



Epson 25 Corporate Vision & Mid-Range Business Plan (FY2016-2018)

March 17, 2016

Seiko Epson Corporation

■ Disclaimer regarding forward-looking statements

The foregoing statements regarding future results reflect the Company's expectations based on information available at the time of announcement. The information contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

Such risks and uncertainties include, but are not limited to, the competitive environment, market trends, general economic conditions, technological changes, exchange rate fluctuations and our ability to continue to timely introduce new products and services.

■ Use of IFRS

Results for FY2012 and earlier are calculated using J-GAAP. Results and outlooks from FY2013 onwards are calculated using IFRS.

■ Note regarding business profit and ROS/ ROE

Business profit is calculated by deducting the cost of sales and SGA expenses from revenue.

This indicator is not defined in the consolidated statement of comprehensive income, but it is essentially the same as operating income under J-GAAP. Epson discloses business profit because we believe users of our consolidated financial statements will find it useful in evaluating Epson's financial performance.

ROS (Business profit) = Business profit / Revenue

ROE = Profit for the period attributable to owners of the parent company / Beginning and ending balance average equity attributable to owners of the parent company

■ Numerical values presented herein

Numbers are rounded to the unit indicated. Percentages are rounded off to one decimal place.

We at Epson
are creating new value with aspirations of
creating a better world and
becoming an indispensable company.



PaperLab, Epson's new office papermaking system

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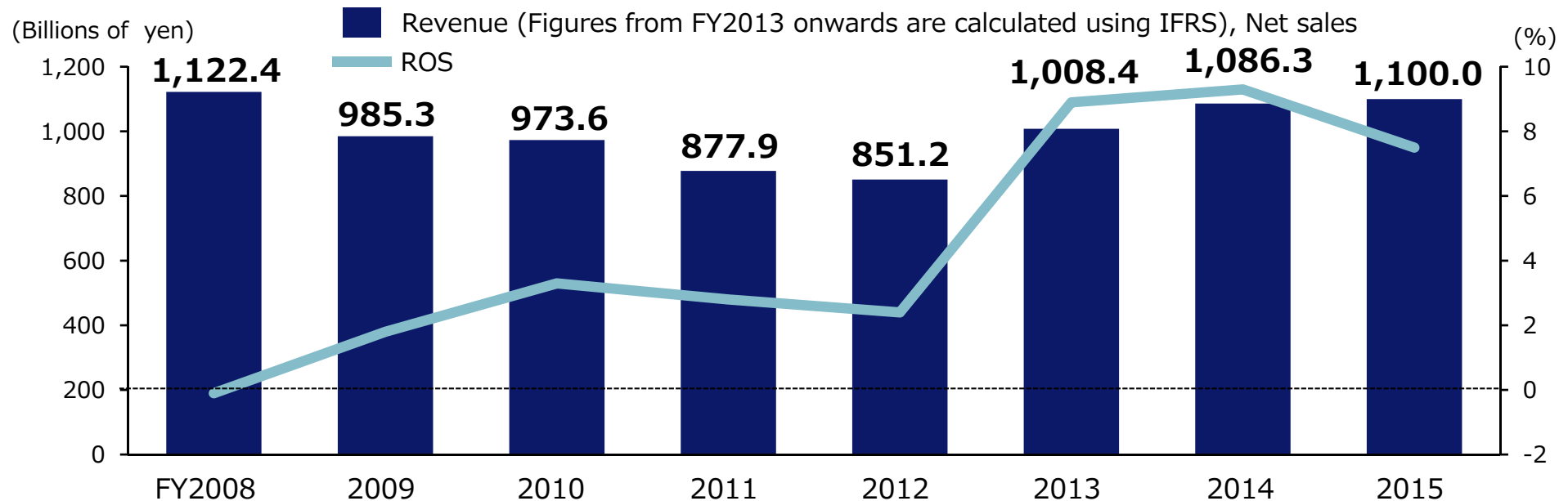
SE15 Corporate Vision Review

Achievements

- ◆ **Built the ability to generate steady cash flow**
 - Shifted to new business models and entered new business domains
 - Solidified the foundation of the value chain

Issues

- ◆ **Unable to fully advance into some new businesses and domains**
 - Need to acquire knowledge in new business domains
 - Need to strengthen sales & support



SE15 Review: Achievements

Created a structure to generate an ongoing and stable cash flow

Achieved cumulative 3-year OCF ¥324.6 billion, FCF ¥194.6 billion, 30% consolidated dividend payout ratio

- ◆ Shifted to new business models and entered new business domains
 - Restructured electronic device and other businesses
 - Realigned in existing business areas and developed new areas
 - Implemented new business models in printers. Increased presence in projectors. Expanded robotic solutions.
 - Strengthened electronic device business infrastructure. Put us in position to expand wearable products. Strategically invested in future growth.
- ◆ Solidified the foundation of the value chain
 - Established a vertically integrated business model
 - Organized to exploit business strengths and synergies

SE15 Review: Issues

Unable to fully advance into some businesses and domains during the plan period

Issues that need to be addressed to achieve growth:

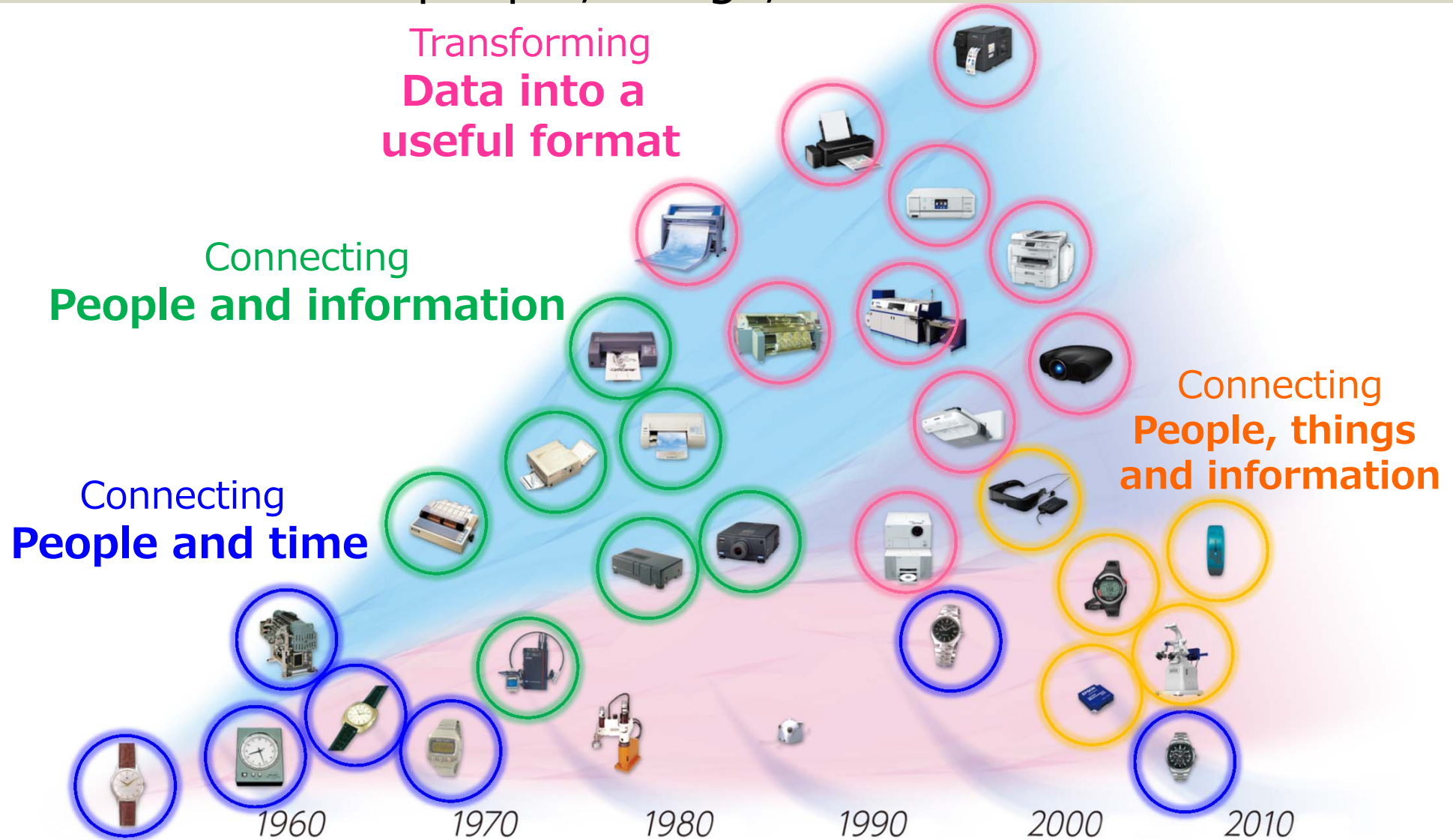
- ◆ Need to acquire knowledge in new business domains
 - Accurately analyze wide-ranging customer needs and provide feedback to businesses
 - Accumulate peripheral technologies to further increase product value
- ◆ Sales & support functions in new and priority areas
 - Increase brand penetration in non-consumer areas
 - Sales & service resources

