC should fail during the coverage period, Epson Direct will pick up the product, repair it, and return it the next day, weekends included.

In July 2012 economic and business magazine Nikkei Business ranked Epson Direct Corp. No. 1 for the eighth consecutive year in the PC category for after-sales service satisfaction. Tsutomu Hatakeyama of the CS & Quality Control Department, which handles after-sales service, said about receiving the award, "We have always worked to provide customers with a level of service and support that they want. We take pride in our work, and this award is a confidence builder. It shows that we are doing something right. We are going to continue our efforts to maximize customer satisfaction."



Members of the CS & Quality Control Department  
(Tsutomu Hatakeyama is the third from the right in the front row)

### Sales and Marketing Campaign in China

Epson (China) Co., Ltd. (ECC), which oversees sales and marketing in China, launched a new sales and marketing campaign in 2011 based on market research that showed that modified Epson products sold in unauthorized channels were not receiving quick after-sales service.

One of the main programs is designed to expand the number of authorized dealers who can provide customers with assurance before and after purchase in 4- to 6-tier cities that ECC's existing channels cannot cover.



Authorized dealer logomark

To earn authorization, dealers have to undergo training to learn about product functions and product use so that they can provide the right products for customer needs and respond quickly to inquiries and requests for repairs. As of the end of March 2013, there were about 1,000 authorized dealers in China.

For customers who are not able to visit a dealer outlet to see products first hand, ECC provides enriched online content and service, including detailed descriptions of functions with illustrations and online sales.



Product training for authorized dealers

### Advice Leaflets

Field service personnel reported frequently hearing from customers that customers wanted convenient and easy-to-understand documentation for their printers. So, in 2009, Epson Sales Japan Corporation launched a project to create and distribute advice leaflets. These leaflets provide customers with clear and accurate answers to frequently asked questions in a timely manner.

Service personnel carry advice leaflets with them to give to customers. Advice leaflets are also provided to customers who enter into a service agreement. Moreover, they are used as answers to FAQs on the Epson Sales Japan website. Going forward, we will enrich the content of the advice that our service personnel can provide.



## Product Safety

Epson applies its Quality Management Regulation and Product Safety Management Regulation globally to realize a uniform level of product quality. We strive to ensure customer safety and security with the Epson Quality Standard, which specifies far-reaching product safety and environmental requirements to be met by Epson and its suppliers. These self-imposed standards meet or exceed the legal and regulatory requirements of countries and regions.

Epson recognizes the importance of product safety in winning customer trust. That is why we established our Basic Policy on Product Safety and are extremely proactive in ensuring product safety.

### Product Safety Initiatives

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

We also provide product safety training for all employees and build intrinsic safety into our products by eliminating hazards at the product planning and design stages and by making sure the products are safe even if misused.

We set and ensure compliance with strict voluntary limits for product chemical emissions of things such as volatile organic compounds, ozone, dust, and ultra fine particles. Epson's chemical emissions testing laboratory earned accreditation as a testing facility to ISO/IEC 17025 in April 2013.

### Product Information Security Initiatives

With the growth and expansion of networks, products of all kinds are now commonly equipped with network connectivity. While network connectivity is convenient, it also poses security risks, as systems are subject to the threat of attacks, data alteration, and the leak of confidential information by third parties with malicious intent.

To help maintain the security of printers and other products that are used in a network environment, Epson has set demanding quality standards for printer drivers and

various software of products so as to eliminate vulnerabilities to the extent possible.

In 2012, web services products, such as Epson Email Print were included in the Epson Quality Standard.

Kyoichi Kamijima of Epson's Imaging Products Software Planning and Design Department says, "We analyze the latest threat trends and design our software so as to eliminate vulnerabilities and protect customers from security threats."

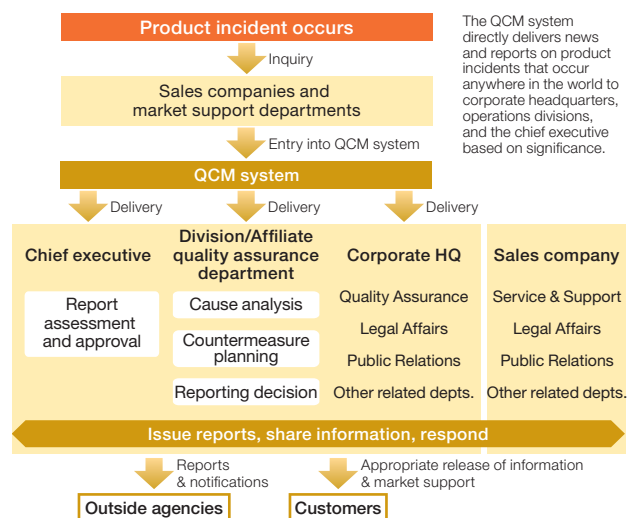


Kyoichi Kamijima  
Imaging Products Software Planning and Design Department

### Rapid Response to Product Incidents

Whenever a safety incident occurs, we immediately issue a preliminary report using a Quality Crisis Management (QCM) system that spans the entire Epson Group. The QCM system quickly delivers the information to relevant personnel and, depending on the seriousness of the incident, to the chief executive. Then, putting the needs of our customers first, we analyze the cause, develop countermeasures, announce the incident to the public, provide market support, and submit to outside agencies the reports and notifications required by product safety laws and regulations, such as Japan's Consumer Product Safety Act.

#### Epson Product Incident Response Process



Important product safety notices (in Japanese)  
<http://www.epson.jp/info/>

(Epson did not issue any important product safety notices newly in the Japanese market in FY2012)



# Preserving the Natural Environment

We aim to reconcile our corporate activities with the global environment by meeting high conservation standards

## Environmental Approach

Epson carries out environmental programs under uniform standards and goals in each country and region. The Epson Principles of Corporate Behavior and Major Activities define our basic environmental stance. In 2008, we established Environmental Vision 2050, which sets forth what we as a business must do to halt environmental degradation and achieve sustainability. Its premise is that the carrying capacity of the Earth should be shared evenly among all persons. Reducing CO<sub>2</sub> emissions and conserving biodiversity are the main pillars of this Vision.

To achieve our environmental vision, we set certain intermediate targets to fill the gaps between where we are and where we want to be. The SE15 Long-Range Corporate Vision describes the enterprise we wish to be

in 2015, naming the environment as a challenge area. Environmental initiatives are incorporated into our policies and pursued as an integral part of our business activities.

### The 2015 Vision

Traditional environmental initiatives focus on reducing environmental impact. They try to manufacture eco-friendly products as efficiently as possible with the least such impact. This is fundamental for a business that cares about the environment. Epson is going one step further: the customer is integral to our activities leading up to 2015. Thus our goal is to provide a lowered environmental impact as a value to the customer. By introducing a new perspective and the concept of environmental community, we are working to reduce our environmental footprint with a wider range of ideas and initiatives.



**Web** Environmental Policy  
[http://global.epson.com/SR/environment/vision/environment\\_policy.html](http://global.epson.com/SR/environment/vision/environment_policy.html)

**Web** Detailed outline of Environmental Vision 2050  
[http://global.epson.com/SR/environment/vision/vision2050\\_index.html](http://global.epson.com/SR/environment/vision/vision2050_index.html)

### The 2015 Vision

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.



## Fiscal 2012 Results

Epson introduced the SE15 Mid-Term Environmental Policy in 2010. In line with the policy, we are reducing the environmental impacts of our products and services.

In 2012, we met our targets for products that are smaller and lighter, are more energy efficient and recyclable, and

last longer, helping them to reduce environmental impact. We took measures that helped us achieve our Group-wide impact reduction targets for production.

In 2013, we are working to transform a lower environmental impact into customer value, by providing environmental value that customers can appreciate.

| The 2015 Vision   | FY2012 Results  |
|---|---|
| <b>New Perspective</b><br>We achieve new products, services, functions, and uses that change the behavior and businesses of customers, and reduce the environmental impacts.                    | <b>We expanded the product family that reduce environmental impacts by innovating outdated printing processes</b><br>Examples: Introduced a new digital minilab (SureLab SL-D3000) and products for the signage and display market (SureColor series).  |
| <b>Products</b><br>We create customer-pleasing products that have a 50% lower impact by further making them smaller and lighter, more energy efficient and recyclable, and last longer.         | <b>Smaller, lighter, energy-efficient products in each business</b><br>Example: Cut weight of the EP-805A (for Japan model) inkjet printers 43% vs. PM-A920 (a FY 2006 for Japan model) by making board and internal mechanism smaller, lowering life cycle CO <sub>2</sub> 36%.  |
| <b>Production</b><br>We achieve efficient, low-impact production processes that provide underlying support for greener products in concert with total cost reductions and quality improvements. | <b>Took various measures through total cost reduction programs</b> <ul style="list-style-type: none"> <li>CO<sub>2</sub> Target: Reduce emissions 30% vs. FY06<br/>Reduced by 39% compared to FY06 (see p.34 for details)</li> <li>PRTR Target: Reduce emissions to FY06 emission level or less<br/>Reduced by 42% compared to FY06 (see p. 35 for details)</li> <li>VOC Target: Reduce emissions to FY06 emission level or less<br/>Reduced by 38% compared to FY06 (see p. 35 for details)</li> <li>Wastes Target: Reduce emissions to FY06 emission level or less<br/>Reduced by 39% compared to FY06 (see p. 35 for details)</li> <li>Water Target: Reduce usage 50% vs. FY06<br/>Reduced by 55% compared to FY06 (see p.36 for details)</li> </ul> |
| <b>Eco Community</b><br>We challenge ourselves to achieve new socially sustainable practices through environmental community action centered on products and services.                          | <b>Conducted environmental PR at each business site</b><br>Examples: Showcased smaller-size, energy-efficient, recyclable, and longer-life products at Eco-Products 2012. Ongoing environmental education done by Taiwanese affiliate.  |

## Production

Programs for total cost reduction are helping conserve energy and boost space efficiency at sites. Quality improvement programs include initiatives that try to increase yield and eliminate the need for inspection. These directly relate to the reduction of life-cycle environmental impacts of products and services we provide to customers.

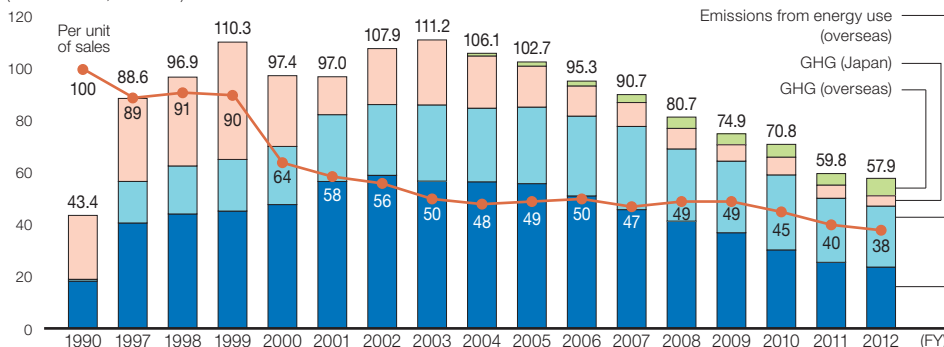
## Global Warming Prevention

Epson's initiatives to prevent global warming revolve around reducing CO<sub>2</sub> emissions by conserving energy, and reducing global emissions of greenhouse gases other than CO<sub>2</sub>.

In fiscal 2012, we set out to reduce greenhouse gas emission by 30% compared with fiscal 2006 and achieved our worldwide target.

