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

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

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, connect all the companies in the Epson Group with people, and 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 experience personal and professional growth.

New Personnel System for Middle Management

Epson aspires to continuously create customer value that exceeds customer expectations as an indispensable company for society. To create and maximize customer value, we have established a strategic game plan that puts organizations, teams, and individuals in a position to capitalize on their abilities and fulfill their assigned roles. The fulfillment of these roles should provide both employees and the company with opportunities to grow, and the contribution of individuals to the execution of the business strategy should be fairly and impartially evaluated and rewarded. Seiko Epson will install a new personnel system for middle management at the start of the 2012 fiscal year to achieve these objectives.

Course in Management Practice

The new personnel system for middle management is intended to ensure that (1) 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 (2) 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.

In January 2012, before the start of the new personnel system, we began offering a course in management practices. The course is designed to teach aspiring managers the roles and responsibilities of managers, and to provide them with the knowledge and skills they will need to be an effective manager. The course is also structured so as to give participants an opportunity to practice in the workplace what they learned in the course.

General Concept of New Personnel System for Middle Management

- Business axis
  - Realization of SE15
    - Position for success
      - Org. mgmt.
        - Org. design
        - Role definitions
        - Role evaluation
  - Principles of Corporate Behavior
    - Application of skills
  - Placement

- Conduct axis
  - Achievement of Management Philosophy
    - HR mgmt.
    - Licensing
    - Leader candidates
    - Training
    - HR database
  - Personnel requirements

- Realization
  - Motivation
    - Incentives
  - Remuneration system
    - Salary based on role
  - Evaluation system
  - Management of objectives

Human Resource Development Policy

Epson Group Sustainability Report 2012
Overseas Management Training
Since 2007 Epson has been providing standard Epson management training to personnel at our overseas affiliates, especially in Southeast Asia, to help ensure that the “create, produce, and deliver” value chain operates smoothly around the world. As of the end of March 2012, a total of 567 people had completed training. Although training was initially designed for personnel already holding management posts, we expanded the scope of eligibility a few years ago to include management candidates.

Training covers subjects such as Epson values, the role of management, and the concrete implementation of Epson Group policies. It is designed to transform the way local employees think and act and to establish a standard Epson-style management platform to further strengthen cooperation among organizations.

In addition, we held a Global Incubation Seminar in February 2012 for 23 members of middle management at our overseas affiliates. We have been holding this seminar every year since 1999 to develop future business leaders and spread and ingrain Epson’s Management Philosophy.

Training Courses and Workforce Composition

Training System (Japan)

- Future Leader
- Ab Initio Specific
- Group-Wide
- Specialist
- Global
- On-Site

- Director
- COO
- GM
- Manager
- G-Level
- F-Level
- C-Level
- New Hire

Training in FY2011 by Employee Level (Japan)

<table>
<thead>
<tr>
<th>Training</th>
<th>Who</th>
<th>People Trained</th>
<th>Percent Trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Employee Orientation</td>
<td>New hires</td>
<td>200</td>
<td>100%</td>
</tr>
<tr>
<td>C-Level Employee Training</td>
<td>New C-level staff</td>
<td>207</td>
<td>97.2%</td>
</tr>
<tr>
<td>Senior Staff Training</td>
<td>New senior staff</td>
<td>264</td>
<td>97.4%</td>
</tr>
<tr>
<td>Section Manager Training</td>
<td>New section managers</td>
<td>75</td>
<td>82.7%</td>
</tr>
</tbody>
</table>

Note: Persons who have not received training are scheduled to do so in FY2012

Workforce Composition

- Male/Female Ratio
- Mgmt. Ratio
- Mgmt. Diversity

Data for Seiko Epson Corporation employees as of March 31, 2012

- Male/Female Ratio
  - Women 18%
  - Men 82%

- Mgmt. Ratio
  - Mgmt. 13%
  - Staff 87%

- Mgmt. Diversity
  - Women 1%
  - Men 99%

Training for New Employees in Japan
The first year of employment at Seiko Epson is considered a training period during which new employees learn about the Epson approach to work. For the first two weeks after joining the company, new employees participate in an orientation program where they learn about Epson and the fundamentals of business, including things such as company systems and processes, how to read financial statements, personnel systems, the Epson Code of Conduct, and Epson values.

They then move on to two weeks of hands-on training in manufacturing. Here they learn the Epson approach to work by, for example, disassembling and reassembling printers and watches, performing tasks with metal files and hacksaws, studying about production control, and touring our production plants.