Epson 25 Corporate Vision

- Looking toward 2025 -

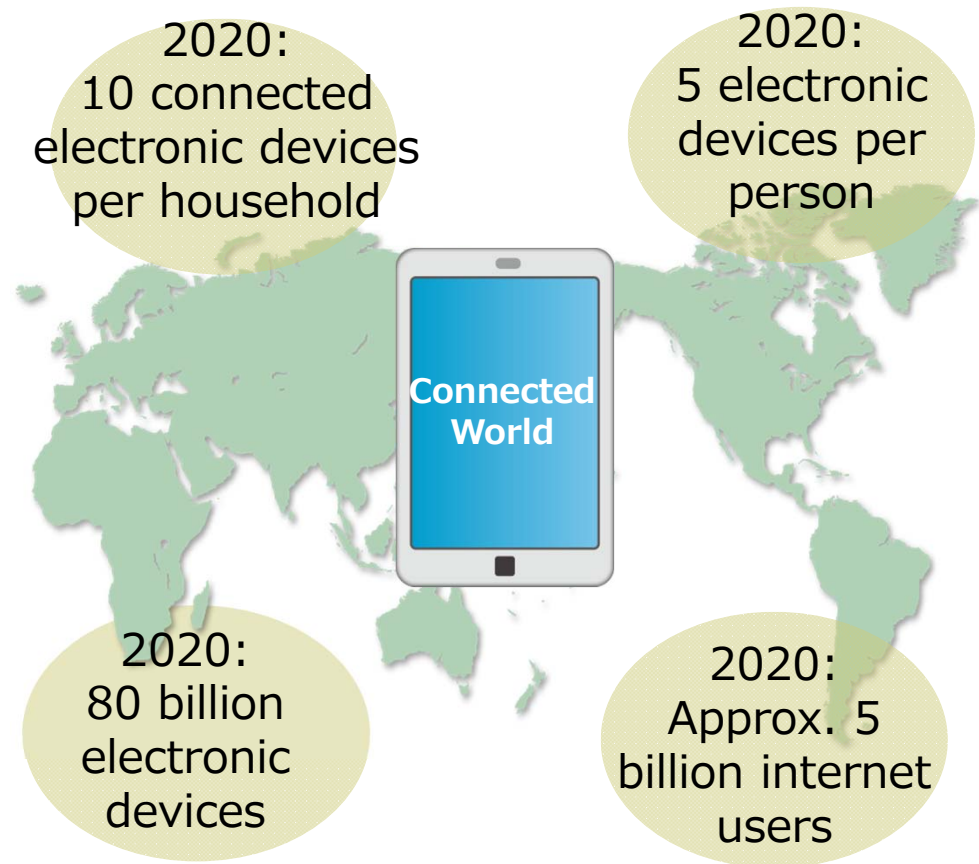
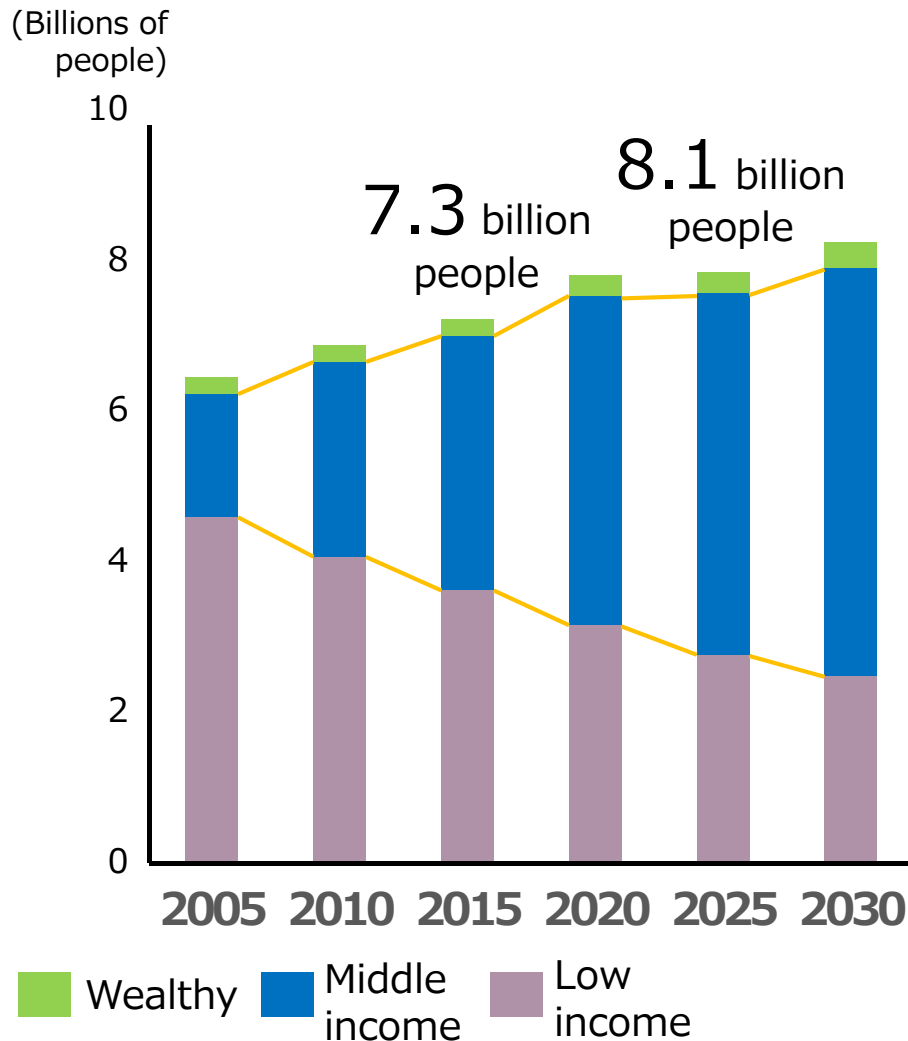
Business Environment (Internal)

Refined efficient, compact, and precision technologies, and connected people, things, and information



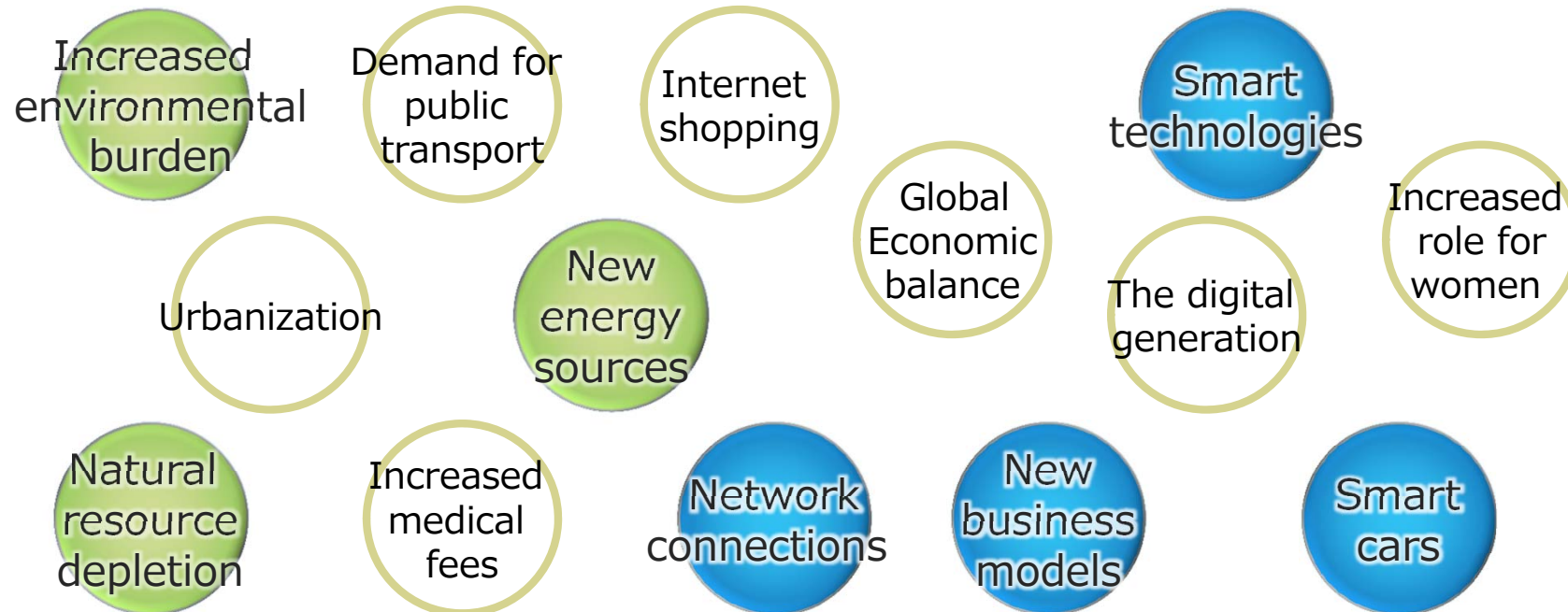
Mega Trends (External)

- Population to increase. Affluence to increase with growth of middle class.
- Information and communication technology advances to drive changes in communications, society and lifestyles.



