

Epson 25 Phase 2 Mid-Range Business Plan Presentation Meeting
Q&A

● **Overall**

Q: What kind of assumptions about the external environment were factored in to the Phase 2 Mid-Range Business Plan?

A: Growth in emerging markets has been driving Epson's financial results. However, as we are currently being negatively impacted by the economic slowdowns in China and Latin America, we made the assumption that the external environment will remain challenging moving forward.

Q: You cite the need to strengthen your sales capabilities. Would the upfront spending to strengthen sales capabilities impair your ability to achieve linear profit growth over the next three years?

A: We will exercise careful control in the execution of investments to strengthen sales capabilities. However, profit growth will not be linear because some new products require time to capture revenue growth.

Q: You say that you are approaching the greater expectations for corporate sustainability as a business opportunity. Can you give an example?

A: For example, we are contributing to the achievement of SDGs by providing an in-office paper recycling ecosystem based on Epson's PaperLab dry-process office papermaking system and high-speed linehead inkjet multifunction printers. This recycling ecosystem has already been introduced at Epson, and we are working closely with other companies to introduce this system more broadly.

● **Inkjet Innovation**

Q: You appear to be planning significant growth in commercial and industrial inkjet printers. How much of this planned growth do you expect to come from external sales of printheads?

And will you need further additional investment to achieve commercial and industrial inkjet printer growth?

A: In commercial and industrial inkjet printers, we are projecting growth Epson brand printers for photo, signage, textile, and label applications, and in the printhead external sales business. We are hoping to increase revenue from sales of printheads by roughly 10 billion yen.

We will be able to absorb the increase in commercial and industrial inkjet printers with the capacity of our new factory completed in Phase 1, and costs for the systems and equipment for factory startup are planned for FY2019, but no other significant additional investment will be needed.

Q: What is Epson's strategy for coping with competition from other companies that are launching inkjet multifunction printers to market?

A: The biggest concern for Epson is not how to compete against rivals' inkjet printers but how to displace laser printers with inkjet printers in the office.

We welcome the launch of new models by other companies because it will help raise the profile of office inkjets. We think that this will help to accelerate the displacement of laser systems in the office market.

Q: In office shared printers, you said that you are going to strengthen your lineup of high-speed linehead inkjet multifunction printers, but in what direction is that going to take place?

A: Our current models only match the needs of high print volume users. We also recognize that we need to improve our finishers.

In Phase 2, we are planning to meet the needs of a broader range of potential customers by launching products in a slightly lower price range and by making comprehensive proposals that include both high-capacity ink pack printers and high-capacity ink tank printers.

Q: In office shared printers, are you considering acquiring channels in order to strengthen your direct sales organization?

A: At this point in time, acquisitions would not be in our best interests.

Inkjet printer maintenance cost is very low, and does not require a lot handling.

Therefore, Epson can build stronger relationships with office equipment dealers, in addition to IT system dealers, without increasing its fixed costs.

At the same time, we will strengthen our workforce with experienced personnel and sales engineers to provide support to the channels.

Q: In office share printers, you said that you are going to focus on solution selling in areas where you can take advantage of your strengths. Can you give me some examples of what types of sectors you will target?

A: Schools and other educational institutions that have limited space and budgets and need to be able to print efficiently yet affordably welcome Epson's inkjet solutions proposals.

Inkjet printers also earn high marks from an environmental performance perspective.

Not only do they consume far less electricity than laser systems, any airborne dust they produce is negligible, making them popular among medical institutions.

● Robotics Innovation

Q: You said that you are going to make robotics a core business. What strengths and advantages does Epson have over other companies?

A: Epson is able to provide customer support by using its global sales and production sites for products such as printers and microdevices.

Epson is also able to propose solutions to customers based on the experience and expertise accumulated through building its own production lines.

Moreover, by using force sensors and vision sensors which capitalize on Epson's strong sensing technologies, we can provide robots with smart features and enable them to handle a wide range of applications without using complicated AI.