### Greenhouse Gas Emissions

(Per unit of sales as % of FY1990 level)  
 (Emissions: 10,000 t-CO<sub>2</sub>)



Emissions from energy use (Japan)  
 Emissions from energy use (overseas)  
 GHG (Japan)  
 GHG (overseas)

- 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<sub>2</sub> emissions from energy consumed. Outside Japan we used national emissions factors provided by the Japan Electrical Manufacturers' Association (JEMA).
- To calculate CO<sub>2</sub> emissions from fuels both in Japan and abroad, we used the CO<sub>2</sub> conversion factors published jointly by the Japanese Ministry of the Environment and Ministry of the Economy, Trade and Industry in Version 2.4 of a GHG emissions calculation and reporting manual.
- To calculate the CO<sub>2</sub> equivalent of emissions of GHG other than CO<sub>2</sub>, we used conversion factors published by the Intergovernmental Panel on Climate Change (IPCC) in 2001.

### Substance Management

Epson uses its “E-Chem” chemical data management system to centrally track information on chemical substances used at Epson sites around the world. We are engaged in ongoing efforts to reduce the quantities of chemicals used and to moderate emissions of pollutant release and transfer register (PRTR) substances and volatile organic compounds (VOC). Using fiscal 2006 emissions as a benchmark, all Epson business units managed and met their fiscal 2012 targets for reducing emissions.

In addition, we are building trust relationships by making our substance data available to the public and by creating opportunities to exchange opinions with members of the local community.

#### Example: Deeply Reducing Acetone Usage

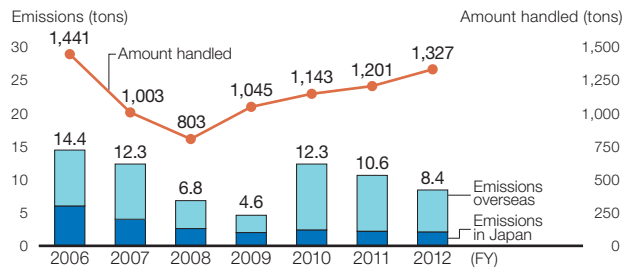
Epson’s Suwa Minami Plant, which produces liquid crystal display panels, uses acetone (an organic solvent) in the washing process. (This process is to keep contaminants out when injecting liquid crystals into the panel.)

Members of “Sukkiri Circle” took up the challenge of reducing acetone use as an E-KAIZEN activity. Rather than sticking to conventional ways, they rethought the washing process and materials used, vastly increasing quality and reducing the number of washings. As a result, the plant was able to use just one-tenth the amount of acetone it did in FY2011. With 90% less waste liquid and containers for it after using the acetone, this has helped greatly reduce our environmental footprint.

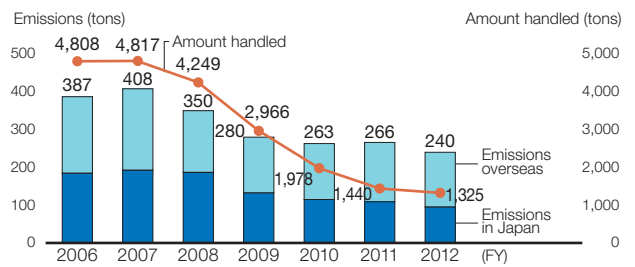


Members of “Sukkiri Circle” greatly reduced acetone use

#### PRTR Substance Handling & Emission



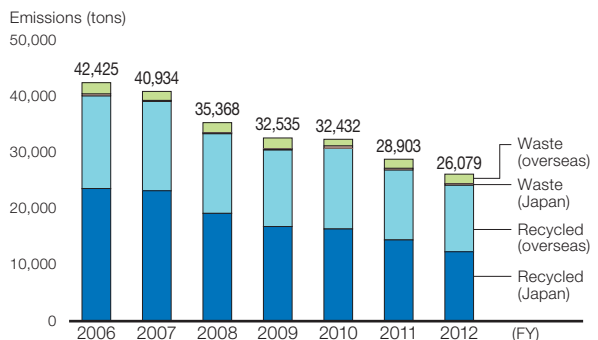
#### VOC Handling & Emission



### Zero Emissions

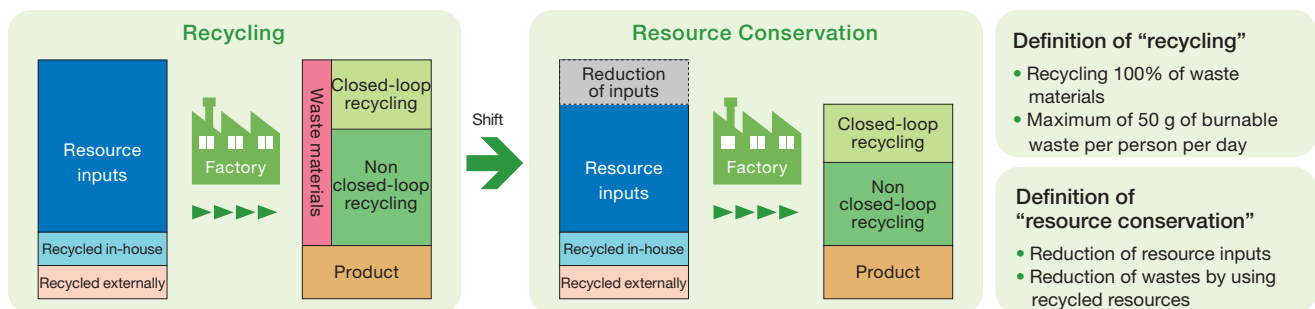
Epson’s zero emissions program began with an effort to recycle 100% of our waste products. All Group companies in Japan and overseas production sites met their material recycling targets. Currently we are shifting towards resource conservation initiatives, which seek to reduce the resource inputs into production processes.

#### Annual Waste<sup>1</sup> Emissions



<sup>1</sup> Items that are no longer needed at Epson offices and are emitted outside the company.

#### Zero Emissions Programs

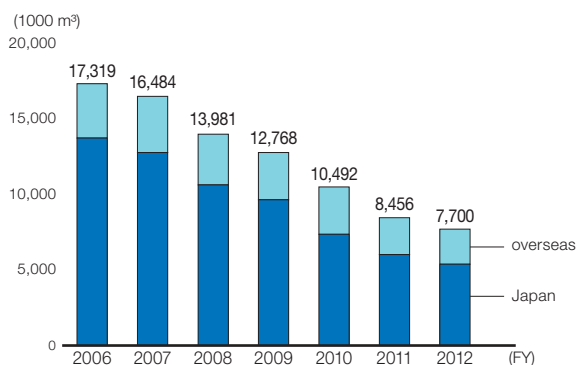


## Water Recycling

Epson is mitigating environmental impacts and maintaining legal and regulatory compliance by focusing on water and resources from a risk management point of view. Basic to this is making sure we don't soil and consume no more water than necessary, and recycling and reusing what we do use.

We work actively to increase the recycling rate of factory wastewater and comply with stricter water quality regulations. Moreover, we are implementing energy-efficient water treatment facilities. Thus, we seek to reduce the overall impact of production processes.

### Annual Water Usage



## Environmental Risk Management

Any environmental pollution resulting from Epson's business activities could have a serious impact on residents of the surrounding area, as well as for the rest of the region or country. We follow Group-wide standards for pollution control and ensure that all members are well acquainted with the ideas 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 continuously mitigate those risks. In fiscal 2012, we conducted internal pollution and emissions audits at 27 business sites (17 in Japan and 10 overseas) and have nearly completed the corrective actions for nonconformances that were found.

Regulatory limits for oil were exceeded twice during fiscal 2012. This incident was reported to the government and is being addressed.

Exceeded regulatory limits: 2

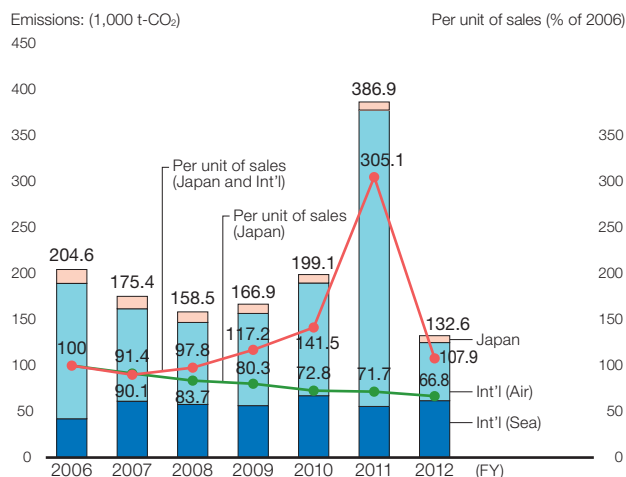
Complaints: 0      Accidents: 0

## Transport

Epson is reducing CO<sub>2</sub> emissions by increasing the efficiency of product, part, and waste transportation. We are making products smaller (which increases shipping efficiency), rethinking our logistics centers, innovating the loading and packing processes (to boost loading efficiency), and reconsidering shipment departure and arrival frequencies and number of trips.

In fiscal 2011, CO<sub>2</sub> emissions increased because we used international air freight more frequently to ship products and components that needed quick delivery. But in fiscal 2012 we basically sent our shipments by sea, which led to the reduction of our CO<sub>2</sub> emissions.

### CO<sub>2</sub> Emissions from Distribution



## Soil and Groundwater Remediation

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

### Site Groundwater Data and Remediation Methods

| Site        | 2011/3 | 2012/3 | 2013/3 | Remediation                         |
|-------------|--------|--------|--------|-------------------------------------|
| HQ          | 28     | 39     | 62     | Barrier, pump and treat, monitoring |
| Shiojiri    | 0.75   | 0.67   | 0.28   | Barrier, pump and treat, monitoring |
| Fujimi      | 0.14   | 0.12   | 0.12   | Barrier, pump and treat, monitoring |
| Suwa-Minami | 0.14   | 0.094  | 0.06   | Barrier, pump and treat, monitoring |

\* Groundwater trichloroethylene concentration trend / annual average (normal limit is 0.03 or less)

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

[Web ISO 14001 Certification List](http://global.epson.com/SR/environment/reports/iso14001.html)  
http://global.epson.com/SR/environment/reports/iso14001.html

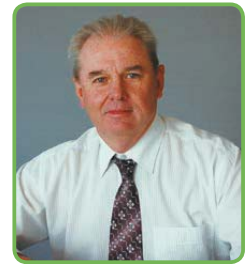
## Product Collection and Recycling

Building a recycling-oriented society requires businesses, government, and consumers to cooperate in properly processing end-of-life products. Epson began collecting and recycling used toner cartridges in 1995. To comply with various regulatory requirements and consumer needs throughout the world, Epson presently has a global system for collecting and recycling not only finished products but also cartridges. Epson currently collects and recycles cartridges in 41 countries and regions.

In fiscal 2012, we expanded our collection areas and stepped up our collecting and recycling efforts, with the result that these efforts are now better known. Especially in Australia, the EU, Taiwan, and some other places, we took part in establishing recycling schemes and re-vamped our programs and systems. This enhanced our collecting and recycling initiatives in quantity and quality.

## Participation in Collection and Recycling Scheme

Epson Australia Pty. Ltd. (EAL) has taken part in building a scheme as one of the government and IT industry members in a home electronics recycling system begun in 2012. As such, it is helping to reduce the amount of end-of-life home electronics sent to landfills.



