Office Inkjet Printer Strategy

February 2, 2017
Seiko Epson Corporation
Epson's Inkjet Innovation
Printing Innovation under Epson 25
Generating value that exceeds the vision of our customers by leveraging our **unique core devices** using a vertically-integrated business model.

Epson’s Vertically Integrated Business Model

- **Voice of the customer**
  - Customers (consumers, office, industry)
  - Inkjet innovation
  - Visual innovation
  - Wearables innovation
  - Robotics innovation

- **Vertically-integrated business model**
  - Planning
  - Design
  - Manufacturing
  - Reflect customers’ opinions

- **Unique core devices**
  - Original core technologies
  - Efficient, compact and precision technologies

- **Expertise accumulated since Epson was founded**
  - Print heads
  - Optical engines
  - Quartz devices
  - Semiconductors
  - Actuator, light control and sensing technologies

- **Plan/ design competitive products**
Epson 25 Corporate Vision

Creating a new connected age of people, things and information with efficient, compact and precision technologies.
Refine **Micro Piezo technology** and expand into high-productivity segments.

Improve environmental performance and create a sustainable printing ecosystem.
State of the Printer Market

- Epson is expanding unit shipments by adding high-capacity ink tank printers
- The printer market overall is stagnant

![Graph showing trends in printer sales](chart)

**Narrowing down of low-cost models**

**Models with high-capacity ink tank printers drive growth**

**Printer (inkjet / laser) unit shipments**

- **Epson inkjet printer unit shipments**

*Includes copiers*

Source: IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2016 Q3
Inkjet Innovation in the Office Market

What customers want
- Want to contain printing costs
- Want to lower paper use to reduce environmental footprint

Customer printing needs
Even as tablets get popular, paper is still a universal communication tool (portable, easy to see info at a glance, easy on the eyes, can be written on, easy to understand)

Want easy, beautiful, high-speed printing

Inkjet innovation means no hesitation about printing
- High-speed/ high image quality
- Low TCO
- Resource and energy savings

TCO: Total Cost of Ownership
Epson's Potential in the Printer Market

- Worldwide printer market is USD 163 billion
  - The laser printer* market is about 3.5 times as large as the market for inkjet printers
- Epson plans to take advantage of the superiority of its inkjet printheads (PrecisionCore) to persuade people to shift to inkjets from laser

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* Laser printers: printers that use electrophotography (lasers, LEDs, etc.) to print; these are referred to collectively by the commonly known term "laser" in these slides

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Data based on Epson research for CY2015

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Printers (inkjet / laser):
value of world market
(main unit + consumables)
*Includes copiers
Epson Inkjets: The Source of our Competitive Advantage
Epson Inkjets: Their Advantages

- Epson inkjets have the potential to replace laser printers

Advantages

<table>
<thead>
<tr>
<th>Printer type</th>
<th>Inkjet</th>
<th>Laser</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><img src="image" alt="Inkjet Printer" /></td>
<td><img src="image" alt="Laser Printer" /></td>
</tr>
</tbody>
</table>

- **Inkjet**
  - Thermal
  - Piezo
    - Micro Piezo
      - PrecisionCore
    - Others

- **Epson's original PrecisionCore inkjet print head**
  - Thin film printhead technology with ultra-high precision MEMS fabrication technology
  - Uses conventional Micro Piezo inkjet technology's features, but further enables high-speed, high-image quality printing
  - Wide range of products from office to commercial and industrial
Theoretical Advantages: Inkjet vs. Laser

- Non-contact, no heat, simple structure

**Inkjet printers**

Non-contact printing: just a jet of tiny ink droplets fired at paper

**Laser printers**

Toner makes contact with paper to transfer image, which is then fixed with heat and pressure

Inkjet printers have a simple structure
Low TCO, low power consumption, little waste, few parts to replace, few breakdowns
Theoretical Advantages: Inkjet vs. Laser

- The greater the speed, the greater the difference in power consumption

<table>
<thead>
<tr>
<th>Print speed (ppm)</th>
<th>Faster</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 ppm</td>
<td>Faster</td>
</tr>
<tr>
<td>75 page/ min., 300 W</td>
<td></td>
</tr>
<tr>
<td>100 page/ min., 320 W</td>
<td></td>
</tr>
</tbody>
</table>

