

Epson 25 Corporate Vision
Epson 25 Mid-Range Business Plan (FY2016-2018) Presentation
Main Q&A

Q1: What are your business profit targets for each segment in FY2018, the final year of the Epson 25 Mid-Range Business Plan (FY2016-2018), and FY2025, the final year of the Epson 25 Corporate Vision?

A1: We do not disclose business profit by segment, but we do anticipate growth in each segment.

Under the Mid-Range Business Plan, we plan to maintain the current profit margin in printing solutions even while aggressively investing in growth and achieving profit growth commensurate with increased sales. We will further increase the profit margins in visual communications and in wearable & industrial products. We plan to earn at least 10% ROS (business profit) in every segment.

In FY2025 the composition of revenue will be as shown in the graph on slide 14 of the presentation. The composition of profit should look similar to that of revenue. In the industrial domain we will grow our professional printing, high-brightness projector, robot and other businesses. We will look to do the same thing in the office segment, with products such as inkjet printers and PaperLab. In the consumer domain we will grow profit for wearable products, as well as for printers and projectors.

Q2: When do you expect to enter the high-speed copier market as shown on slide 16? What are the barriers to entry?

A2: We want to significantly change our company under Epson 25. As a first step, we plan to launch linehead printers as soon as possible under the new three-year business plan.

We think we can overcome the technological barriers. In sales and marketing, we will start by creating products that entice dealers into doing business with Epson and will take a variety of actions such as strengthening relationships.

Q3: You cited "environment" as a key word, but how do you plan to contribute to customers in the office segment that is a key focus of your strategy?

A3: In the office segment, there is hesitancy to print on paper due to such considerations as print costs, consumption of resources, and the security of confidential information. We plan to eliminate all hesitation by providing an inexpensive and sustainable printing ecosystem with the combination of inkjet printers and the PaperLab office papermaking system.

Q4: In what areas will you focus growth investment over the next three years?

A4: Epson is committed to providing value to customers by creating and refining its own original devices and building design, production, sales, and service infrastructure. During this first three-year period we will incur substantial upfront costs, but laying a foundation for growth during this time is, we believe, an important first step for accelerating revenue growth and increasing profitability from FY2019 onwards. While some R&D costs will decrease as we get closer to volume production, there will also be new projects that we will need to take to achieve Epson 25. So, although total R&D costs will increase, we do not believe that they will rise excessively as a percentage of revenue.

Capital expenditure will be made in all businesses but particularly in printing and visual communications. We will invest in things such as the expansion of production capacity to accommodate future growth and the strengthening of surrounding technologies.

We will actively pursue M&As that can accelerate our strategic progress by, for example, buttressing technologies that surround our core technologies, and strengthening and expanding our sales and service network in new domains. (The M&A investment total is separate from the capital investment total shown on slide 37.)

Q5: When do you plan to execute a share buyback?

A5: We want to meet the expectations of our shareholders by repurchasing Epson shares as needed, taking into account factors such as share price and the capital situation.

However, we only presented our basic policy on buybacks and cannot comment specifically as to the timing.

Q6: On slide 33, information and communications technology and software are cited as technology infrastructure that will be strengthened. Do you plan to invest management resources with the aim of always staying on the cutting edge in these areas?

A6: We are not considering trying to embrace every area of information and communications technology and software or, for example, create communications standards.

As shown in the illustration on slide 12, Epson is a real-world manufacturing company. We want to create advanced products that entice cyber space enterprises with expertise in the world of ICT to collaborate with us and to try new things.