Main Online Courses in Fiscal 2011 (Japan)

<table>
<thead>
<tr>
<th>Course Title2</th>
<th>Start Date</th>
<th>Trainees3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Basics (Ethics &amp; Code of Conduct)</td>
<td>Nov. 2011</td>
<td>11,142</td>
</tr>
</tbody>
</table>

Note: The number of persons completing the course by March 31, 2012

Footnotes:
2 Compliance training
3 The number of persons completing the course by March 31, 2012

Data for Seiko Epson Corporation employees as of March 31, 2012

Section manager and higher
Handson Training at the Monozukuri-Juku

Epson’s Monozukuri-Juku is an in-house manufacturing school where we develop personnel by teaching them essential manufacturing skills and know-how.

Within the Monozukuri-Juku is the Manufacturing Skills Dojo, where select new employees undergo intensive training to become top-flight manufacturing technicians in a short period of time. Many of these trainees compete in the National and International Technical Skills Olympics. The training for the Technical Skills Olympics develops people mentally, physically, and technically. Trainees exercise creativity and challenge themselves in preparation for the national competition.

Epson employees won gold, silver, and bronze medals at the 2011 National Technical Skills Olympics.

Departments that take the young men and women who complete training for the Technical Skills Olympics often praise their skills, motivated approach, and ability to make an immediate impact, proof that training enables them to quickly understand and perform tasks that are required. They use their skills, discipline, mental strength, and attitude to improve the workplace.

Employment of Persons with Disabilities

Epson employs a large number of persons with disabilities. In addition to providing restrooms, parking spaces, and other facilities for improved accessibility, we provide services, such as sign language interpretation for in-house training and promotion interviews, to accommodate special needs. Epson also has two special subsidiaries, Epson Mizube Corporation and Epson Swan Ltd., that were set up to hire persons with disabilities. As such, these companies are especially well-equipped to meet special needs.

Eight employees of Epson Mizube, cheered on by friends and coworkers, showcased their vocational skills at the 2011 Abilympics held in Nagano, and all placed at or near the top of their events. This competition not only motivates people to sharpen their individual skills, it helps unite and energize the workplace.

Types of Disabilities (Japan)

- Physical: 176 (76%)
  - Limb: 84
  - Hearing: 34
  - Vision: 14
- Developmental: 49 (21%)
- Other physical: 4
- Internal organ: 2
- Kidney: 15
- Cardiovascular: 23
- Vision: 14
- Hearing: 54
- Limb: 54

Ratio of Employees with Disabilities (Japan)

- 2007: 2.13
- 2008: 2.00
- 2009: 1.95
- 2010: 1.94
- 2011: 1.99

Legally mandated ratio: 1.8%
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 27 inquiries to our harassment hotline in 2011, 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.

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 2011). In fact, women stay with Epson longer than men, on average (22.7 years for women versus 18.7 years for men).

Childcare Leave Trends

<table>
<thead>
<tr>
<th>FY</th>
<th>Childcare Leave</th>
<th>Caregiver Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total¹</td>
<td>Women</td>
</tr>
<tr>
<td>2011</td>
<td>66</td>
<td>55</td>
</tr>
<tr>
<td>2010</td>
<td>82</td>
<td>64</td>
</tr>
<tr>
<td>2009</td>
<td>74</td>
<td>53</td>
</tr>
<tr>
<td>2008</td>
<td>73</td>
<td>62</td>
</tr>
</tbody>
</table>

¹ Including individuals who took well-being leave
² Number of individuals granted childcare leave / eligible* individuals
³ Individuals who have had a child and are eligible for childcare 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
Seiko Epson, with one eye trained on the well-being and development of our children, provides an environment that allows employees to balance their careers with their personal lives so that they feel they can stay with the company.

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. These and other initiatives have enabled Seiko Epson to maintain certification as a company that is implementing policies that will benefit the next generation.

In April 2012 we began implementing an action plan for creating, by the end of the 2015 fiscal year, the best possible work environment for raising a family and achieving a good work-life balance.