Factors Affecting Mega Trends

Key trends for Epson: Smart technologies and the environment



Value that Epson can provide

- **Smart technologies** | Growth of smart society (increased efficiency, better services)

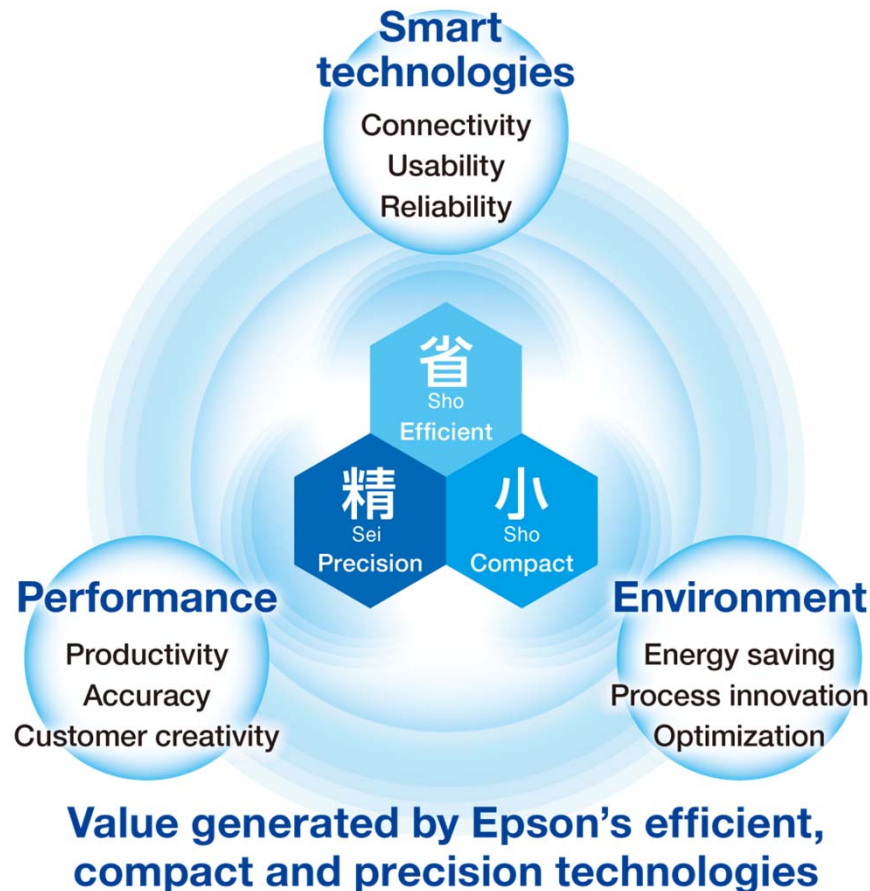
- **Environment** | Reduction of environmental impact

Vision Statement

Creating a new connected age of people, things and information with efficient, compact and precision technologies.



A New Age Based on Epson Technologies



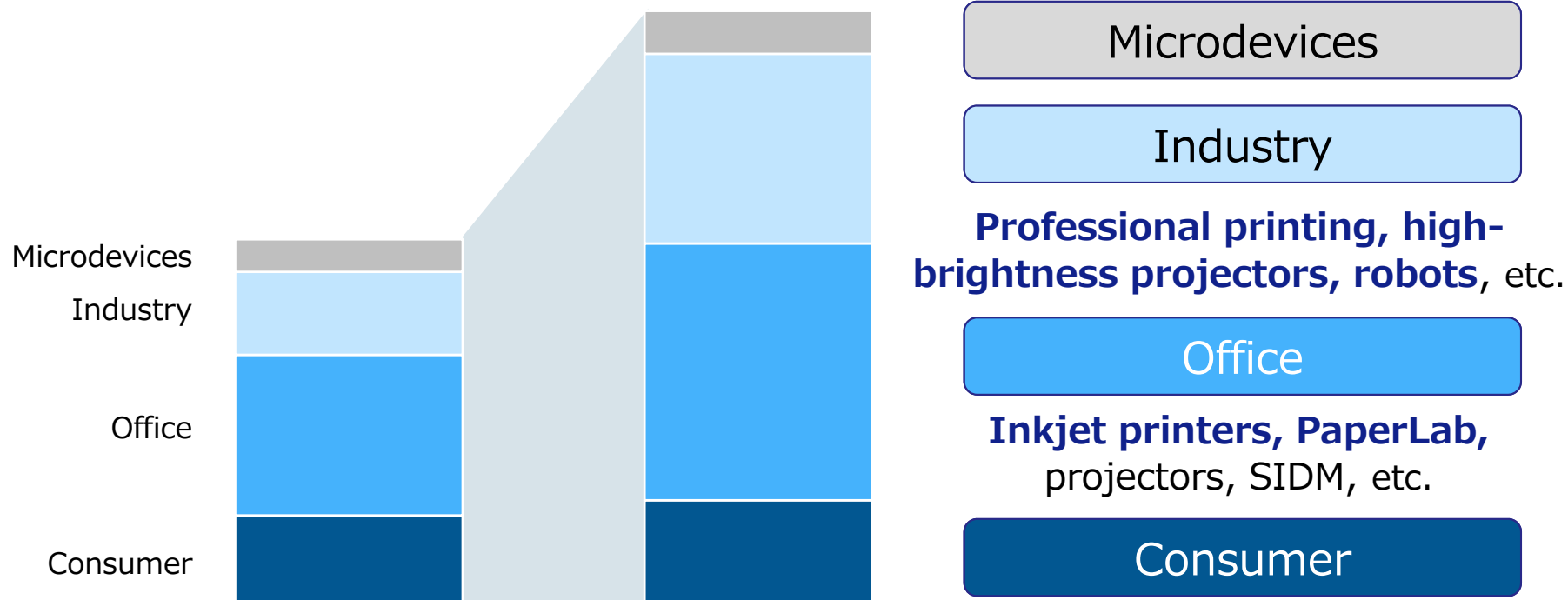
- Smart technologies
Use advanced products and software so customers can easily, conveniently, and securely use our products anywhere and anytime.

- Environment
Contribute to the development of a sustainable society by leveraging efficient, compact and precision technologies to reduce the environmental impact of products and services across their life cycles.

- Performance
Create new and higher value by providing outstanding products that contribute to customer productivity, accuracy and creativity.

Direction of Growth

- Greatly expand business in the office and industrial domains by 2025.
- Expand wearables and strengthen the consumer domain.



	FY2015 outlook	FY2025 target
Revenue	¥1,100.0 bil.	¥1,700.0 bil.
Business profit	¥82.0 bil.	¥200.0 bil.
ROE	11.8%	15%

Wearables, smart eyewear,
inkjet printers, projectors, etc.

Inkjet printers, PaperLab,
projectors, SIDM, etc.

Professional printing, high-
brightness projectors, robots, etc.

Epson 25 Corporate Vision

- Vision for Each Business Domain -

- Printing
- Visual communications
- Wearables
- Robotics
- Microdevices

Printing Domain: Inkjet Innovation

Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.

High-speed copying



Office

High-speed linehead, smart technologies

PaperLab



Dry fiber technology

Inkjet innovation



Digital press



Industry

Highly durable, high-speed printhead; high-performance ink and media handling

Digital textile printing



Visual Communications Domain: Visual Innovation

Refine original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.