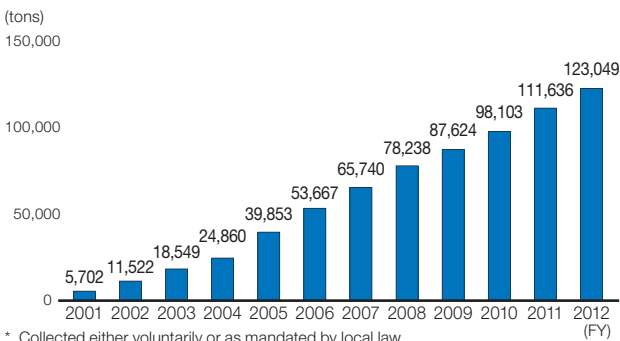
Garry Pearce, EAL

EAL's Garry Pearce shows his leadership when he says, "As an officer of Australia and New Zealand Recycling Platform Limited, I started the TechCollect, a government-certified service that collects and recycles home electronics for free. EAL will continue to deal positively with environmental problems by recycling."



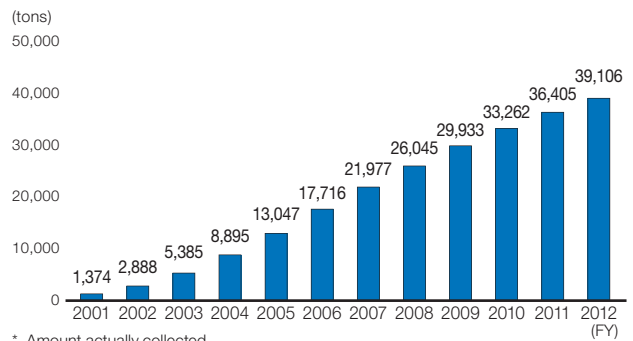
The TechCollect logo mark

### Finished products collected (cumulative through fiscal year)



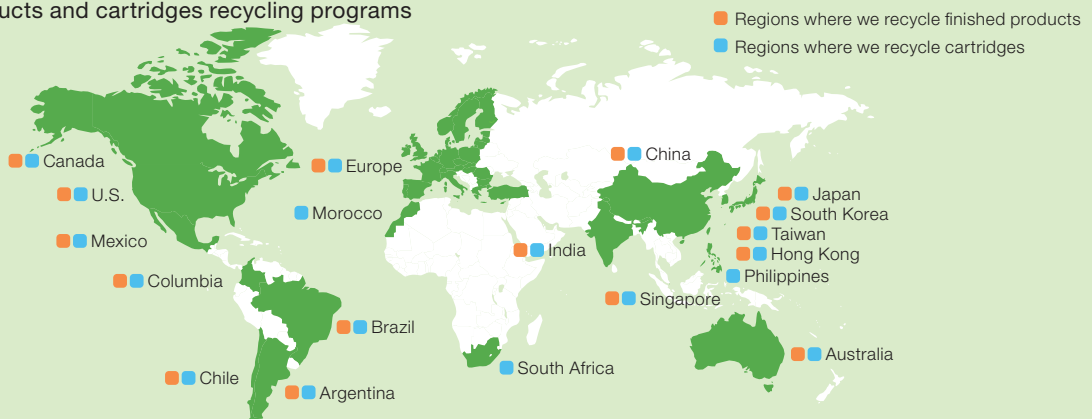
\* Collected either voluntarily or as mandated by local law  
 \* Sum of amount actually collected and amount expected to be collected

### Cartridges collected (cumulative through fiscal year)



\* Amount actually collected

### Worldwide products and cartridges recycling programs





## Eco Community

With our technology and know-how, Epson is pursuing our unique environmental community initiatives, based primarily on products and services. These initiatives also better acquaint us with customers' expectations and needs from us. Understanding this helps us effect a positive loop, in which we better provide what society is looking for and deepen our ties with stakeholders. In this way too we help achieve a sustainable society.

### All-Japan Senior High Schoolers Eco Action Project

The Ink Cartridge Satogaeri (Homecoming) Project, of which Epson is a member, sponsors the All-Japan Senior High Schoolers Eco Action Project. Epson is pleased to take part in the event.

In fiscal 2012, seven students from the Suwa Seiryō Senior High School visited Epson Mizube Corp. There, they toured plant facilities designed for persons with disabilities and tried sorting cartridges. They got to speak about environmental activities directly with prefecture and city council members and local government officials who also took the tour. This made the day even more meaningful.



Students taking a plant tour

### Eco-Products Exhibition in 2012

We exhibited at the Eco-Products Exhibition, with the theme "Epson helps reduce environmental impact with its products." Using our latest products as examples, our exhibit addressed four aspects: "smaller and lighter," "more energy-efficient," "lasting longer," and "new perspective." It introduced the products' environmental performance, customer value, and technical background to the products.

The display itself took advantage of eco-friendly product features: a large-format inkjet printer produced decorative banners, and a wall-hung projector played video.



Display banner and environmental products

## Green Talent Program

Epson Taiwan Technology & Trading Ltd. (ETT) offers the Green Talent Program. Begun in 2011, the environmental education program is for university and graduate school students in Taiwan. ETT planned the program to foster personnel who could help Taiwan develop into a sustainable society.

In June 2012, 50 students took part in a workshop at ETT on enterprise's response to global warming. In September, nine students selected by interview took part in a session at Tohoku Epson Corporation. Here, they got two days packed with a wide range of lessons and experience. They toured a production facility, got hands-on experience, and heard lessons about eco-friendly manufacturing and recovery from the March 11 earthquake and tsunami.

They also had a spirited discussion with Tohoku Epson President Akihiko Sakai. They talked about enterprise's relationship with the community (employment status of people around plants, disclosure of environmental data, communication) and about the environment and economy in general.



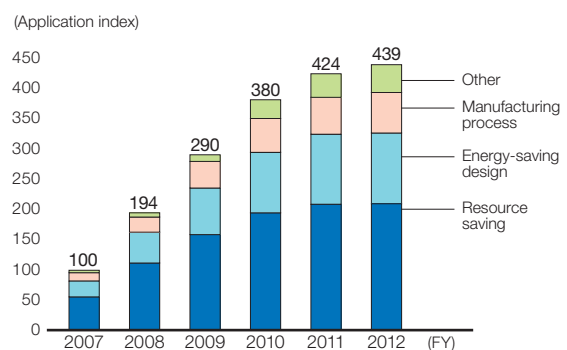
Participants in Japan session

## Incentives for Eco-Inventions

Epson has been providing incentives for eco-inventions that greatly decrease environmental impact. We seek to be an industry leader and practice corporate citizenship by developing technologies that reduce impact.

In 2012 we sought patents on technical development of eco-friendly designs, production processes, and so forth.

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



# Human Development at Epson

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

## HR Development and Training

### Approach to HR 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." We provide training so that our people understand their roles and what is expected of them as members of the Epson team. Training enables them to work and communicate effectively, solve problems and achieve goals, and experience personal and professional growth.

In fiscal 2012, Epson introduced a new personnel system for middle management. This new system establishes clear roles and requirements on both the business and conduct axes. Middle management training is also being emphasized to ensure the new system is implemented effectively.

The training is intended to ensure that managers correctly understand the strategic business objectives and are able to rapidly and nimbly respond to internal and external changes in the business environment, and that managers are able to support the growth and development of the people who report to them by putting organizations and individuals in a position to succeed.

### Middle Management Training


Epson offers a course in management practices to its middle managers worldwide. The course is designed to teach aspiring managers the roles and responsibilities of managers, and to provide them with the knowledge, management skills, and conduct they will need to effectively serve in a management capacity. The course is also structured so as to give participants an opportunity to practice in the workplace what they learned in the course.

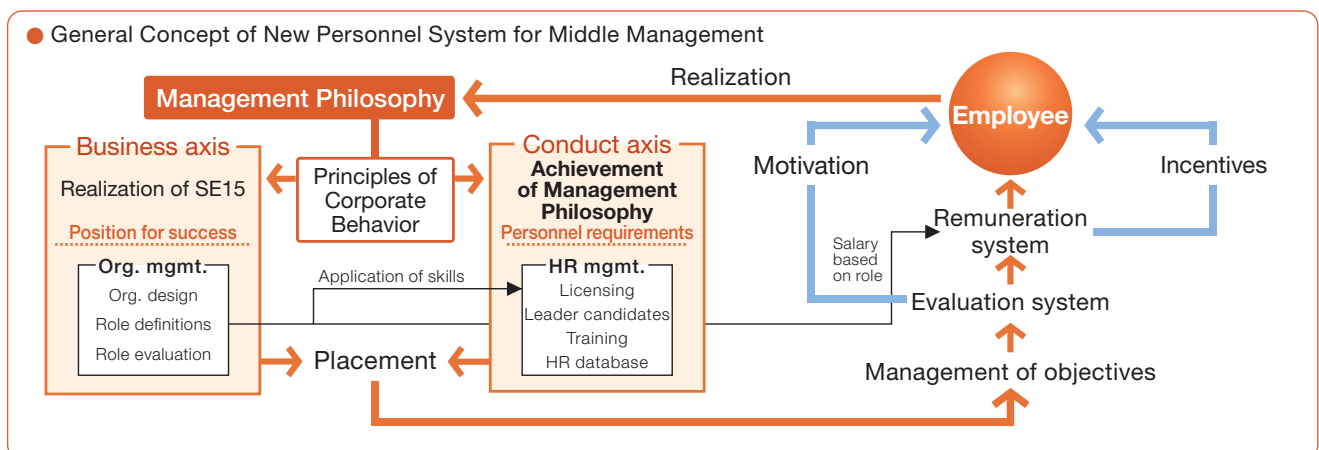
In fiscal 2012, a course was held for employees from Japan who are posted in the United States, Indonesia, China, the Philippines, and Singapore.



Middle management training (U.S.)

In addition, we held a Global Incubation Seminar in February 2013 for 26 members of middle management at our overseas affiliates. We have been holding this seminar every year since 1999 to develop future business leaders and to spread and ingrain Epson's Management Philosophy.

 Human Resources Development Policy  
[http://global.epson.com/company/epson\\_way/principle/human\\_policy.html](http://global.epson.com/company/epson_way/principle/human_policy.html)



## Training for New Employees in Japan

Epson considers the first year of employment to be a training period during which new employees learn about the Epson approach to work.

For the first two weeks, employees learn about the basics of business, including the company's systems, how to read financial statements, personnel systems, the Epson Code of Conduct, Epson's core values, and other knowledge needed to work at the company.

They then move on to two weeks of hands-on training in manufacturing. Here new employees study the Epson approach to work by disassembling and reassembling printers and watches and by learning about quality control, production control, and other related topics. We mentally prepare them for society by teaching them discipline, manners, and greetings. 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.



Cutting with hacksaws

## Hands-on Training at the Monozukuri Juku

Over decades of business growth, untold numbers of Epson employees developed technologies and skills in ultra-precision machining and mechatronics. They also developed a variety of components that make up our finished products. These invisible assets are embedded in the company's DNA and form the foundation of our manufacturing. Epson's Monozukuri Juku, an in-house manufacturing school, ensures that Epson's invisible assets are transferred to the next generation of employees so they can continue to create customer value.

It is a hands-on environment in which our young technicians and engineers can learn practical skills in manufacturing and production control. It is a place to develop people. A broad range of courses are provided. Employees learn about how to solve problems on the manufacturing floor and receive training in the art and science of manufacturing, including the basics of machining, electrical equipment, and mechatronics. Some employees train to become key skilled technicians by using training techniques developed for the Skills Olympics.