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

Main Employee Welfare and Benefits Systems (Japan)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description of System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Childcare</td>
<td>Childcare leave, shorter work hours for parents, home care service</td>
</tr>
<tr>
<td>Caregiving</td>
<td>Caregiver leave, shorter work hours for caregivers</td>
</tr>
<tr>
<td>Retirement</td>
<td>Retirement benefits (defined contribution pension plan, corporate defined benefit pension plan), asset-building incentives, etc.</td>
</tr>
<tr>
<td>Wellness</td>
<td>Personal injury or illness leave, in-house therapy (massages), special paid leave, payment of additional amount to defray costs of injury, illness and child-rearing, subsidies for general medical checkups</td>
</tr>
<tr>
<td>Training</td>
<td>Subsidies for passing national exams, work-related correspondence courses, self-study, etc.</td>
</tr>
<tr>
<td>Housing</td>
<td>Company housing, property accumulation savings incentives, home financing, etc.</td>
</tr>
<tr>
<td>Commuting</td>
<td>Commuting expenses (commute passes, gasoline costs, highway tolls, etc.)</td>
</tr>
<tr>
<td>Insurance</td>
<td>Group life insurance, corporate group insurance</td>
</tr>
<tr>
<td>Other</td>
<td>Life planning seminars, employee cafeterias, employee event subsidies, etc.</td>
</tr>
</tbody>
</table>
Occupational Safety and Health

Occupational safety and health are the bedrock of business

Approach

Believing that healthy, energetic employees 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), which was launched in fiscal 2000. 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. In 2011, Epson began instituting changes in the program so that instead of conducting activities from the Head Office in Japan, each Epson site is responsible for localizing NESP activities, adapting them to its own particular business, situation, and needs.

Eliminating Accidents

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

Initiatives at EPPI

Epson Precision (Philippines) Inc. (EPPI) has named its NESP adoption project the “EPPI Special Safety Project (ESSP).” They run the program locally and incorporate their own ideas. For example, safety and health information is posted in English and Tagalog so that it can easily be understood by all employees.

Initiatives at ETTH

In February 2012, the Technology Promotion Association (Thailand-Japan) awarded Epson Toyocom (Thailand) Ltd. (ETTH) the Diamond Prize at “Thailand 5S Awards 2011” in recognition of the quality of its 5S housekeeping program.

Nutchaya Surasri, leader of ETTH’s 5S housekeeping expert committee, says, “For us, 5S is like water; it’s essential for sustaining operations. We are constantly improving our 5S program and aim to be Epson’s No. 1 manufacturing site.”

Occupational Injury Accident Frequency (Japan)

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

Epson Group Sustainability Report 2012
Raising Safety Awareness with Safety Bulletins

Epson issues safety bulletins for occupational accidents that occur at Epson sites around the world. The bulletins, which are posted on the intranet and on bulletin boards and which describe accidents, causes, and countermeasures, are used to help avoid similar accidents in the future.

Fire and Disaster Prevention

Epson is committed to being an accident-free workplace and contributing to community fire safety. The first step is to ensure that Epson Group is never the source of a fire or disaster. The company has organized independent fire brigades to help protect ourselves, our property and our jobs.

August 31 is Epson Disaster Prevention Day. Each year 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.

Participation in Tianjin’s “Fire Prevention Day”

The fire brigade of Chinese affiliate Tianjin Epson Co., Ltd. (TEL), responding to an invitation from the local fire department, participated in Tianjin’s “21st Fire Prevention Day” on November 9, where it demonstrated fire-fighting drills as a representative of local manufacturing companies. The order and discipline the fire brigade demonstrated met with high praises from citizens and members of the Tianjin fire department alike.

Mental and Physical Wellbeing

Rolling Out “Healthy Epson 21”

Epson Group companies in Japan manage employee health in line with “Healthy Epson 21,” a five-year plan designed to help prevent occupational illness and promote employee health and wellbeing. In fiscal 2011 we updated the criteria we use to judge data gathered in medical checkups based on the latest medical knowledge so that we can more accurately capture the state of health. We also revised our guidelines to make allowances for personal health issues and to provide health counseling so that employees receive needed aftercare. This program enables each Epson site to identify employee health issues and to take actions to prevent or limit problems.

Health Management Support System

Epson Group companies in Japan are following a three-year plan, begun in fiscal 2010, for building a health management support system. From fiscal 2011 the system allows employees to view their own health examination results on their PCs. In fiscal 2012 employees will be able to use the system to make appointments for health examinations and fill out health-related questionnaires.

Moving forward, Epson will enhance the system to better support employees’ efforts at self-care, management’s efforts to improve the workplace and relieve employee stress, and the medical staff’s efforts to provide care.

Food Poisoning Incident & Response

In September 2011, nearly 200 people suffered food poisoning at a cafeteria operated by a subcontractor in the Innovation Center at Seiko Epson’s Hirooka Office. Acting on instructions from the local department of public health, Epson took steps to improve the oversight of sanitation in food preparation areas on the Hirooka campus and conducted volunteer emergency inspections in 30 other food preparation areas at Epson sites in Japan.