- Max consumption (W)
  - Laser: Greater
  - 200 V power supply
  - Epson: 300 W
  - Competitors: 350 W or more

- Print speed (ppm)
  - 100 page/ min., 320 W
  - 75 page/ min., 300 W
  - 24 ipm / 40 W or less

- Epson research
Advantages of PrecisionCore vs. Thermal Printing

**PrecisionCore**
(Micro Piezo inkjet technology)

- Ink droplets fired by mechanical movement after piezoelectric element contracts in response to applied voltage

**Piezo element**

**Characteristics**
- Non-heating, so head performance does not deteriorate, types of ink less limited
- Complex structure, hard to manufacture

**Thermal**

- Ink is fired after heat causes air bubbles to form

**Heater**
**Bubbles**

**Characteristics**
- Heater deteriorates, types of ink limited
- Simple structure
Advantages of PrecisionCore vs. Other Piezo System

- High-displacement piezo exclusively developed by Epson
- Outstanding nozzle firing capacity
  - High nozzle resolution
- Volume produced by Epson
- Stable quality and lower costs
- Tohoku Epson PrecisionCore printhead production line
- High-speed printing and high image quality from a compact machine
- High quality, low price
Epson Inkjet Advantages Over Laser Printers

Theoretical advantages of inkjet

Advantages of PrecisionCore

Customer value that only Epson can provide
- High-speed/ high image quality
- Low TCO
- Resource and energy savings
- Less time spent on maintenance
- Shorter warmup time
- Adaptable to many paper types

We continually refine PrecisionCore technology to always offer high customer value

✓ Greater density means better image quality, smaller size makes us more cost competitive
✓ The use of linehead technology ensures both high-speed printing and high image quality
Innovative Key Component Technology Realizes High-Speed Printing
High-Speed Linehead Inkjet MFPs by Epson

◆ New high-speed linehead inkjet MFPs to speed up our development of the office market

100 pages/min.

*A4 landscape view, single-side
At standard resolution 600 x 1,200 dpi

◆ New key component technology developed as core of machine

➢ New PrecisionCore linehead developed to achieve high-speed printing

➢ Newly developed fast-drying ink enables faster speeds
Development of PrecisionCore Linehead

- New PrecisionCore linehead developed for A3+ paper width, enabling high-speed printing
- Setting the newly developed PrecisionCore MicroTFP print chip diagonally allows for nozzles at high density and offers both high-quality printing and a compact size
- Offers the print resolution demanded in business documents

![Image of PrecisionCore Linehead](image)

100 page / min. printing speed with standard resolution of 600 x 1,200 dpi

Competing linehead product A: 180 mm
Competing linehead product B: 360 mm
Ink Technology for High-Speed Printing, High Image Quality

◆ Newly developed fast-drying ink for high-speed printing
◆ With new ink and high-density linehead, get text printing with all the quality of laser printers, but high-speed
  ➢ **Vivid** color printing, even on **plain paper**
  ➢ Little penetration of ink into paper means **less curl, less back copy**, even on plain paper
  ➢ **Sharp text quality** rivalling that of laser printers
  ➢ Superior **water-fastness** and highlighter durability

Soon-to-be released dye-based ink for high-speed printing

**Sharp text quality**
- 6pt 美しい日本語 1234#$&
- 5pt 美しい日本語 1234#$&
- 6pt 美しい日本語 1234#$&
- 7pt 美しい日本語 1234#$&
- 8pt 美しい日本語 1234#$&
- 10pt 美しい日本語 1234#$&
- 12pt 美しい日本語 1234#$&

Mainly used in home inkjet printers
Used in office inkjet printers

- **Dye ink**
  - Stays strong when it gets wet

- **Pigment ink**

* Images for illustrative purposes only
Epson's Business Platform: Connecting Core Technologies to Business
Epson's R&D Strengths

- An R&D organization that is always at the leading edge of inkjet technology
  - Continuous R&D ensures competitive advantage
  - Inkjet R&D functions and operations organization are at the same place. R&D, decision-making, problem-solving are fast and efficient
    - Strengthening the R&D functions that concern our printer business and key components such as heads (building a new factory with R&D functions in addition to our innovation center at Hirooka Office)
    - R&D functions, business HQ functions at the same place  *HQ: Headquarters
    - Aggressively investing in new product & key component development to ensure sustained growth over medium- to long-term