Training by solving problems on the manufacturing floor

## Training Courses and Workforce Composition

### Workforce Composition

| Male/Female Ratio |     | Mgmt. Ratio <sup>1</sup> |     | Mgmt. Diversity |     |
|-------------------|-----|--------------------------|-----|-----------------|-----|
| Women             | 18% | Mgmt.                    | 12% | Women           | 2%  |
| Men               | 82% | Staff                    | 88% | Men             | 98% |

Data for Seiko Epson Corporation employees as of March 31, 2013

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

### Training in FY2012 by Employee Level (Japan)

| Training                  | Who                  | People Trained | Percent Trained |
|---------------------------|----------------------|----------------|-----------------|
| New Employee Orientation  | New hires            | 287            | 100%            |
| C-Level Employee Training | New C-level staff    | 282            | 96.9%           |
| Senior Staff Training     | New senior staff     | 131            | 97.0%           |
| Section Manager Training  | New section managers | 50             | 90.9%           |

Note: Persons who have not received training are scheduled to do so in FY2013

### Main Online Courses in Fiscal 2012 (Japan)

| Course Title <sup>2</sup>                           | Start Date | Trainees <sup>3</sup> |
|---|------------|-----------------------|
| Basic Information Security (2012)                   | Apr. 2012  | 18,069                |
| Introduction to Procurement (Subcontract Act, 2012) | Oct. 2012  | 10,383                |
| Security Trade Control Training (2012)              | Oct. 2012  | 11,882                |
| Basic Environmental Training II (2012)              | Feb. 2013  | 7,599                 |

<sup>2</sup> Compliance training

<sup>3</sup> The number of persons completing the course by March 31, 2013

 Training System (Japan)  
[http://global.epson.com/SR/our\\_people/development/index.html](http://global.epson.com/SR/our_people/development/index.html)



## Maintaining a Fair Workplace

### Zero Tolerance

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

There were 20 inquiries to our harassment hotline in 2012, and all were handled in the strictest confidence, in line with privacy protection laws. Additional services include a compliance hotline and other counseling services. Epson also strives to prevent fraud and other forms of legal misconduct in a number of ways, including through regular reporting to the Trust-Based Management Council and by posting reminders on the intranet bulletin board.

**Web** The Policies regarding Human Rights and Labor Standards  
[http://global.epson.com/company/epson\\_way/principle/human\\_rights.html](http://global.epson.com/company/epson_way/principle/human_rights.html)

### Equal Gender Opportunity Initiatives

Seiko Epson was an early advocate of equal opportunity employment. We abolished gender-based remuneration in 1983, and the return-to-work rate for employees who have taken childcare leave is 95% (98% in 2012). In fact, women stay with Epson longer than men, on average (21.4 years for women versus 18.0 years for men).

#### Childcare Leave Trends

| FY   | Childcare Leave    |       |   |                  | Caregiver Leave |
|------|--------------------|-------|---|------------------|-----------------|
|      | Total <sup>1</sup> | Women | Ratio of women granted leave <sup>2</sup> | Men <sup>3</sup> |                 |
| 2012 | 80                 | 66    | 100%                                      | 14 (12)          | 1               |
| 2011 | 66                 | 55    | 98%                                       | 11 (10)          | 2               |
| 2010 | 82                 | 64    | 100%                                      | 18 (15)          | 2               |
| 2009 | 74                 | 53    | 100%                                      | 21 (20)          | 0               |

<sup>1</sup> Including individuals who took well-being leave

<sup>2</sup> Number of individuals granted childcare leave / eligible\* individuals  
 (\*Individuals who have had a child and are eligible for childcare leave)

<sup>3</sup> Numbers in parentheses indicate employees who took special paid leave

**Web** Well-being leave  
[http://global.epson.com/SR/our\\_people/fair\\_working/index.html#well\\_being\\_leave](http://global.epson.com/SR/our_people/fair_working/index.html#well_being_leave)

### Monitoring and Controlling Working Hours

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

### Work-Life Balance Initiatives

Epson, with one eye trained on the well-being and development of our children, allows employees to balance their careers with their personal lives so that they feel they can stay with the company. We enforce an eight-hour workday at least once per week at our sites, and an increasing number of sites have a day each year when parents can bring their children to work. Because of these and other initiatives, Epson is recognized for implementing policies that will benefit the next generation.



Next-generation accreditation mark "Kurumin"

Every year, some of our male employees take paternity leave. According to Shigeru Matsuyama, "By spending time at home, I could watch my wife smile and my children grow. Having time away from work also helped me grow as a person by giving me the chance to try new things and meet new people." We intend to roll out these and other programs that help secure a healthy work-life balance.



Shigeru Matsuyama on paternity leave

### Labor and Management Initiatives

Seiko Epson is a union shop whose employee union representatives work cooperatively with management to foster a better work environment. 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.

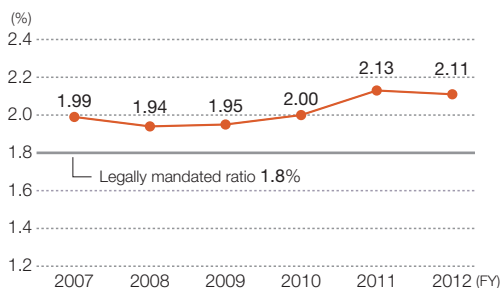
**Web** Main Employee Welfare and Benefits Systems (Japan)  
[http://global.epson.com/SR/our\\_people/fair\\_working/index.html](http://global.epson.com/SR/our_people/fair_working/index.html)

## ■ Employment of Persons with Disabilities

Epson employs a large number of persons with disabilities. We accommodate special needs by providing easy-access restrooms, parking spaces, and other facilities. We also provide services such as sign language interpretation for in-house training and interviews, and special shortened working hours for dialysis treatment. Two special subsidiaries, Epson Mizube Corp. and Epson Swan, Ltd., provide a working environment that meets the needs of persons with disabilities so they can fully use their skills.

One of the many jobs handled by Epson Mizube is part of the “Ink Cartridge Home Coming Project,” a collaborative effort between six printer manufacturers in Japan and Japan Post Co., Ltd. Epson Mizube receives used print cartridges collected throughout Japan, divides them by manufacturer, weighs and counts them, and sends them to the manufacturer along with a report.

### ● Ratio of Employees with Disabilities (Japan)



## ■ Taking Part in the Abilympics

Some of Epson’s employees with disabilities have amazing skills that are invaluable to the company. Masashi Mukaiyama of Epson Mizube Corp. is one of those employees. Mukaiyama said, “My usual job involves soldering, so I decided to compete in the Abilympics in order to improve my technique and the quality of my work. Through training and perseverance, I was able to win a gold medal in electronic circuit connections. Having a strong team and the support of my co-workers really helped during the competition.”

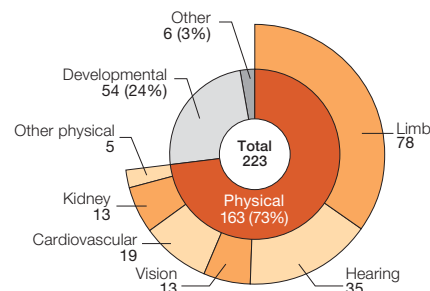


Abilympic athletes from Epson Mizube Corp.



Masashi Mukaiyama demonstrates his skills in the competition

### ● Types of Disabilities (Japan)



## Two Awards at National Award Ceremony for Employers of Persons with Disabilities

Epson Mizube Corp. has long promoted and contributed to the stable employment of persons with disabilities. In recognition of these efforts, the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers presented Epson Mizube with a President’s Award. Epson Mizube general manager Hiroshi Uruga commented, “This is all due to the hard work and cooperation of our employees. I would like us to work together



National Award Ceremony

even more as we set our sights on the Ministry of Health, Labor and Welfare Minister’s Award.”

Mizube employee Chie Fujimori received yet another President’s Award for a photo she took for the National Disability Employment Awareness Month poster contest. The photo, which showed her co-worker hard at work, was selected and is on display throughout Japan.



Chie Fujimori and her winning photograph

# Occupational Safety and Health

Occupational safety and health are the bedrock of business.

## Approach to Occupational Safety and Health

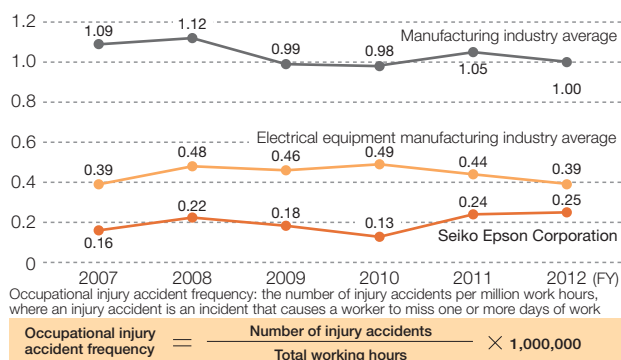
Believing that energetic employees who are healthy of body and mind, and a safe, secure, and clean environment are essential to corporate health, Epson carries out occupational safety and health programs at its sites around the world.

The core component of this effort is the New Epson Safety & Health Program (NESP). Covering safety, health, and fire/disaster prevention, NESP is based on an occupational safety and health management system (OSHMS) that conforms to International Labour Organization (ILO) guidelines. Based on the principle of self-sufficiency, Epson aims to raise the level of safety and health management at all of its business sites so they become self-sustaining.

### Basic Concept of NESP



### Occupational Injury Accident Frequency (Japan)



\* The number of FY2011 Seiko Epson differs from which in Sustainability Report 2012 due to a recount.

## Global Initiatives and Self-Sustaining Activities

### General Safety and Health Controller Meeting

Every six months, general safety and health controllers from Epson business sites and affiliates throughout the world come together for the General Safety and Health Controller Meeting and reaffirm their responsibilities. Participants give presentations on the activities taking place at their business sites to encourage best practices and self-sustaining activities.

Manufacturing affiliates in the China region, which has a high concentration of large-scale production sites, hold their own Safety and Health Controller Meeting every quarter. The controllers share information on common issues, discuss important actions such as legal compliance specific to China, and make sure their safety and health activities are in step at all of their business sites.

### Safety Management at Suppliers

Epson checks the safety management systems in place at suppliers and suggests ways to mitigate problems and risks in line with Epson Group safety guidelines. After suggesting improvements, the person in charge of safety at a local affiliate provides ongoing assistance to the supplier in order to reduce procurement risks.



Safety inspection at a supplier (Philippines)

### Raising Employee Awareness at EPI

Epson Portland Inc. (EPI) runs its own NESP-related improvement proposal program. Every year, it holds an event where employees who proposed ideas can win stationery and other prizes. This program encourages employee involvement in NESP.



Prize Drawing for Safety Proposal Award at EPI



## Maintaining Mental and Physical Well-being

### Health Management Initiatives

Epson's health management program is an important part of its NESP activities.

In Japan, Epson established a mid-range plan titled "Healthy Epson 21." This plan focuses on the key areas of overwork, lifestyle-related illnesses, and mental health to maintain and promote wellness of body and mind while working.

In fiscal 2012, we built a health management support system that gives employees immediate access to their own health data so that they can easily monitor their health. We are also working to protect employee health by providing managers and HR with information on employee work restrictions prescribed by physicians to ensure safety and relieve stress. Improved self-care, management care, and professional care by our medical staff will enable us to promote total health care more efficiently.

Outside of Japan, Epson is always working to improve health management at its subsidiaries and affiliates based on the industrial safety and health laws of each country and the conditions on the ground. In fiscal 2012, health management staff from two of our affiliates in Indonesia participated in an occupational safety and health training program in Japan as part of our efforts to improve health management throughout Epson.