Signage



Ultra-high brightness technologies

Lighting



Laser light source and other optical control technologies

Smart eyewear



Lighter, more compact; sensing and AR technology

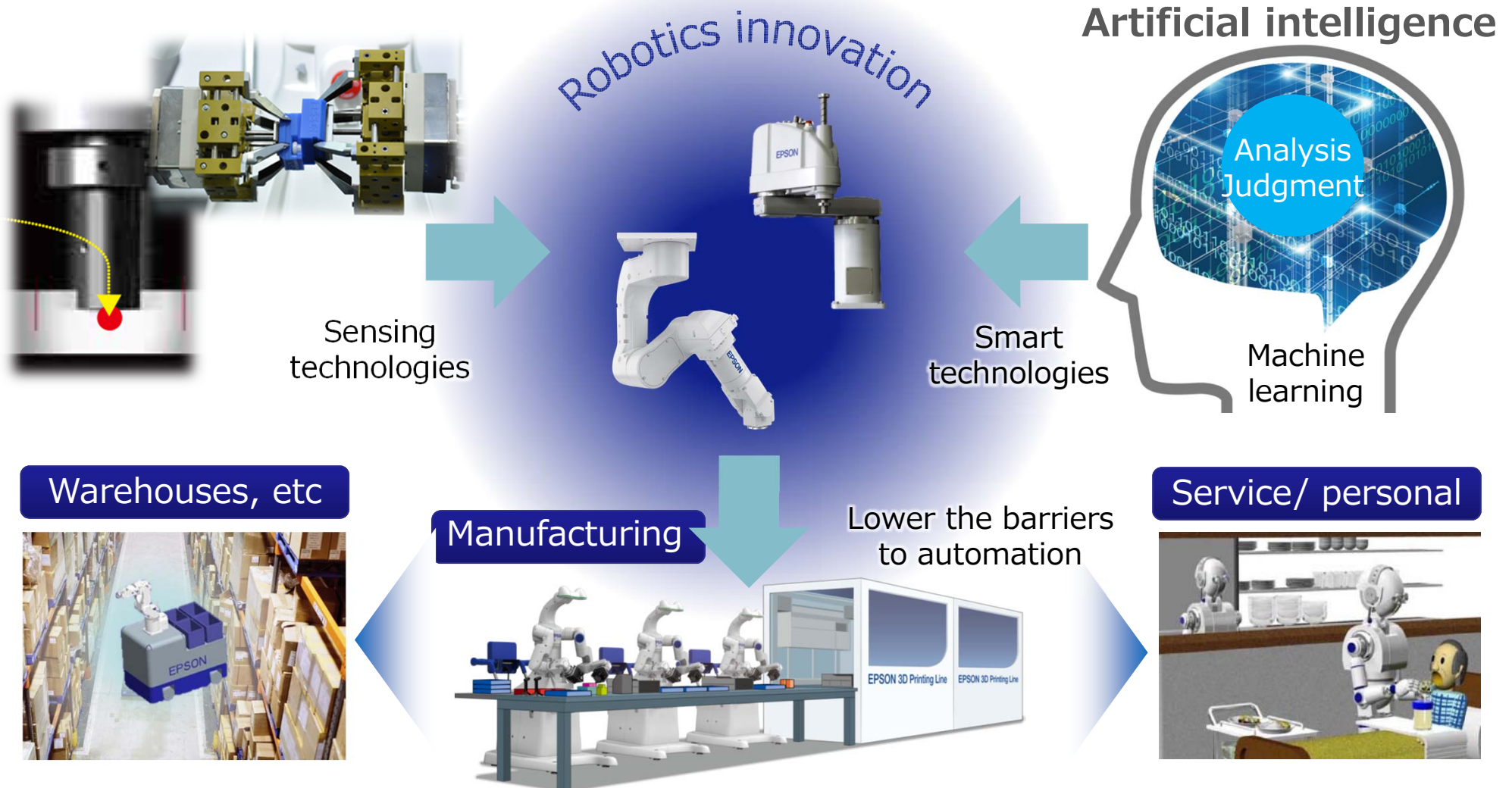
Wearables Domain: Wearables Innovation

Leverage our watchmaking heritage, refine timekeeping and sensing accuracy, and offer a sense of status and fashion.



Robotics Domain: Robotics Innovation

Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.