- Intellectual property: Most patents in the industry (related to inkjet printers)

<table>
<thead>
<tr>
<th>No. of registered inkjet printer-related patents in Japan, U.S., China</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Epson</strong></td>
</tr>
<tr>
<td>Japan 5,800</td>
</tr>
<tr>
<td>US 3,660</td>
</tr>
<tr>
<td>China 1,527</td>
</tr>
</tbody>
</table>

*Cumulative 2006-2015 (based on Epson research, from commercial databases)*

No. of registered patents in Japan, U.S., China (year of publication of patent journal)
Epson’s Manufacturing Strengths

- Having our own manufacturing sites in the value chain gives us a competitive advantage
  - We have built up excellent manufacturing technology and know-how (precision processing technology, etc.)
  - Increasing our manufacturing strength by collaborating with other businesses (e.g., using robots to save manpower)

<table>
<thead>
<tr>
<th>Region</th>
<th>Location</th>
<th>Production Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>U.S. (Portland)</td>
<td>Ink cartridge production</td>
</tr>
<tr>
<td></td>
<td>Europe U.K. (Telford)</td>
<td>Ink cartridge production</td>
</tr>
<tr>
<td></td>
<td>China (Tianjin)</td>
<td>Ink cartridge production</td>
</tr>
<tr>
<td></td>
<td>China (Shenzhen)</td>
<td>Large-format printer, projector, robot, etc., production</td>
</tr>
<tr>
<td></td>
<td>Philippines (Lipa)</td>
<td>Printer, projector production</td>
</tr>
<tr>
<td></td>
<td>Indonesia (Bekasi)</td>
<td>Printer production</td>
</tr>
<tr>
<td></td>
<td>Indonesia (Batam)</td>
<td>Ink cartridge, ink bottle production</td>
</tr>
<tr>
<td></td>
<td>Japan Hirooka Office</td>
<td>Printhead, ink cartridge production</td>
</tr>
<tr>
<td></td>
<td>Suwa Minami Plant, Tohoku Epson, Akita Epson</td>
<td>Printhead production</td>
</tr>
</tbody>
</table>

- Epson has built up excellent manufacturing technology and know-how (precision processing technology, etc.).
- They are increasing their manufacturing strength by collaborating with other businesses (e.g., using robots to save manpower).
- They have manufacturing sites in several regions, including the Americas, Europe, China, Southeast Asia, and Japan.
- Each location focuses on different productions, such as ink cartridge, printer, projector, and robot production.
Epson’s Sales and Support Strengths

- Epson has sales and support sites in 64 locations around the world
- Selling laser printers, SIDM printers, POS printers, large-format printers, and projectors has given us relationships with a wide range of business channels
- We have the sales power to get the market to accept new concepts (such as high-capacity ink tank printers)
Future Direction
Launch of MFPs with a simple mechanism and unprecedented high-speed. The result will be a technology shift in the office printing market from laser to inkjet and mid- to long-term profit growth for Epson.

- High-speed / high image quality
- Low TCO
- Resource and energy savings
Combination of high-speed linehead inkjet MFP with PaperLab will create a cycle of printing and paper recycling in the office, helping people overcome their reluctance to print.

Everything printed by Epson
Office Inkjet Printer Strategy and Initiatives
Epson Inkjet Printers: Strategy and Status
Epson’s Growth Strategy

◆ Epson's growth strategy in the printer market
  ✓ Significantly expand printer sales and product lineup for large offices, in addition to consumers/ small offices/ home offices
  ✓ Replace laser printers with inkjet printers in the office field
  ✓ Offer a wide product line to meet the needs of our various customers around the world

◆ Epson’s initiatives
  ✓ Ink cartridge printers: Stepping up medium- and high-priced models that bring higher print volumes
  ✓ High-capacity ink tank printers: Sustaining growth by strengthening product lineup and expanding product awareness
  ✓ Office inkjet MFPs: Strengthening the category as a medium- to long-term growth driver
Strategic Inkjet Progress

- Strategy is going strong: Ink revenue has been steady, sales of high-capacity ink tank printers are expanding.