### Support for Employees Assigned Overseas

Epson has a support system in place to provide Japanese employees assigned overseas with the same annual health check-ups offered in Japan, use of the health management support system, and health guidance by telephone and e-mail. Our occupational physicians and nurses visit overseas affiliate companies once every three years to check on the health of employees and their families.

In fiscal 2012, an occupational physician and nurse visited affiliates in Indonesia and the Philippines to hold health consultations with employees from Japan and to visit local healthcare providers. Epson also launched a new global health support desk. This new service is intended to ensure that all employees assigned overseas have equal access to health-related information and services.

### Mental Health Initiatives

In 2010, Epson established a new employee mental health program that emphasizes prevention.

In 2012 a major reorganization led to the reassignment of a large number of employees. During this transition, our health management staff worked closely with the HR department to provide extra support for the physical and mental well-being of those affected. Atsushi Osato, an occupation physician, said, "When an employee has to leave a place they have worked for many years and take on a new job, it is both physically and mentally stressful. The key is to know how much follow-up they require to maximize their abilities in the new position. We have to keep a close eye on their health to head off any health problems before they develop."



Atsushi Osato  
Hino Office Occupational Physician,  
Epson Group Associate Chief  
Occupational Physician

## Fire and Disaster Prevention

Epson is committed to being an accident-free workplace and contributing to community fire safety. To this end, we have organized independent fire brigades to help protect ourselves and our property. The last working day of every August is Epson Disaster Prevention Day. On this day, Epson Group companies conduct fire and disaster drills. One of the drills is used to 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 wide-scale disaster.

Ayako Yamamoto, second in command of the Head Office Fire Brigade, talks about the activities of the fire brigade. "The fire brigade holds regular drills so we can learn about putting out fires, discipline, and disaster prevention. This also gives us the chance to interact with people from other departments. It is an incredible experience."



Ayako Yamamoto  
Second in Command of Head Office  
Fire Brigade

# Organizational Governance

Epson is aiming to be an indispensable company by realizing our management philosophy. We have established a system of compliance to ensure the transparency and soundness of management in the eyes of our stakeholders

## Corporate Governance

The primary goal of corporate governance at Epson is to continuously enhance the value of the company and to ensure business transparency and health through a strong system of checks and ethical practices.

Seiko Epson has a board of directors and a board of statutory auditors. The nine-member board of directors meets once a month and convenes extraordinary meetings as needed. It makes decisions regarding basic management policies, key business operations, period-end closing, disclosure timeframes, and other important issues. An outside director was appointed to the board at the June 20, 2012, general shareholders' meeting, a positive move aimed at bringing an outsider's viewpoint and insight to the company.

Various management bodies have been created to advise the president or board of directors, deliberate issues and facilitate decision-making, and oversee and enhance the execution of business.

## Design of Internal Control System

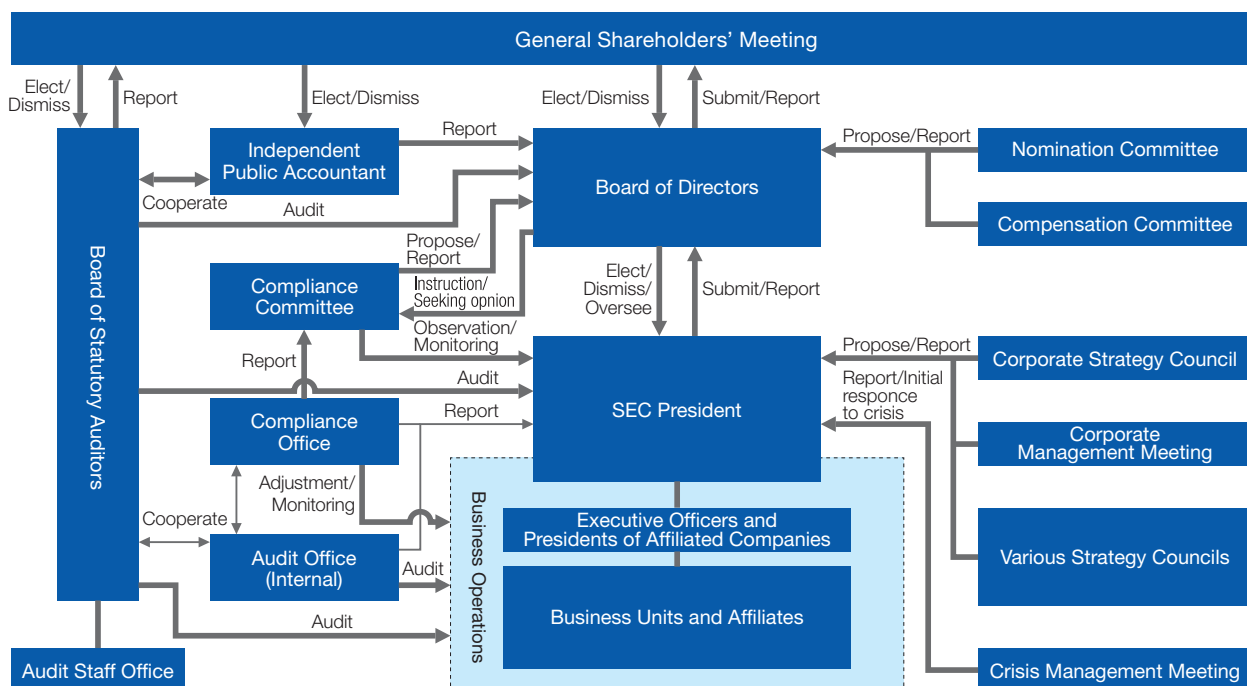
Epson's Management Philosophy outlines the vital business principles to which the global Epson Group is committed, while Epson's Principles of Corporate Behavior describes the conduct required to live up to these principles. As illustrated below, Epson takes actions to steadily improve internal control across the entire Epson Group.

### Group Governance

The Epson Group is managed based on the concept: global consolidated responsibility of product-based divisions; and global responsibility of the Head Quarter (HQ) supervisory functions. The head of the business operations divisions take the responsibility for the business execution systems of subsidiaries, and the head of HQ supervisory sections take the responsibility for group-level corporate functions. With this system, Epson strives to streamline operations throughout the Epson Group, including subsidiaries.

 Corporate Governance  
<http://global.epson.com/company/governance/index.html>

### ● Governance Structure



## Compliance and Risk Management

In March 2013, the Seiko Epson board of directors passed a resolution calling for the establishment of an internal organization intended to improve compliance and risk management. The highlights are the appointment of a chief compliance officer (CCO) and the establishment of a compliance committee and compliance office.

Under this new organization, the compliance committee, which is chaired by the CCO, acts as an advisor to the board of directors. The committee supervises operations related to compliance by deliberating important compliance activities and by giving reports and proposals to the board of directors. In addition, the Compliance Office 1) monitors compliance in general, making corrections and adjustments as necessary, and 2) takes action to mitigate risks by conducting regular monitoring of risks and overseeing risk management activities.

Meanwhile, the Corporate Strategy Council, which advises the president, strives to ensure the effectiveness of compliance and risk management by deliberating important matters related to compliance and risk management from various angles. When major risks become apparent, the president leads the entire company in mounting a swift initial response in line with Epson's prescribed crisis management program. The president periodically reports to the board of directors on important matters concerning the execution of compliance and risk management, and formulates appropriate measures to respond to these issues.

Epson has also installed a compliance hotline which has internal and external report windows and other advisory and support services to facilitate internal and external compliance-related inquiries and to ensure an effective whistleblower system.

### Advisory and support services

- Epson Hotline (Compliance Office)
- Harassment advisory (HR Department)
- Counseling related to working long hours (HR Department)
- Employee counseling (General Affairs Department)
- Labor union counseling (Labor Union)
- Insider trading inquiries (Legal Affairs Department)
- Anti-monopoly inquiries (Legal Affairs Department)
- Inquiries related to bribes and corruption (Legal and General Affairs Departments)

## Compliance Activities

### "Legal Quarterly" at ECC

The legal department at Epson (China) Co., Ltd (ECC) has been publishing a newsletter called "Legal Quarterly" since October 2011. This newsletter summarizes legal news affecting ECC and explains actions that need to be taken. The newsletter is designed to mitigate legal risks by increasing employee awareness of laws and their sensitivity toward risk and uncertainty in day-to-day operations. ECC publishes the newsletter in both Chinese and Japanese to ensure that Japanese employees working in China and related departments in Japan are up to speed on the latest legal developments, helping build awareness of compliance issues throughout the Epson Group.



Legal Quarterly in Chinese

### Internal Audits

The Audit Office, which reports directly to the president of Seiko Epson, audits Epson Group divisions and subsidiaries to check compliance and the effectiveness and efficiency of their risk management, controls, and management methods. If problems are found, the Audit Office helps minimize business risks by conducting a follow-up audit to check the status of improvements. To ensure effective Group governance, The Audit Office also centrally oversees internal audits for the entire group based on reports from auditors at regional headquarters in Europe, the Americas, China, and Southeast Asia.

### Internal Controls Over Financial Reporting

Every year, we audit internal controls to ensure the reliability of financial reporting (J-SOX). The Epson Group uses an autonomous distributed implementation system in which operations divisions and subsidiaries subject to external audits conduct a self-assessment on the design and operation of their internal controls, while the J-SOX Compliance Department ensures the validity of the assessment results. Operations divisions, subsidiaries, and affiliates not subject to external audits are required to independently assess their internal controls and make such improvements as are necessary.



## International Trade Initiatives

Epson is a multinational corporation with production centers, sales centers, customers, and business partners around the world. Smooth international trade operations are essential if we are to deliver Epson products and services to customers in a timely manner.

Meanwhile, we must observe numerous conventions and frameworks governing international trade that have been put in place to maintain international peace and security.

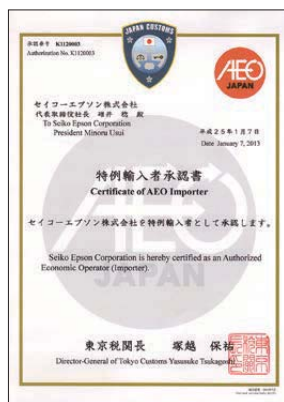
To maintain compliance with these and to ensure smooth trade, Epson has established comprehensive systems and processes that have enabled Epson companies to earn certification from the relevant authorities in Japan and abroad for compliance with the international trade programs. (See the table below.)

### Certifications

| Company Name        | Program (Certifying Agency)                |
|---------------------|--|
| Seiko Epson Corp.   | Special Bulk Export License (METI)         |
| Seiko Epson Corp.   | Authorized Exporter (Tokyo Customs)        |
| Epson America Inc.  | C-TPAT <sup>1</sup> Partner (U.S. Customs) |
| Epson Portland Inc. | C-TPAT Partner (U.S. Customs)              |
| Epson El Paso Inc.  | C-TPAT Partner (U.S. Customs)              |

<sup>1</sup> Customs–Trade Partnership Against Terrorism, a program designed to strengthen U.S. security across the supply chain.

In January 2013, Seiko Epson was certified under the Authorized Importers' Program run by Tokyo Customs. This program gives preferential customs treatment to authorized importers with high levels of compliance and cargo security. By filing a special import declaration, importers are able to import goods more quickly with fewer inspections and can file import declarations and receive authorization before the goods actually arrive in Japan. This program is beneficial to supply chain management because it ensures a stable lead time for customs processing.