Warehouses, etc

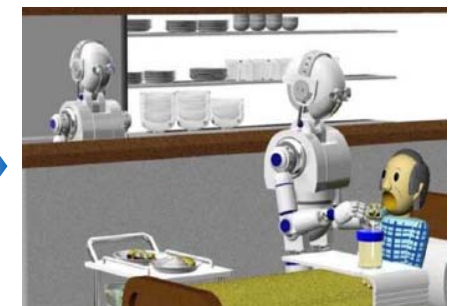


Manufacturing



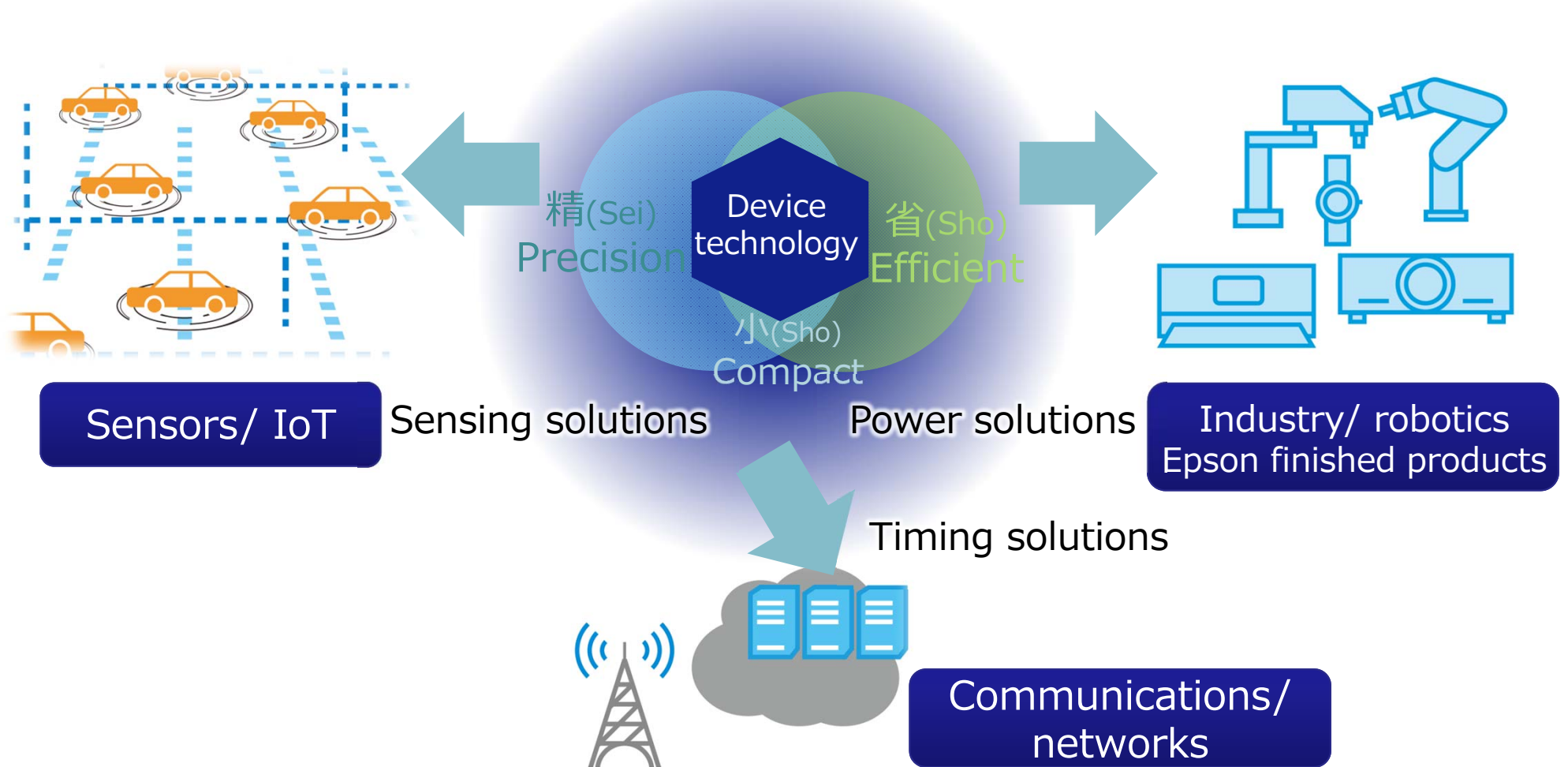
Lower the barriers to automation

Service/ personal



Microdevices Domain: Supporting the Four Innovations

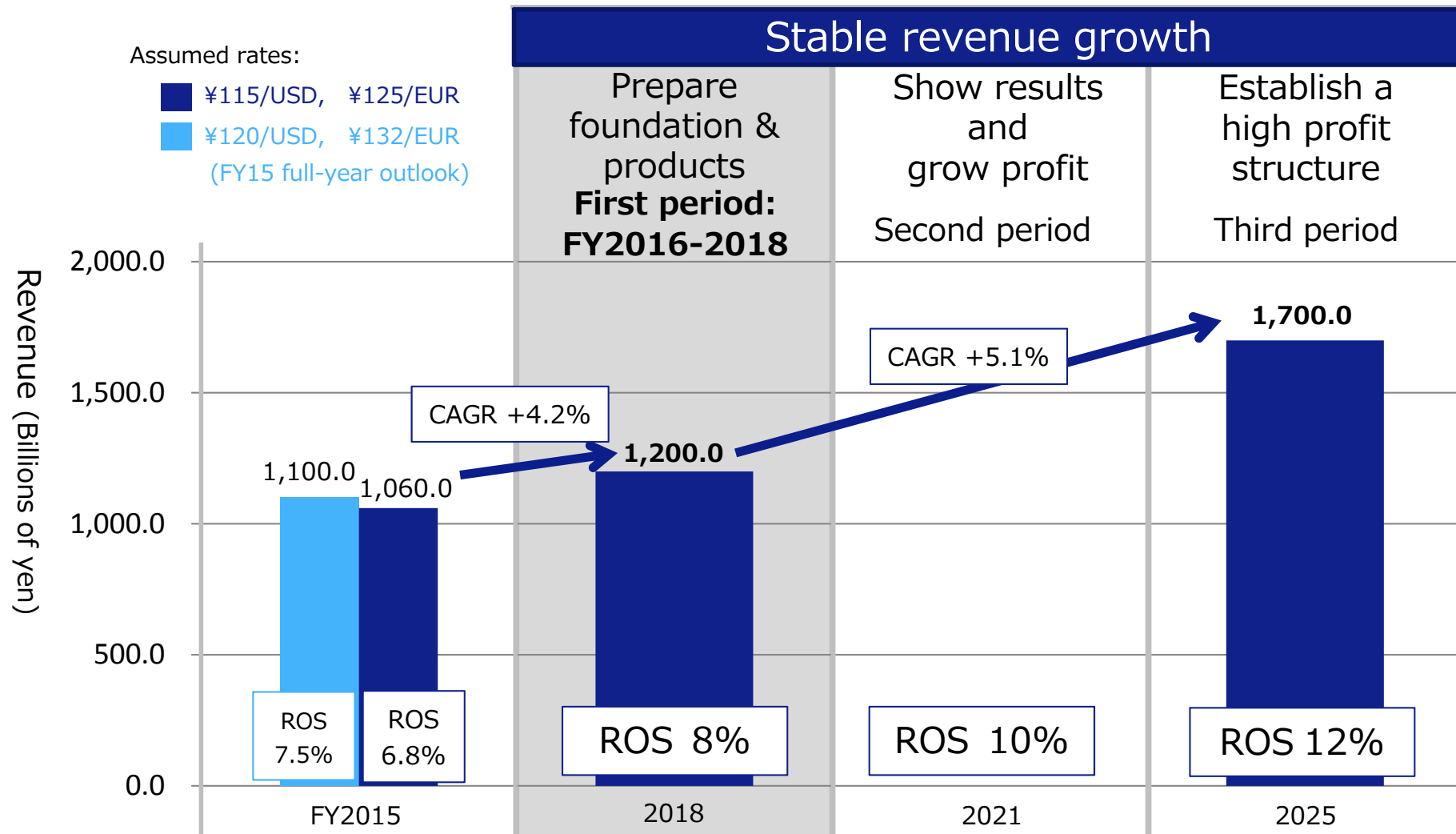
Contribute to Epson's finished products and to the development of smart communications, power, transportation and manufacturing systems with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.



Epson 25 Mid-Range Business Plan (FY2016-2018)

Objectives (FY2016-2018)

Take care of unfinished business under SE15, and build a foundation for growth to achieve Epson 25



In businesses where SE15 strategic initiatives were successful, continue to grow by honing our edge. In business domains where we were unable to fully advance, quickly address issues and establish a path to growth.

Ensure growth by creating products and services that deliver customer value in the areas of smart technology, the environment, and performance.

Invest management resources as needed to achieve Epson 25, while also taking into account short-term profit growth.

Quickly establish new business models, and strengthen sales, support, the brand, and operations.

Financial Targets

(Billions of yen, %)

Assumed rates for targets: ¥115/ USD, ¥125/ EUR

Category		FY2015 outlook	FY2018 targets	FY2025 targets
Revenue		1,100.0	1,200.0	1,700.0
Segment	Printing Solutions	742.0	805.0	-
	Visual Communications	180.0	200.0	-
	Wearable & Industrial Products	176.0	195.0	-
	Other/ Adjustment	2.0	0.0	-
Business profit		82.0	96.0	200.0
ROS		7.5%	8%	12%
ROE		11.8%	Sustain at at least 10%	15%

Epson 25 Mid-Range Business Plan (FY2016-2018)

- Initiatives in Each Business -

- Printers
- Professional printing
- Visual communications
- Wearable products
- Robotic solutions
- Microdevices

Initiatives in the Printer Business

Establish a competitive advantage in the home printer market by boosting the attractiveness of products

Get office market development on track with linehead models

◆ Further penetrate the office market by increasing inkjet printer performance, improving cost performance, and gaining better traction with new business models.

- Launch linehead products speedily.
- Strengthen PrecisionCore model lineup.
- Improve high-capacity ink tank model performance.
- Accelerate rollout of managed print services.
- Reduce printer size to increase appeal.



Provide a sustainable printing ecosystem with the PaperLab

◆ Improve manufacturing capacity and the sales & support network in preparation for lineup expansion.

◆ Provide a sustainable printing ecosystem with the PaperLab.



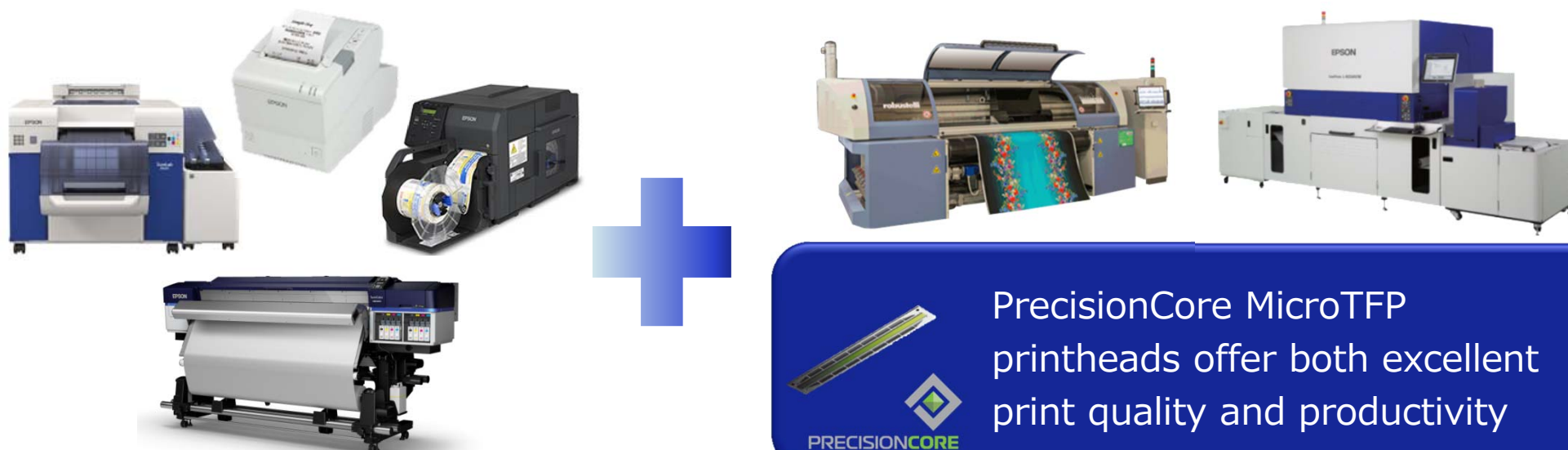
Radically increase printing speed with lineheads



Initiatives in Professional Printing

Establish outstanding competitive advantage with hardware, improve support and other organizational infrastructure, and achieve solid growth in new domains.

- ◆ Provide simple, flexible inkjet manufacturing processes in new domains (signage, textiles, labels) to accelerate industry shift to digital.
 - Exploit edges in key component development, production engineering, and intellectual property to launch highly productive and reliable new products that offer low TCO.
 - Build sales & support organizations that meet customer needs.
 - Accelerate business expansion through collaboration and M&As.