Inkjet printer unit shipments and ink revenue*

* Does not include ink that comes with printer at sale

Ink revenue (right axis; revenues by region were recalculated at FY2015 rate)
Continued Growth of High-Capacity Ink Tank Printers

As consumer recognition rises, the market keeps expanding. And a shift has begun from the low-end laser printer market.

Size of market for high-capacity ink tank printers in Southeast Asia*

![Graph showing market size growth for high-capacity ink tank printers.]

Trends in A4 size printer market in Southeast Asia*

![Graph showing trends in A4 size printer market.]

Source: IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2016 Q3
*Southeast Asia includes Indonesia, the Philippines, Thailand, Malaysia, Singapore and others (the area defined as "Asia/Pacific" by the IDC, exclusive of Australia, Hong Kong, India, Korea, New Zealand, PRC, Taiwan)
We recognize that there is room for further growth worldwide.

![Graph showing size of market for high-capacity ink tank printers worldwide and trend in A4 size printer market worldwide. The graph includes bars for Co. A, Co. B, and Co. C, with Epson shown separately.](image)

**Source:** IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2016 Q3
Growth Strategy for Office Printers
Office Inkjet Printer Strategy

- Shift the vast copier and laser printer market to inkjet printers
- Launch innovative high-speed linehead inkjet MFPs, etc., to build product strength, and build a business platform for sales growth under our next mid-range business plan

**USD76 billion**

- 45 ppm+
- 31-44 ppm

**USD50 billion**

- 45 ppm+
- 31-44 ppm
- 21-30 ppm
- 1-20 ppm

**USD36 billion**

- 21-30 ppm
- 1-20 ppm

Data based on Epson research for CY2015

(1) In the 30 ppm and below domain, where inkjet printers are starting to gradually replace laser printers, we will further strengthen our lineup of high-capacity ink tank printers and high-capacity ink pack printers and capture high-print volume users

(2) Launch high-speed linehead inkjet MFPs in the A3/45 ppm+ domain
<table>
<thead>
<tr>
<th>Mobile</th>
<th>A4 monochrome SFP</th>
<th>A4 color SFP</th>
<th>Models with EcoTank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product price range</td>
<td>Upper ¥20,000s</td>
<td>¥7,000s – mid-¥20,000s</td>
<td>Upper ¥9,000s – upper ¥50,000s</td>
</tr>
<tr>
<td>Print speed (ipm)</td>
<td>C 4.0 / M 7.0</td>
<td>M 15-20</td>
<td>C 4.7-24 / M 9-24</td>
</tr>
<tr>
<td>Durability range (pages)</td>
<td>15,000</td>
<td>50,000-150,000</td>
<td>80,000-300,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A4 color MFP</th>
<th>A3 color SFP</th>
<th>A3 color MFP</th>
<th>Inkjet MFP</th>
<th>High-speed linehead inkjet MFP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model number</td>
<td>PX-M650F*/M740F*/741F*/M840F*/M860F*</td>
<td>PX-1004/PX-S5040*/S7050*</td>
<td>PX-M5040F*/M5041F*/M7050F*</td>
<td>PX-S840X*/M840FX*/PX-S7070X*/M7070FX*</td>
</tr>
<tr>
<td>Product price range</td>
<td>Upper ¥10,000s – upper ¥70,000s</td>
<td>Upper ¥20,000s – Upper ¥50,000</td>
<td>Upper ¥30,000s – low ¥200,000s</td>
<td>Monthly ¥5,000 – ¥13,000</td>
</tr>
<tr>
<td>Print speed (ipm)</td>
<td>C 7.3-24 / M 13-24</td>
<td>C 5.5-24 / M 15-24</td>
<td>C 10-24 / M 18-24</td>
<td>C/M 20-24</td>
</tr>
<tr>
<td>Durability range (pages)</td>
<td>50,000-300,000</td>
<td>18,000-300,000</td>
<td>80,000-300,000</td>
<td>150,000-600,000</td>
</tr>
</tbody>
</table>

*Models with PrecisionCore

The price of the main unit is a reference selling price in direct sale of Epson site in Japan, as of Feb 2, 2017

These are only some of the models in Epson’s lineup. Epson products and services vary by region.