Approval certificate for Authorized Importers' Program

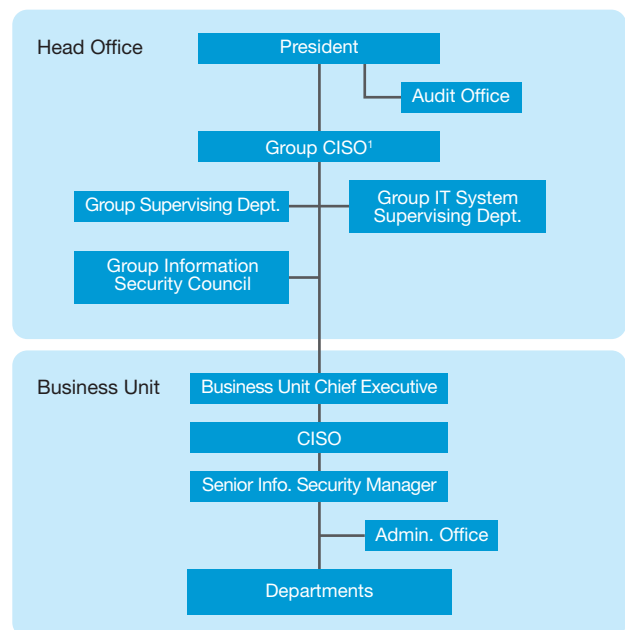
## Security at Epson

Declaring a commitment to protecting people, assets, and information in Principles of Corporate Behavior, Epson takes steps to ensure personal security, the security of corporate assets, and the utmost prudence in the handling of information. Epson recognizes the importance of good security practices. Accordingly, we establish and maintain systems to ensure the on-site safety and security of personnel and visitors, carefully control all assets, respect the property of others, and take strict precautions to safeguard personal data and confidential information.

### Information Security

Epson's Basic Information Security Policy describes our approach to information security and the requirements that we must satisfy. This policy calls for all Epson personnel to recognize the importance of information security, exercise effective information security governance, and build information security into the corporate culture.

### Information Security Organization



<sup>1</sup> Chief Information Security Officer

At Epson, each business unit builds and maintains its own information security system based on group-wide standards. Internal audits ensure that the systems and controls at each business unit are evaluated and that information security-related risk management is effective. Senior information security managers from the business units gather to discuss initiatives across the organization and to track progress.

Epson also acquires ISMS (information security management system) certification, which complies with ISO 27001, to ensure continuous improvement of its information security management organization. Currently, Seiko Epson's Business Systems Operations Division, IT Division, data centers, and Epson Sales Japan have all been certified and manage information security accordingly.

Employees and managers learn about information security through online training courses and training programs for managers. The online training program has a participation rate of 100%, including executives. Every July, which is designated as Information Security Enhancement Month, Epson implements a number of awareness-raising initiatives. There are also year-round initiatives such as the monthly Information Security News, which gives specific examples of actions employees can take in the office and at home.

During Information Security Enhancement Month in 2012, Epson asked employees to rethink the way they use e-mail, an essential business tool. Improper use of e-mail is reported to have negative consequences, such as reducing the quality of one's work and inconveniencing customers. Epson asked its employees to review proper e-mail rules and manners and to make sure they are using e-mail appropriately.

### ■ Protection of Personal Data

Epson conducts internal audits to ensure that personal data is properly managed.

Epson Sales Japan and Epson Direct are both PrivacyMark certified and continue to operate in accordance with the program.

Kyoichi Nakajima from Epson Sales Japan says, "Epson Sales Japan first obtained PrivacyMark certification in

March 2005 and we have renewed it four times since then. The year leading up to certification was the most difficult for those involved because we had to establish all of the rules and train employees on them, but now personal data protection has become ingrained across our operations. Epson Sales Japan handles the personal data of many customers. Our employees understand the importance of protecting our customers' privacy and do so of their own accord."



Kyoichi Nakajima  
Epson Sales Japan

### ■ Intellectual Property Protection

Epson protects the rights to our proprietary technologies so as to support the ongoing development of our existing businesses and the growth and commercialization of new businesses. These actions ensure that our IP portfolio contributes to corporate earnings. We also respects the rights of third parties and implements measures to prevent infringement of those rights.

In 2012, Epson ranked 13th in Japan and 12th in the U.S. for number of registered patents. Epson also received numerous awards in recognition of its contributions to the advancement of science and technology and to the development of industry. These include the Japan Patent Attorneys Association President's Award and the Inventor's Award at the 2012 National Commendation for Invention, and the Japan Patent Office Director's Encouragement Award at Kanto Region Commendation for Invention.



Award winners at National Commendation for Invention

Our IP initiatives are not limited to Japan. We emphasize understanding and respect for intellectual property throughout the world. In China, Epson (China) Co., Ltd. (ECC) launched the IP Rights Reporting Seminar in 2007. As part of this ongoing program, ECC works with the media to raise awareness of IP issues among students in China.

# Sustainable Procurement

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

## Approach to Sustainable Procurement

### Basic Procurement Policy and Procurement Guidelines

As stated in the beginning of the Management Philosophy, Epson is committed to being "a progressive company, trusted throughout the world." We strive to grow in harmony with the local and international communities by procuring goods in a manner consistent with the Principles of Corporate Behavior and Basic Procurement Policy.

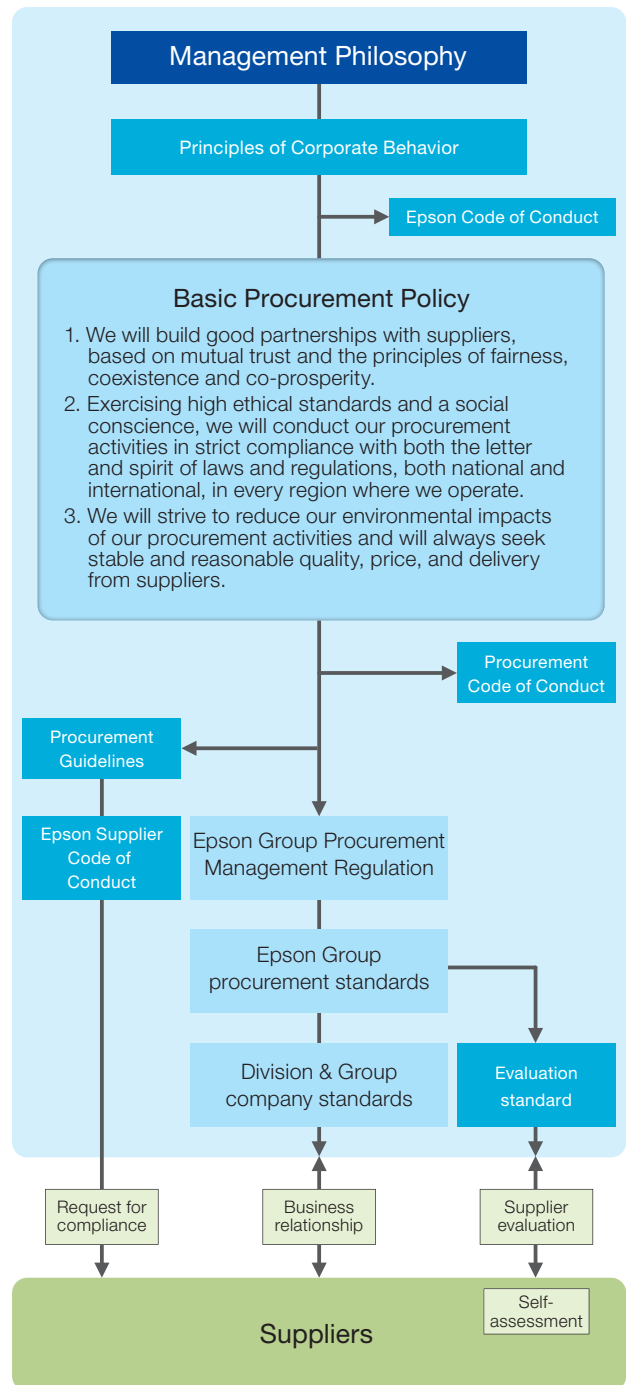
To this end, we established formal procurement guidelines that spell out fundamental Epson principles for our suppliers around the world. Our procurement guidelines cover requirements regarding compliance with laws, social norms and ethics in areas such as child and forced labor, respect for human rights, environment preservation, and health and safety. Epson practices sustainable procurement in line with these guidelines.

From the perspective of our stakeholders, "Epson" refers to the entire supply chain for Epson products. Epson asks its suppliers to follow the Epson Supplier Code of Conduct, established in April 2008, to help ensure that equivalent standards of conduct are maintained across the supply chain.

### Co-creating with Our Business Partners

In addition to providing quality products and services, Epson believes that part of its responsibility is to work with business partners to ensure that human rights, labor standards, and environmental preservation are being upheld across the supply chain. Business partners that we can trust are essential if we are to continue to provide customers with products and services that excel in every area, including quality, price, and environmental performance. We strive to build trust through fair and transparent business practices with suppliers.

### Procurement System





## Sustainable Procurement Initiatives

### Bringing CSR to the Supply Chain

Epson shares its corporate social responsibility values and objectives with its suppliers as part of an ongoing effort to ensure that suppliers understand the risks associated with the environment, human rights, worker rights, and corporate ethics. This, in turn, minimizes associated risks and establishes a strong relationship of mutual trust.

Starting in fiscal 2008, Epson launched an effort to improve the level of CSR in our supply chain, including detailed evaluations of CSR activities at our suppliers. We report the results of evaluations to suppliers and, if necessary, request improvements. We also conduct on-site audits and other measures to verify the status of improvements.

In fiscal 2012, we focused our efforts on suppliers in the printer business. After requesting improvements at nine suppliers, we conducted on-site follow-up audits to check the status of the improvements.

### Epson's Approach to Conflict Minerals

"Conflict minerals" refers to gold, tantalum, tin, and tungsten that serve as a source of funding for armed insurgents and anti-government organizations in the Democratic Republic of the Congo and surrounding countries. Publicly traded companies in the United States are required to report the presence of any conflict minerals in their products to the Securities and Exchange Commission. This requirement does not apply to Epson because it is not traded in the United States.

Nevertheless, we work with our suppliers to eliminate conflict minerals from our products in line with our basic approach to socially responsible procurement. In October 2012, we amended our procurement guidelines so that it asks suppliers not to use conflict minerals and we began investigating whether such minerals are being used in our supply chain.

Determining the origin of minerals requires tracing them all the way up the supply chain. This is a long and difficult process that does not always produce final results, but Epson is continuing its efforts to eliminate conflict minerals in cooperation with its suppliers.

 Conflict Minerals in Epson Products  
[http://global.epson.com/SR/procurement/conflict\\_minerals/index.html](http://global.epson.com/SR/procurement/conflict_minerals/index.html)

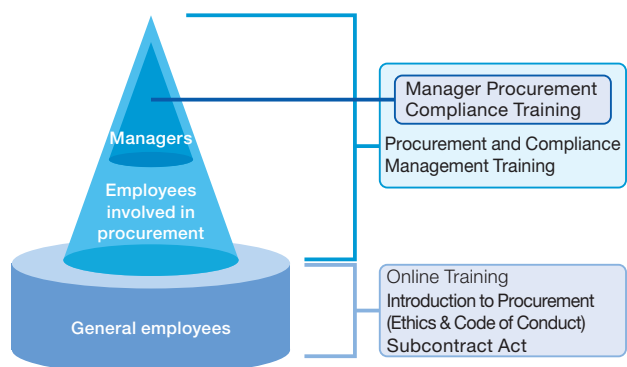
## Compliance Management Initiatives

Exercising high ethical standards and a social conscience, Epson conducts procurement activities in strict compliance with both the letter and spirit of laws and regulations, both national and international, in every country and region around the world. Training and education is an important part of this commitment.