Initiatives in Visual Communications

- ▣ Further strengthen our presence in the projection market
 - ▣ Use laser light sources to pave the way to rapid growth in new markets
- ◆ Develop a full lineup to further increase Epson's presence in the projector market.
 - Use laser light sources, interactive features, etc., to strengthen the competitive advantage over displays, and accelerate growth in the high brightness and short- and ultra-short throw segments.
 - ◆ Develop markets with proposals for new applications.
 - ◆ Create new markets with smart eyewear by proposing business process innovations and new uses.



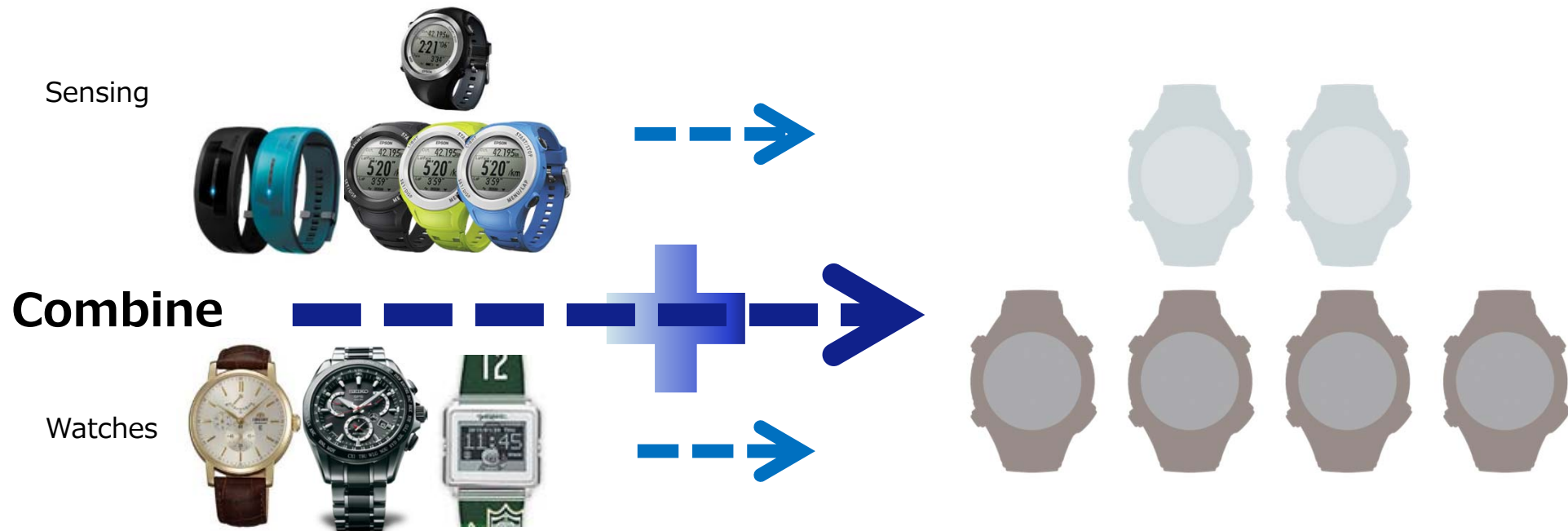
Laser light source
Instant on/off
Long life
Better color, etc.



Initiatives in Wearable Products

Lay the foundation for building wearables into a core business by refining watch resources and combining them with sensors to create families of differentiated products.

- ◆ Watches: Refine business resources by developing platforms and variations.
- ◆ Sensing systems: Combine strong watch and sensing assets to generate profit by creating products that connect people and information.
- ◆ Improve business infrastructure in preparation for expansion of the business domain.



Initiatives in Robotics Solutions

Create a framework for growth on top of Epson's technology base.

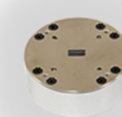
- ◆ Combine sensors and robotic functions to eliminate barriers to automation with robots, and capture growth opportunities in precision assembly.
 - Capitalize on Epson's strength in force sensors, vision sensors, etc.
 - Provide expertise in line construction.
- ◆ Strengthen the sales & support network to handle increased demand.
- ◆ Use robots to increase Epson Group productivity.



Machine learning



Force sensor



Vision sensor



Initiatives in Microdevices (Quartz & Semiconductors)

- Quartz: Leverage competitiveness to build a stable business
- Semiconductor: Create new core technologies and devices

Quartz crystal devices

- ◆ Maximize accuracy and reliability while minimizing size.
- ◆ Streamline and automate to drive down costs.

Semiconductors

- ◆ Develop devices to maximize the value of Epson products, and derive core technologies and core devices from that process.



Epson 25 Mid-Range Business Plan (FY2016-2018)

- Strengthening Business Infrastructure -

Strengthening Business Infrastructure

Technology

Refine our efficient, compact, and precision technologies, advance our actuator, optical control, and sensor technologies, and bring in data communications technology to continue to create new customer value.

- ◆ Develop original technology (next-generation inkjet key component technology, etc.).
- ◆ Improve machine learning R&D and software.
- ◆ Build a materials development organization.
- ◆ Expand and strengthen overseas R&D sites.

Manufacturing

Provide timely products that others cannot easily imitate. Offer them at highly competitive costs and quality.

- ◆ Automate manufacturing sites.
- ◆ Reduce total costs.
- ◆ Improve overseas manufacturing sites and strengthen manufacturing in Japan.
- ◆ Combine and consolidate manufacturing operations and information/communications systems.

Strengthening Business Infrastructure

Sales & support

Strengthen the office and industrial domains, establish optimum area sales organizations, improve product quality with a market-driven (market-in) approach, and transform the brand image.

- ◆ Increase sales and support resources in the office and industrial domains (explore collaboration and M&As).
- ◆ Improve the product planning process to accurately capture customer needs.
- ◆ Continue to strategically invest by region to increase brand power.

Environment

Expand initiatives to reduce environmental impacts across product and service life cycles and supply chains.

- ◆ Reduce environmental impacts with office inkjets, PaperLab, high-efficiency projectors, etc.
- ◆ Develop environmental technology in manufacturing, transport, and sales.
- ◆ Contribute to environmental preservation in society as a whole by sharing knowledge and experience.

To realize the Management Philosophy vision, sustainable growth, and increased corporate value long-term, Epson will institute corporate governance that realizes transparent, fair, timely and decisive decision-making.

- ◆ Transition to a company with an audit and supervisory committee governance structure.
 - Improve the supervisory function of the board of directors.
 - Enhance board deliberations on company direction and strategy.
 - Speed up management decisions & conduct business agilely.
- ◆ Introduce a performance-linked stock compensation plan for executive officers.
 - Raise awareness of profit sharing with shareholders.
 - Show commitment to sustainable growth and increasing long-term corporate value.



Epson 25 Mid-Range Business Plan (FY2016-2018) - Financial Targets -

Cash Flows and Investment in Growth

Continue to strategically invest in future growth (e.g., invest in R&D, manufacturing capacity, ICT, automation, alliances, M&As) while steadily generating cash.

Category	SE15 Updated Mid-Range Business Plan (outlook)	Epson 25 Mid-Range Business Plan (FY2016-2018)
Operating CF	3-year cumulative: ¥324.6 billion	3-year cumulative: ¥330.0 billion
FCF	3-year cumulative: ¥194.6 billion	3-year cumulative: ¥120.0 billion

Investment in growth

R&D costs	3-year cumulative: ¥153.3 billion	Aggressively invest in new product and key component technologies needed to achieve Epson 25.
Capital expenditure	3-year cumulative: ¥153.2 billion	3-year cumulative: about ¥210.0 billion (strengthen R&D and manufacturing, etc.)
M&A	3-year cumulative: approx. ¥ 2.5 billion	Aggressively pursue opportunities needed to achieve Epson 25.