New

*Parts maintenance, etc., is performed on some models

*Parts maintenance, etc., is performed

*Models with PrecisionCore
Introducing New Office Inkjet Printers
# Office Inkjet Printers: New Products for Japan

<table>
<thead>
<tr>
<th>Speed</th>
<th>LX-7000F series</th>
<th>LX-10000F series</th>
<th>PX-S7070X</th>
<th>PX-M7070FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>75 page/ min. (A4 landscape view, single-side)</td>
<td>High-speed linehead inkjet MFPs (with high-capacity ink cartridges)</td>
<td>100 page/ min. (A4 landscape view, single-side)</td>
<td>24 ipm</td>
<td>*Shown with options</td>
</tr>
<tr>
<td>Target market</td>
<td>Copiers / MFPs (45 ppm+ class)</td>
<td>High-speed MFPs &amp; printers / basic office printing (45 ppm+ class)</td>
<td>Copiers / MFPs (30 ppm class)</td>
<td></td>
</tr>
<tr>
<td>Target users</td>
<td>Enterprise/ office, print industry / leaflets, forms, and other business applications</td>
<td></td>
<td>Enterprise/ office, stores</td>
<td></td>
</tr>
<tr>
<td>Sales plan (Japan)</td>
<td>Preparing three sales plans for different customer needs</td>
<td></td>
<td>Flat monthly rate service</td>
<td></td>
</tr>
<tr>
<td>Launch date (Japan)</td>
<td>May 2017 sales launch</td>
<td></td>
<td>Early March 2017 service launch</td>
<td></td>
</tr>
</tbody>
</table>

Epson products and services vary by region.
High-Speed Linehead Inkjet MFPs: New products

- With its unique PrecisionCore linehead, Epson exceeds its customers expectations in productivity and environmental performance

1. High-speed / high-image quality printing
2. Compact, simple structure
3. Low power consumption

LX-7000F/LX-10000F series
Feature 1: High-Speed/ High-Image Quality Printing

- Promises to dramatically change office printing with its overwhelming print speed and high image quality.

Before:
- Slow printing
- Worried about costs

After:
- High-speed printing: no waiting!
- No hesitation about printing in color
  - One machine does as much as two
Feature 2: Compact, Simple Structure

- Overwhelming speed in a compact size
- Simple structure allows for easy maintenance
- Ink is volume-efficient; high capacity means less ink replacement

Printing structure
Printhead + static electricity absorption belt

Print yield of a set of 5 ink cartridges (ISO standard)
- Monochrome: 100,000 pages
- Color: 50,000 pages
Feature 2: Compact, Simple Structure

Simple structure means less-frequent parts replacement and other maintenance.

**Parts needing replacement if printing 20,000 pages per month for 60 months**

LX-10000F/LX-7000F

- Paper feed roller only
  - *Other parts will need to be replaced if printing more than 1.2 million pages

**Example of laser system**

- Fixing unit
- First transcription unit
- Second transcription unit
- Developing unit
- Paper feed roller

*Parts needing replacement and frequency of replacement vary by model*
Feature 3: Low Power Consumption

- Because it does not use heat, this inkjet technology can greatly reduce power consumption

LX-10000F

- Color/Monochrome: 100 ppm*
- Max consumption: 320 W
- TEC value: 1.2 kWh

LX-7000F

- Color/Monochrome: 75 ppm*
- Max consumption: 300 W
- TEC value: 0.9 kWh

*When feeding A4, single-sided, landscape view
Feature 3: Low Power Consumption (Max Consumption)

- The greater the speed, the greater the difference in power consumption.