In Japan, companies in the Epson Group train employees on the laws, regulations, and social norms of various countries and regions around the world to ensure that employees have the required expertise and awareness.

All employees in Japan are required to take the Introduction to Procurement and Subcontracting Law Fundamentals online training courses. Employees directly involved in procurement must successfully complete procurement and compliance management training. As of March 2013, 15,500 employees have been certified. Then, starting in November 2012, we began holding manager procurement compliance training to improve knowledge and understanding of laws and regulations. This training course is mandatory for all managers with decision-making authority.

### Training System for Compliance Management in Procurement



Kuniko Ito, who is in charge of the training course, says of the training, "We try to improve employee awareness of compliance as part of our corporate social responsibilities. As a result, employees are starting to take an even more serious approach to compliance."



Kuniko Ito, Production & Trade Management Department

# Corporate Citizenship

Proactive engagement in communities as a good corporate citizen

## Approach to Corporate Citizenship

Epson established its Corporate Citizenship Policy in 2004. Our employees recognize that companies need to be more socially involved than ever, and so we aim to contribute to society as a good corporate citizen and facilitate mutually beneficial relationships.

Epson's contributions go beyond financial support. We emphasize contributions involving the imaging-based technologies and knowledge that underpin our business as a way to give back to society. In fiscal 2012, our contributions were worth about 270 million yen. Epson did not make any political contributions in fiscal 2012.

 General Corporate Citizenship Policy  
[http://global.epson.com/company/epson\\_way/principle/citizenship\\_policy.html](http://global.epson.com/company/epson_way/principle/citizenship_policy.html)

## Community Contribution

### Charity Run

Epson Precision (Philippines), Inc. (EPPI) hosted "Takbo Para Sa Kalikasan 2013," a charity run, at the LiMA Technology Center in February 2013.

Instead of paying entry fees, runners were asked to bring in recyclables like PET bottles, newspapers, magazines, and cans. The many participants included EPPI employees, students from area high schools and universities, and employees of other businesses in the center. EPPI turned the goods in for cash and donated 13,466 pesos to SOS Children's Village Lipa, an NGO helping ill and disadvantaged children.



EPPI Environment Manager Joyce Tan (right) presents check to SOS Children's Village Lipa Director Johnald Lasin

### Taking Part in Forest Protection Event

Akita Epson Corporation employees and family members joined a tree-planting event by the Ogachi fishery association of Akita Prefecture in June 2012. Begun in 2008, the event was held for the fifth year. Participants planted beech trees to protect water resources and increase vegetation.



Employees and family members planting beech trees

As they planted new seedlings, they were able to see how the ones they had planted the previous year had grown.

### Social Initiatives Mark ETT's 30 Years

In celebration of 30 years of business, Epson Taiwan Technology & Trading Ltd. (ETT) held a series of community events in 2012 to express its appreciation to its loyal Taiwanese customers.

#### Case 1: Employee Volunteerism

Employees and family members held monthly events around Taiwan, planting trees, cleaning beaches, and showing movies at schools in areas with no theater nearby. All together, nearly 1,000 employees took part between March and October 2012.



Movie screening

#### Case 2: Limited Edition Printer Charity Auction

Thirty limited edition printers, decorated with illustrations by popular Taiwanese artist Mr. Eyeball, were sold in a charity auction. More than NT\$1.2 million raised by auction and ink cartridge sales was donated.

## Education for Young People

### ■ Hosting Youth Soccer Clinic by Manchester United Alums

Epson has been a sponsor of Manchester United Football Club, part of England's Premier League, since 2010. We have continued to support the team as its Official Office Equipment Partner since then.

In April 2012, we held the Epson United Spirit Soccer Clinic for youth living in protective facilities in Malaysia and Singapore.

The 64 youth who took part received instruction from a current Manchester United Soccer School coach and four former Manchester United players. Lessons included the importance of repetitive practice of basic moves.



Soccer clinic participants (Malaysia)

### ■ Epson Green Environmental Protection Education for Kids

Epson (China) Co., Ltd. (ECC) held the Epson Green Next-Generation Environmental Protection Education Project in June 2012. Held for the sixth time, the project seeks to help children build an eco-friendly society in future. It increases their knowledge and consciousness of environmental protection and raises their interest in problems of the environment to encourage participation in conservation initiatives. This time, more than 400 Beijing elementary school second- and third-graders and family members were invited to a children's center. British embassy staff in China gave a special talk on protecting the environment where the Olympics were hosted.



Special talk by British embassy staff

### ■ Support for "Sports Tengoku"

The "34th Sports Tengoku," an all-ages sporting event for the people of Nagano Prefecture, took place in Matsumoto City in July 2012. The purpose is to promote lifelong sports and health. About 6,700 people took part in the event, which features 35 sports and divisions including relay races, mallet golf, tennis, and sumo. Since 2007, Epson has presented keepsake photos, along with a 2L size photo for each member, to the teams who won their relay races.

Photos of generations of winning teams hang in their schools, encouraging new classes of children. In turn, the children have sent us messages of thanks for the photos of their happy faces.

Others have said, "We didn't always get good times in practice and often we really messed up, but because of your photo, our overall memory is good."



Children with photos of generations of winning teams

### ■ Project on Art and Science of Manufacturing

In August 2012, Tohoku Epson Corporation invited 21 students from the Nakamura Manufacturing Project "Omoshiro Kagaku Monozukuri Juku" to get experience in a manufacturing setting.

The project was launched eight years earlier with funds donated by Seiko Epson Corporation honorary advisor Tsuneya Nakamura. The purpose is to hold courses for children interested in monozukuri (the art and science of manufacturing) so they can understand it better.

After learning about Epson's manufacturing history and the structure of our semiconductors and printer heads, the students toured an assembly plant. They learned about components made at the Skills Olympics and saw a lathing demonstration. As they watched, they developed a deep interest in proper and fast handling.



Students watch a lathing demonstration with interest

## Environment and Community Activities

### Environmental Initiatives in Germany

Germany has been addressing environmental concerns proactively, and is working toward a nuclear-free future. Epson Deutschland GmbH (EDG) has an internal environmental program called “Green Way.”

#### Case 1: Introducing Electric Cars to Fleet

EDG has been replacing its sales fleet with electric vehicles since 2011.



An electric vehicle used at EDG

#### Case 2: Solar Power on EDG Head Office Rooftop

EDG installed a solar power system on its head office rooftop in 2008. It generates more than 45,000 kWh annually for internal use.

#### Case 3: Community Contributions

In FY2012, the city of Meerbusch leased three hectares of land to EDG, and employees planted 15,000 trees on it. Employees also have been teaching a course to experience and understand energy at a Düsseldorf elementary school since 2007.



EDG employees planting trees

### Epson Foundation Supports “Up-cycling”

In April 2012, the Epson Foundation of Hong Kong sponsored and held an awards ceremony for the Conservancy Association’s Waste Transformer - Up-cycling Contest.

“Up-cycling” means making high-quality or environmentally valuable products out of unneeded goods that would otherwise go to landfills. The contest, open to junior and senior high school students, received 64 entries in three categories: furniture, household items, and home decorations. Starting in May, outstanding works were put on display around Hong Kong.

## Social Contribution through Our Business

### Supporting Raptor Protection in Croatia

As part of protecting wildlife in Croatia and the surrounding area, Epson Italia S.p.A. (EIS) donated a high-definition scanner to the “Atlas of Bird Feathers Project” of the Raptor Rescue Center. The center is operated by the NGO Udruga Sokorlarski Centar (USC). The project is making a database of digital scans of bird feathers available for view on the USC web site for use in conservation activities.

The high-resolution scanned images can display the feathers in their original color and form. Publicly available, this is valuable data for scholars and others around the world.



High-definition scanner donated by Epson Expression 10000XL

### Support for Public Schools

Epson America, Inc. (EAI) has supported educational initiatives of public school teachers through DonorsChoose.org. That organization has a web site through which enterprises and individuals donate money. Teachers around the US can apply for classroom supplies like IT equipment, notebooks, and music teaching materials.

Two percent of the proceeds from EAI’s online store sales from December 1-24, 2012 were donated to DonorsChoose.org, up to the \$100,000 maximum.



An Epson printer donated through the program



# Communication

Deepening trusted relationships through constructive communication

## Approach to Communication

Communication serves as a vital bridge that connects Epson to its various stakeholders, including customers, shareholders, investors, governments, communities, NGOs and NPOs, media outlets, suppliers, students, and employees. Epson provides accurate, unbiased information to all stakeholders in accordance with the Epson Group Communications Regulation. In addition to upholding public order, decency, and morality and maintaining neutrality, Epson refrains from discrimination in any form, including but not limited to discrimination based on gender, age, national origin, ethnicity, race, religion, or social standing. Our communications respect the individual and cultural diversity and earn the trust of people throughout the world.

Epson practices both marketing communication (conveying the value of our brand, products, and services) and corporate communication (conveying the value of Epson itself). In both cases, as an open, progressive company, Epson communicates through the mass media and directly to stakeholders to ensure the timely delivery of information on our activities and initiatives, even if it is of a negative nature.

## Dialogue with Our Customers

### “Dear Mr. Epson” Column in Group Newsletter

In each issue of the Epson Group newsletter Harmony, the “Dear Mr. Epson” column introduces customers who use our products or people outside the Group who have some relationship to Epson, so that employees can hear what they have to say. Hearing customers in their own words raises the awareness of employees who create customer value but have few chances for actual contact with these people. In fiscal 2012, the column featured customers and business partners from China, Taiwan, and Singapore, as well as Japan.

## Dialogue with Shareholders and Investors

### Regular General Shareholders’ Meeting

The General Shareholders’ Meeting is an excellent opportunity to directly communicate with our shareholders. Speaking directly to them at the 70th such meeting in 2012, the president gave an overview of SE15 and its first-half three-year mid-range business plan that paved the way for its realization. He also explained our initiatives under the second-half three-year plan.

Every year shareholders bring a range of opinions and questions to the General Shareholders’ Meeting, which the president and other directors address sincerely.



70th Annual General Shareholders’ Meeting

## Dialogue with the Community

### Dialogue with Local Residents

Seiko Epson and Epson Group companies in Japan organize events to exchange ideas 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. In fiscal 2012, we held such events at 9 business sites in Japan.



Community members observing effluent treatment system (environmental risk communication at Shiojiri Plant)

## Dialogue with the Media

### Keynote Speech at IFA 2012

In August 2012, president Minoru Usui gave the keynote speech in Berlin, Germany at IFA 2012, the world's largest trade show for consumer electronics and home appliances. The speech, entitled "Becoming an Indispensable Company in a Changing World," was well received by the audience of more than 200 industry and mass media members.

## Dialogue with Suppliers

### Procurement Policy Explanatory Meetings

It is important to ensure a suitable level of human rights, labor standards, and environmental preservation throughout the supply chain. Our operations divisions and overseas production sites hold meetings periodically to explain our business plans and procurement policies and to seek cooperation in bringing them to fruition. In this way, we try to build strong, trusting relationships with suppliers by having them take our objectives as their own.



Procurement policy explanatory meeting for suppliers

## Dialogue with Educators

### Instructional Training for Vocational High School Teachers

Epson's Monozukuri Juku gives practical training and instruction to students and teachers in Nagano Prefecture.

At trainings for vocational high school teachers, we teach what enterprise expects of vocational high school students, the skills we want them to learn, and relationships between enterprise and school. Teachers tell us this gives them a concrete understanding of the type of student businesses are looking for, and this is useful in their teaching.