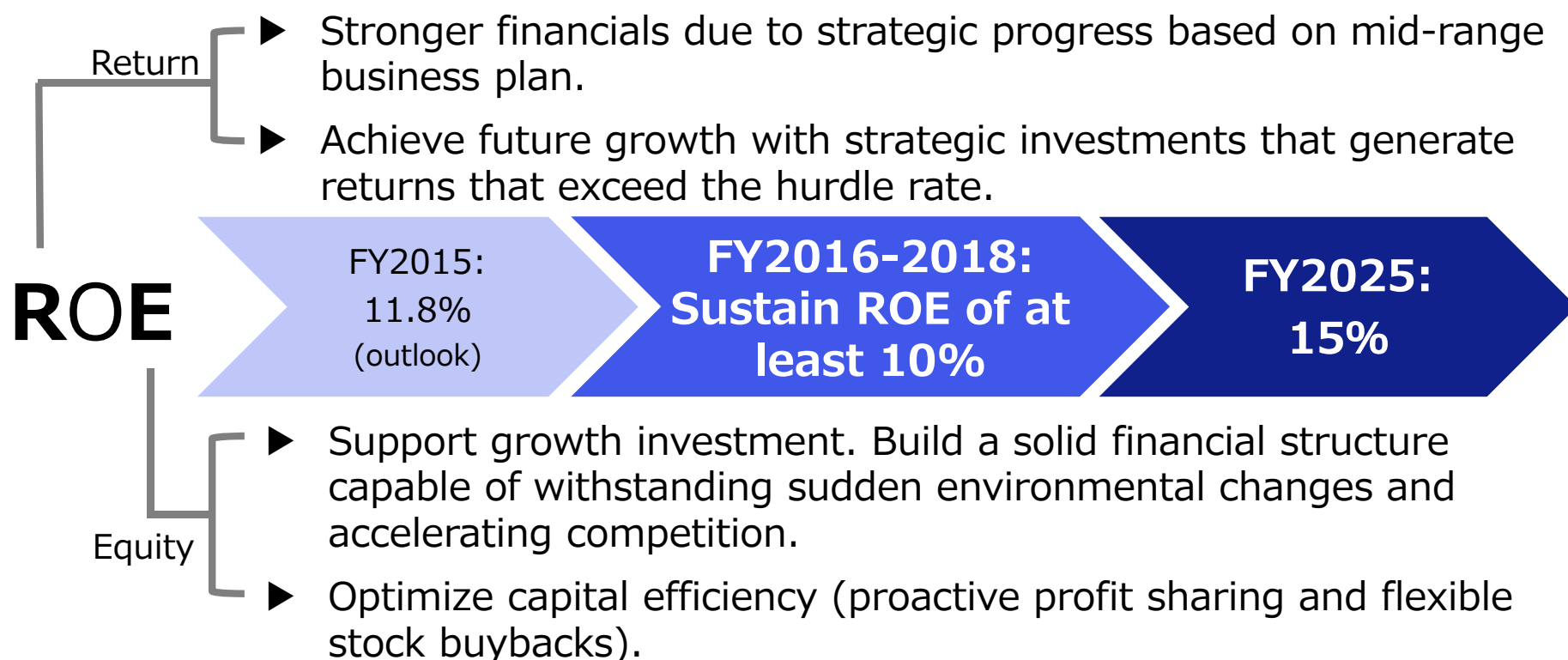
Cash Use

Investment in growth will be the top priority, but cash will also be used to strengthen our financial structure and reward shareholders.

Objectives	General description	Priority
Investment in growth, etc.	<ul style="list-style-type: none"> ● Ordinary investment ● Strategic investments that generate returns that exceed the hurdle rate (including investments in M&As and sales infrastructure) 	Top priority
Strengthening the financial structure	<ul style="list-style-type: none"> ● Retained earnings to increase shareholders' equity ratio 	Do in parallel
Shareholder returns	<ul style="list-style-type: none"> ● Proactive profit sharing ● Flexible stock buybacks 	

Approach to Achieving ROE Target

Sustain ROE of at least 10% by generating operating cash flow from profit growth in line with the mid-range plan and, on top of that, strengthen the financial structure and optimize capital efficiency while prioritizing the growth spending necessary to achieve Epson 25.



Epson 25 Mid-Range Business Plan
(FY2016-2018)
- Shareholder Returns -

Basic Shareholder Returns Policies

More proactive shareholder returns

Category	SE15 Updated Mid-Range Business Plan	Epson 25 Mid-Range Business Plan (FY2016-2018)
Dividends (consolidated dividend payout ratio)	FY2015: 35.7% (outlook)	Around 40%* in the medium term
Stock buybacks	Shares not repurchased	Repurchases as needed, taking into account factors such as share price and the capital situation

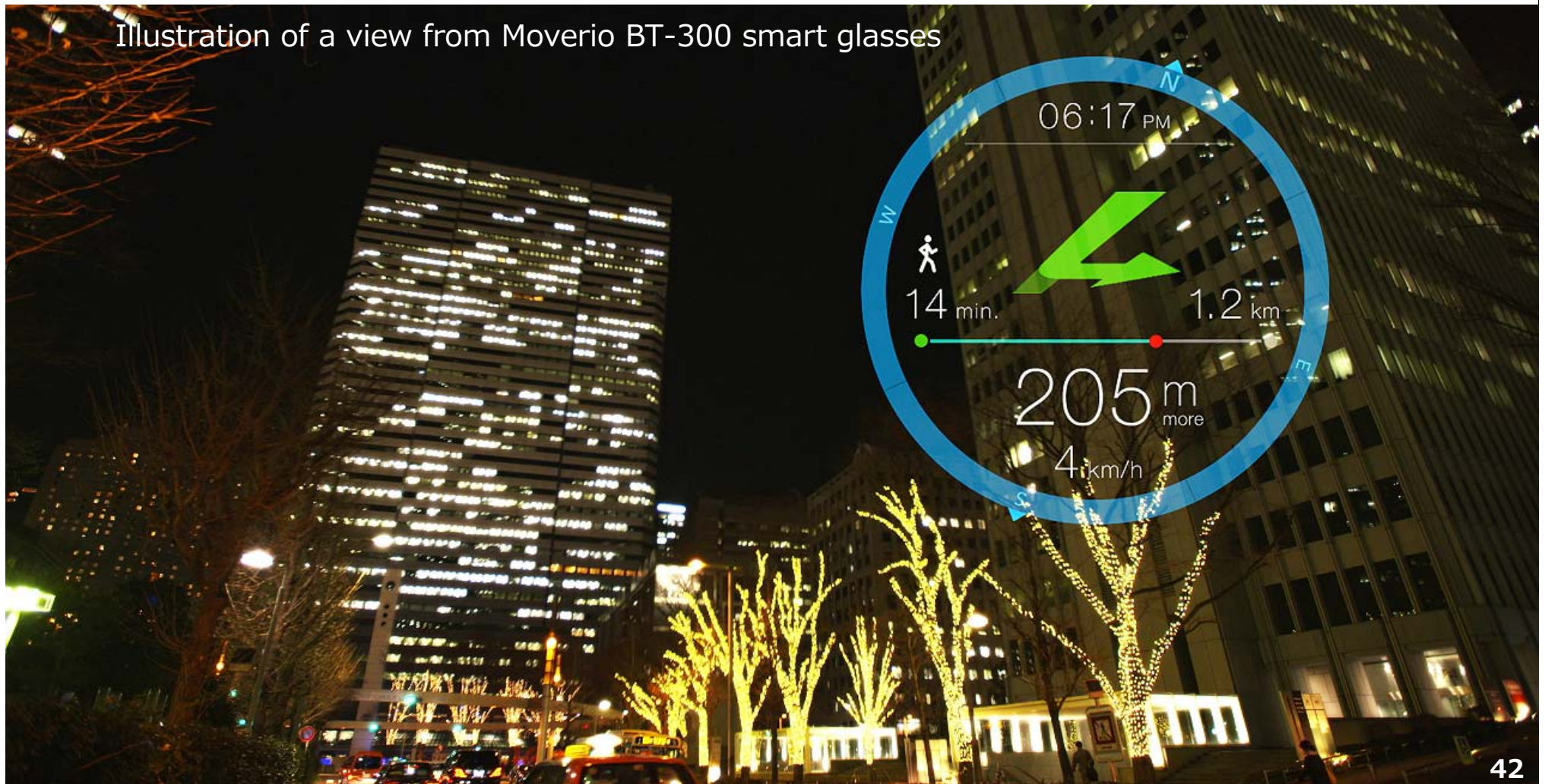
* Calculated based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, which shows profit from operations

Lastly...



We will surprise and delight the world!