<table>
<thead>
<tr>
<th>Feature 3: Low Power Consumption (Max Consumption)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print speed (ppm)</td>
</tr>
<tr>
<td>Competitors</td>
</tr>
<tr>
<td>Epson</td>
</tr>
<tr>
<td>Laser</td>
</tr>
<tr>
<td>Inkjet</td>
</tr>
</tbody>
</table>

- Competitors vs. Epson
- Laser vs. Inkjet
- Power supply (200 V)
- Consumption (W)
- 24 ipm, 40 W or less
- 75 page/min., 300 W
- 100 page/min., 320 W
- 50 PPM

Max consumption (W) 1,500 W

- Epson research

- Faster
Feature 3: Low Power Consumption (TEC Value)

- Overwhelming power savings vs. laser

<table>
<thead>
<tr>
<th>TEC value (kWh)</th>
<th>LX-7000F 75 page/ min.</th>
<th>LX-10000F 100 page/ min.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 kWh</td>
<td>0.9 kWh</td>
<td>1.2 kWh</td>
</tr>
<tr>
<td>2.0 kWh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.0 kWh</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

24 ppm, 40 W or less

*TEC values of A3 MFPs with print speed 50-55 ppm from six manufacturers based on public information from each of those companies. Published energy efficiency of models was converted to TEC values and plotted (Epson research)
High-Speed Linehead Inkjet MFPs: New products

- Offering high-volume office printing and meeting the need for a central printer

**Staple finisher** (option)
- Stapling
- Sorting
- Ejects 4,200 sheets

**High-capacity paper feed unit** (option)
- Feeds 3,500 sheets

With options attached
- Maximum paper ejection 4,950 sheets
- Maximum paper feed 6,050 sheets
# Sales Plan for Customer Needs (Sales Plan in Japan/ FAX Models)

<table>
<thead>
<tr>
<th>Features</th>
<th>Ink standard</th>
<th>Countercharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Optimal plan for customers printing a steady volume each month (small retailers, SOHO, etc.)</td>
<td>✓ A plan for spreading use among local governments, schools, etc.</td>
<td>✓ A typical copy contract-like plan such as used in offices, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>All-in-ones</th>
<th>Flat monthly rate plan</th>
<th>Sales plan</th>
<th>Ink standard</th>
<th>Countercharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>LX-10000F</td>
<td>LX-7000F</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic usage fee under 5-year contract (tax excluded)</th>
<th>Monthly fee</th>
<th>Monthly fee</th>
<th>Standard model Main unit (tax excluded)</th>
<th>Monthly fee</th>
<th>Monthly fee</th>
<th>Standard model Main unit (tax excluded)</th>
<th>Monthly fee</th>
<th>Monthly fee</th>
<th>Standard model Main unit (tax excluded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LX-10000F</td>
<td>¥72,000</td>
<td>¥52,000</td>
<td>¥2.6 million</td>
<td>¥2.6 million</td>
<td>¥2.6 million</td>
<td>¥2.6 million</td>
<td>¥2.6 million</td>
<td>¥2.6 million</td>
<td>¥2.6 million</td>
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<tr>
<td>LX-7000F</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Base print count</th>
<th>Color / monochrome</th>
<th>7,000 pages / 13,000 pages</th>
<th>3,000 pages / 7,000 pages</th>
<th>3,000 pages / 7,000 pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charge (tax excluded)</td>
<td>Color / monochrome</td>
<td>¥3.0/ ¥0.8</td>
<td>¥3.6/ ¥1.0</td>
<td>¥1.5/ ¥0.4</td>
</tr>
</tbody>
</table>

### Features
- **Optimal plan for customers**: printing a steady volume each month (small retailers, SOHO, etc.).
- **A plan for spreading use**: among local governments, schools, etc.
- **A typical copy contract-like plan**: such as used in offices, etc.
Inkjet MFPs: New Products and Services

◆ Productivity, operability, and serviceability have all improved, reflecting customer input on existing inkjet MFPs

Existing inkjet MFPs

What customers liked:
Overwhelmingly low cost (esp. for color), flat monthly rate, no need to buy, no need to manage consumables

Improvements customers asked for:
Good serviceability, automatic PC-free meter reading, FAX function, operability / usability, etc.

New inkjet MFPs

Major improvements in new products and services

• Structural change for improved serviceability
• DSS* function built in (PC-free use)
• Better FAX functionality
• Better GUI, operating flow, etc.