Instructional training for vocational high school teachers

## Dialogue with Students

### Brand Training

Epson, working with Shinshu University, has developed and is implementing internal training to promote awareness of increasing the value of the Epson brand through the work of each employee. The year-long program helps members understand what a brand is and, through an exercise-based format, they acquire basic processes and skills to incorporate into their work. Each year, Shinshu University students and mid-level employees from Epson take the course, engaging in group work. This helps students learn what a corporate brand is and develops the ability to think and act to increase brand value.

By talking to students, employees get an objective view of the Epson brand as the customer sees it, so for them the program is an opportunity to attain deep insight into what they need to do to bring better products to market.



Brand training

### Hosting Design Internships

Each year we host design internships for students aspiring to be designers. The goal is to help them acquire knowledge and skills as working people and designers.

They get practical training built around a specific issue. Members present design ideas relating to the issue and discuss it with each other. This teaches them the skills and processes for drawing out better results on the given issue. Although the term is short, the internship is a chance for intense, educational communication with employees and students from other schools.



Students working on a particular issue

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## Dialogue with Dealers and Distributors

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### ■ ECC Dealer and Distributor Convention

Epson (China) Co., Ltd. (ECC) invited 327 major dealers and distributors to a convention just for them in March 2013.

Attendees heard a recap of fiscal 2012 sales and Epson's outlook including fiscal 2013 sales strategy and new products and services. Products for the financial industry, enterprises, government, and more were on display, and attendees received concrete sales tips targeting specific industries.

We also had attendees fill out a questionnaire, from which we learned their challenges and their wishes from Epson. In particular, they indicated that they wanted Epson to give support for boosting sales to specific industries and fields. This was very useful information for future support efforts.

ECC is taking advantage of these valued opinions. It will continue to practice close communication with its sales channels and offer valuable Epson products and services to customers.



Display of products for financial industry

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## Dialogue with Our Employees

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### ■ Improving Workplace Communication

At Epson, each employee and workplace group strives to constantly go forward on our own initiative and work together to meet high standards, creating and maintaining a state of free and constructive communication for that purpose.

We conduct a survey every year to gauge employee motivation and ability to produce results.

Analysis of the results is done primarily by the management of each workplace and the situation is checked from time to time. Management selects and takes action on initiatives to maintain what is positive and improve whatever is negative.

### ■ Labor Union

Labor-management conferences are held every month to facilitate communication between managers and employees at Seiko Epson. Informal meetings are also held at the division and workplace level to provide a venue for bidirectional communication between employees and managers. Numerous committees, such as the health and safety committee and the working conditions committee, also provide opportunities to deepen mutual understanding.

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## Other Dialogue

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### ■ Monozukuri (Manufacturing) Museum

Our head office's Monozukuri Museum displays products developed, manufactured, and sold since Epson's founding, including some pioneering items. Historical materials are also on exhibit. Over 24,000 visitors from outside Epson have visited since the opening in May 2004. As one visitor said, "I really got to understand innovative technologies and how quickly technology advances."



Monozukuri Museum

### ■ Photo contest

Epson holds various digital imaging contests to support the creative efforts of photographers and customers across the globe. Below are a few such events.

- Epson Photo Grand Prix 2012:  
Epson Sales Japan Corp.
- International Panorama Photo Contest 2012:  
Epson Australia Pty. Ltd. (EAL)
- Epson Color Imaging Contest 2012:  
Epson Taiwan Technology & Trading Ltd. (ETT)  
P.T. Epson Indonesia (EIN)

## Worldwide Recognition

Here are some of the awards and accolades received by Epson in fiscal 2012.

As of Apr 2013

| Product and Service Awards  | Conferred by  | Recipient   | Date      |
|---|---|---|-----------|
| No. 1 in 2012 After-Sales Service Satisfaction, PC Category (see p. 31 for details)   | Economic & business magazine Nikkei Business  | Epson Direct Corporation  | Jul. 2012 |
| No. 1 in 2012 Support Satisfaction, PC Category   | Personal computer magazine Nikkei Pasokon   | Epson Direct Corporation  | Aug. 2012 |
| Gold in the Small to Medium Business Product of the Year  | Best in Biz Awards (US)   | WorkForce Pro C series printers   | Nov. 2012 |
| 2012 Nikkei Superior Products and Services Award for Superiority (see p. 13 for details)  | Nikkei Inc.   | Seiko Astron GPS solar watches  | Jan. 2013 |
| iF Product Design Award 2013  | iF International Forum Design GmbH (Germany)  | EB-480/485Wi & EH-TW9100 projectors, TM-T88V-PT POS printer, TM-S9000MJ series check scanners, ELPDC20 document imager, LW-700 label writer, DS-30 mobile scanner, XP series printers | Feb. 2013 |
| TIPA Award 2013: Best Multifunction Photo Printer   | Technical Image Press Association (TIPA)  | Inkjet all-in-one printers<br>Epson Expression Photo XP-850, Epson Expression Photo XP-750  | Apr. 2013 |
| Environmental Awards  |   |   |           |
| Bronze Award at 2011 Hong Kong Awards for Environmental Excellence  | Hong Kong Environmental Campaign Committee  | Epson Hong Kong Ltd.  | May 2012  |
| Excellent Enterprise in Waste Reduction   | Shenzhen Pengcheng Waste Reduction Steering Committee (China)                               | Epson Engineering (Shenzhen) Ltd.   | Jun. 2012 |
| China Environmental Labeling Contribution Award   | Chinese Ministry of Environmental Protection  | Epson (China) Co., Ltd.   | Jun. 2012 |
| 2012 China Recycled Resources Annual Investment Contribution Award  | China Material Recycling Association, China Financial News Service                          | Epson (China) Co., Ltd.   | Jun. 2012 |
| 2012 Minister of the Environment Award for Distinguished Service in the Promotion of the 3Rs (reduce, reuse, and recycle)                       | 3R Suishin Kyogikai   | Ink Cartridge Homecoming Project (A joint project in Japan between six printer manufacturers and Japan Post Co., Ltd.)  | Oct. 2012 |
| Environmental Award   | Indonesian Ministry of the Environment  | P.T. Epson Batam  | Feb. 2013 |
| Leader in Water Reduction in Shenzhen   | Shenzhen Water-Saving City Construction Steering Group (China)                              | Epson Engineering (Shenzhen) Ltd.   | Apr. 2013 |
| Employee Awards   |   |   |           |
| Award for Excellence in Boiler Safety Management  | Boiler & Crane Safety Association   | Tohoku Epson Corporation  | Jun. 2012 |
| Leader in Prevention of Occupational Injuries and Accidents in Shenzhen   | Shenzhen Social Insurance Foundation Management Department (China)                          | Epson Engineering (Shenzhen) Ltd.   | Sep. 2012 |
| President Award for an Excellent Company Employing Persons with Disabilities (see p. 42 for details)  | Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers | Epson Mizube Corporation  | Sep. 2012 |
| Japanese Red Cross Society Silver Order of Merit  | Japanese Red Cross Society  | Miyazaki Epson Corporation  | Oct. 2012 |
| Intellectual Property Awards  |   |   |           |
| Japan Patent Attorneys Association President's Award and Invention Implementation Achievement Award at 2012 National Commendation for Invention | Japan Institute of Invention and Innovation   | Invention of High Brightness and Compact LCD Projector (Patent No. 3826950)   | Jun. 2012 |
| Inventor's Award at 2012 National Commendation for Invention  | Japan Institute of Invention and Innovation   | Higher Quality via Automatic Photographic Image Correction Technology (Patent No. 3458855)  | Jun. 2012 |
| Top 100 Global Innovator Award  | Thomson Reuters (US)  | Seiko Epson Corporation   | Dec. 2012 |
| General CSR Awards  |   |   |           |
| The 9th China Outstanding Corporate Citizen Award, Award of the Most Environmentally Friendly Company   | 21st Century Financial Report, 21st Century Commercial Review (China)                       | Epson (China) Co., Ltd.   | Dec. 2012 |
| 2012 Award of Excellent Example of Corporate Social Responsibility  | Gongyishibao (China)  | Epson (China) Co., Ltd.   | Dec. 2012 |

## Inclusion in SRI Indices

Epson is a component company of the following socially responsible investment (SRI) indices.



May 2013



FTSE4Good



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



## Reader Feedback

### Thank you for reading the Epson Sustainability Report 2013.

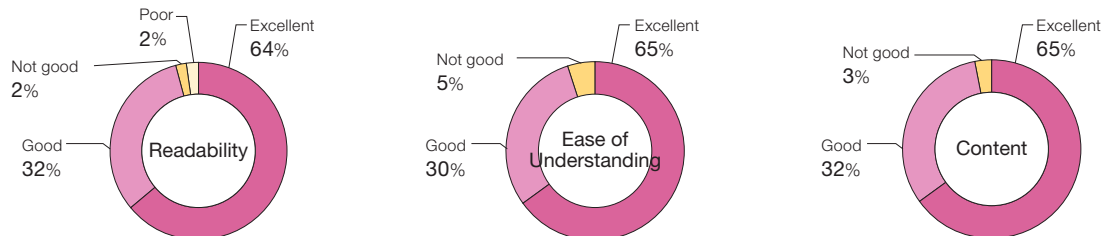
Epson considers the Sustainability Report to be an important means of communicating with you, our stakeholders. In an effort to further improve our reporting and CSR activities, we ask that you take a few minutes to fill out a survey at our website. We appreciate your cooperation.

 Questionnaire about Epson Sustainability Report 2013  
<https://cform.epson.jp/form5/pub/e042/sustainability>

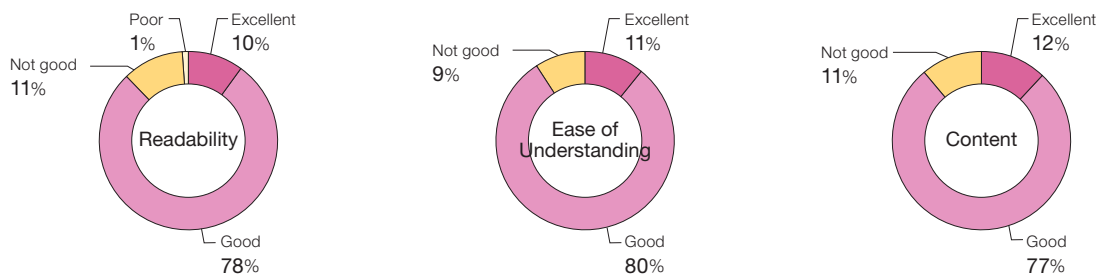
## Listening to Our Readers

We would like to thank everyone who responded to last year's survey. The results, compiled from responses provided by 592 people, are summarized below.

### ● General Stakeholders



### ● Employees



## Top Comments

- The overall structure was simple and helpful in understanding the report. On the other hand, I thought the report was too long.
- I'd like you to keep providing feature articles that inspire readers.
- The first half of the report seemed new and fresh, but the activity reports in the second half were old and stale.
- I liked the inclusion of "Voice of the Customer" articles within the feature articles. The design was excellent, with unity throughout.

## Main Improvements in Sustainability Report 2013

- We reduced the total volume while maintaining the publication's original role as an annual activity report.
- We described the potential of Epson's compact, energy-saving, and high-precision technologies, the core technologies that form our manufacturing platform.
- We have included a wide variety of articles in our activity reports.

 English website  
<http://global.epson.com/SR/>

 Japanese website  
<http://www.epson.jp/SR/>

 Chinese website  
<http://www.epson.com.cn/aboutepson/report.html>

## 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.

## SEIKO EPSON CORPORATION

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

tel: +81-266-52-3131

<http://global.epson.com>