Epson’s managed print service A3 MFP full-set model

PX-M7070FX

Epson’s managed print service

Improvements created by project

*DSS: Device Status System (print information remote meter reading system)
Further Expanding the Potential of Inkjet Printers

Achieve high performance with a balance of speed and price, break into new domains

- POD (print on demand) range for lasers: 65 ppm
- Laser MFP range: About 130 ppm
- Inkjet printer range: 50 ppm
- Inkjet printer range: 100 ppm
- High-speed printers: Forms and other commercial uses
- Light printing: Printing industry / leaflets

New domain for inkjet printers to break into
Building a Business Infrastructure for Medium- to Long-term Growth in Office Printers
Strengthening Manufacturing

◆ Use a common platform to develop products efficiently
  ➢ Mechanical engine
  ➢ Controller (SOC, firmware, etc.)
  ➢ GUI, etc.

◆ Expand production capacity
  ➢ Strengthen a production base in response to growing head demand and higher densities
    ✓ Hirooka Office: New factory construction, etc.
  ➢ Expand finished product assembly sites to meet growing volume over medium term
    ✓ Augment factories in Indonesia and Philippines
  ➢ Increase efficiency by introducing in-house robots

Common platform examples
Unify user interface layout
EP-879A
2.7”
PX-M7070FX
5.0”

Hirooka Office: new factory (operations to begin in FY2018)
Epson Indonesia: new factory (operations began in FY2016)
Strengthening Manufacturing

◆ Supporting printer fleet management
  ➢ Stronger user management function
    ✓ Offer server software to manage and control MFPs, with stronger functions for user management, printing security, printing cost control, function restriction, etc.
  ➢ Stronger device control function
    ✓ Offer software that enables IT manager to centrally manage up to 2,000 machines, including settings for MFPs, printers, scanners, etc., settings for client PCs, and machine status and usage status
  ➢ Stronger cooperation with ISVs around the world
    ✓ Ensure connectivity with standard solutions

* ISV: Independent Software Vendor
Strengthening Sales and Support

◆ Strengthen organization at sales centers around the world
  ➢ Continually strengthen sales and technical support staff
  ➢ Strengthen IT infrastructure and information support tools

◆ Strengthen sales network
  ➢ Fundamentally strengthen the sales network to promote sales of high-speed MFPs
    ✓ Build partnerships with copier dealers/distributors
    ✓ Increase the volume of high-speed printers handled by existing partners (office automation businesses, system integrators, etc.)

◆ Expand consumer recognition, take user-pull approach
  ➢ Give demos (trade shows, sneak previews)
  ➢ Promote the superiority of inkjet technology
  ➢ Directly approach latent customers (strengthen cross-selling)
  ➢ Brand campaign (promote business brand)
Financial Targets
## Printer Business Targets

### Financial targets

<table>
<thead>
<tr>
<th></th>
<th>FY2015 result</th>
<th>FY2016 forecast</th>
<th>FY2018 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>¥518.9 billion</td>
<td>¥483.0 billion</td>
<td>Average annual growth rate since FY2015 about +3.5% (assuming same exchange rates)</td>
</tr>
<tr>
<td><strong>Exchange rates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>¥120.14</td>
<td>¥107.00</td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>¥132.58</td>
<td>¥117.00</td>
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</tr>
</tbody>
</table>

### Key indicators

<table>
<thead>
<tr>
<th></th>
<th>FY2015 result</th>
<th>FY2016 forecast</th>
<th>FY2018 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IJP main unit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume</td>
<td>Approx. 14.2 million units</td>
<td>+7% vs. FY2015</td>
<td>+20% vs. FY2015</td>
</tr>
<tr>
<td>Office ink cartridge models</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-capacity ink models as % of total unit sales</td>
<td>Approx. 20%</td>
<td>Approx. 20%</td>
<td>Approx. 20%</td>
</tr>
<tr>
<td>High-speed linehead inkjet MFPs</td>
<td>Approx. 35%</td>
<td>Approx. 40%</td>
<td>Approx. 45%</td>
</tr>
<tr>
<td><strong>IJP ink</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>+ mid-single-digit % (after converting to JPY)</td>
<td>- high single-digit % (after converting to JPY)</td>
<td>Remain steady (assuming same exchange rates)</td>
</tr>
</tbody>
</table>

*High-capacity ink models: high-capacity ink tank printers, high-capacity ink pack printers, high-speed linehead inkjet MFPs*
Epson leverages original, advanced inkjet technology and unsurpassed vertically integrated operations to provide customers worldwide with products and services that support great text- and image-based communications and efficient operations.
EPSON
EXCEED YOUR VISION