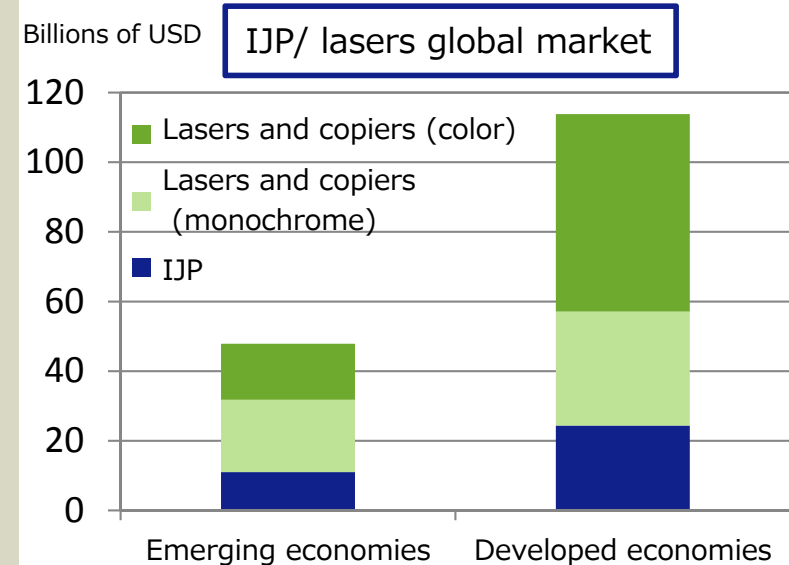
Illustration of a view from Moverio BT-300 smart glasses



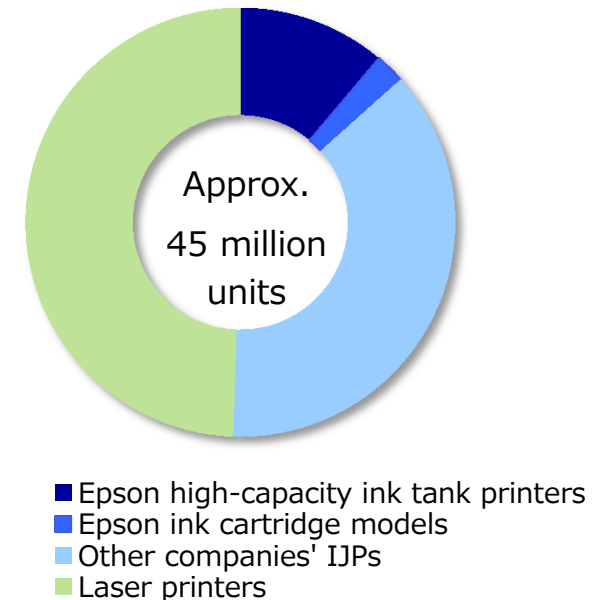
Reference Slides

Reference: Printer Business Market Forecast

- ◆ Office
 - Print costs will decline amid stable print demand
 - IJP to penetrate the medium- and low-speed segments
 - High-capacity ink tank pack models to penetrate monochrome & low-speed segments
 - IJP to penetrate high-speed segment gradually
- ◆ High-capacity ink tank models
 - Strong underlying need for low print costs
 - These models to make deeper inroads
 - Market expansion to provide further opportunities even as rivals enter high-capacity ink tank segment
- ◆ Home
 - Demand to gradually decline in developed countries



Printer unit sales in emerging markets

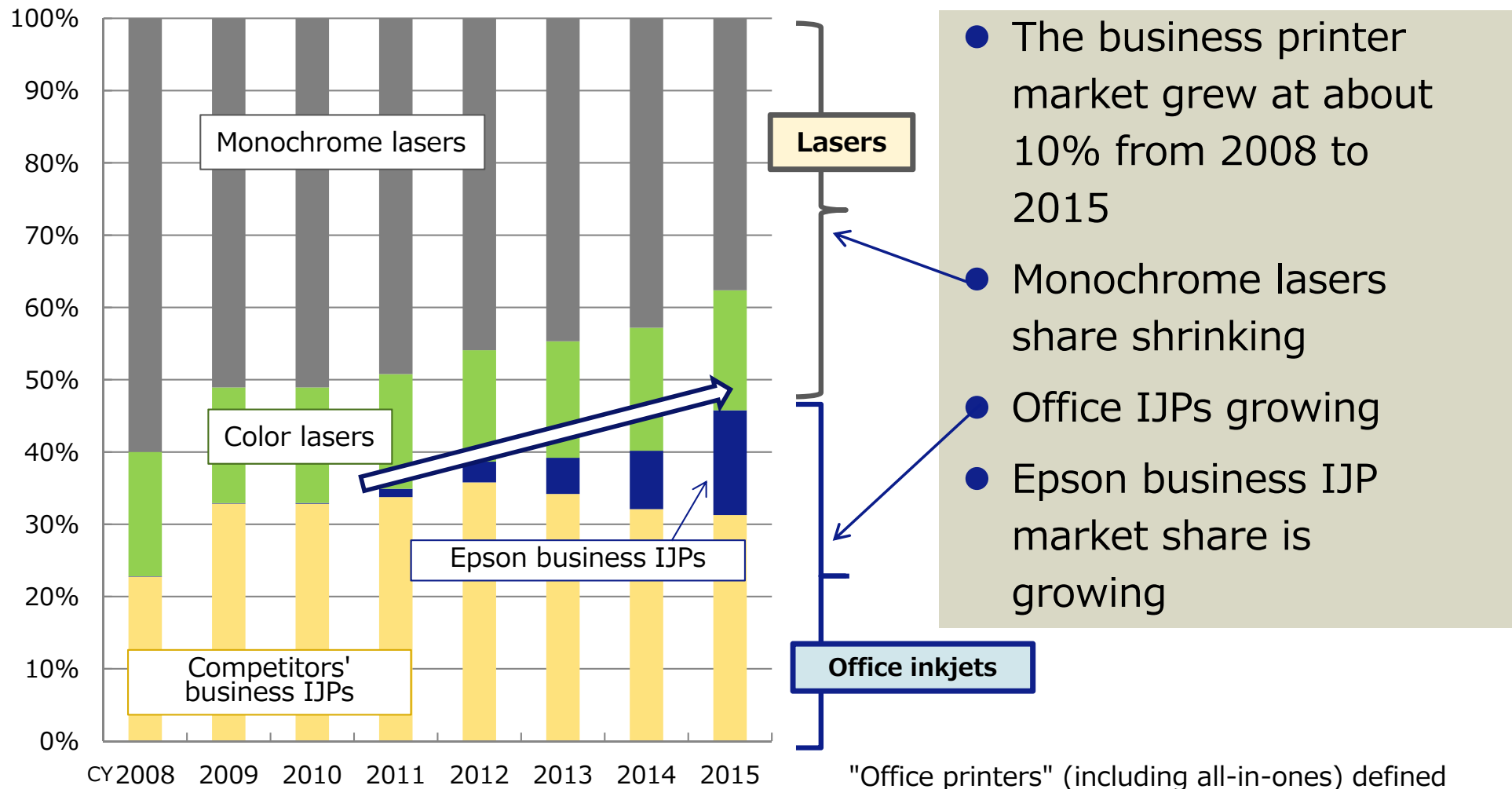


Data: Epson FY15 forecasts

Reference: IJP Strategic Progress (IJP & Laser Market in US)

◆ US business printer market: share by technology

(Number of units)



Source: IDC, Worldwide Quarterly Hardcopy Peripherals Tracker 2015Q4
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"Office printers" (including all-in-ones) defined as laser printers and office inkjet printers

Reference: IJP Strategic Progress (IJP & Laser Market in Emerging Economies)

◆ Printer market: share by technology

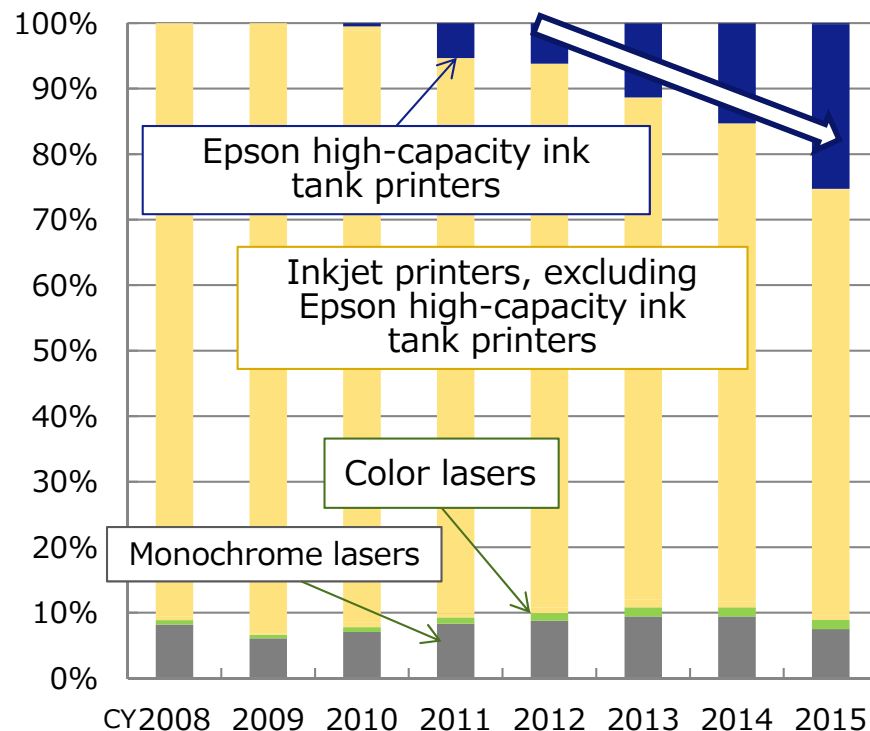
"Printer" includes all-in-ones.
(on unit volume basis)

Indonesia

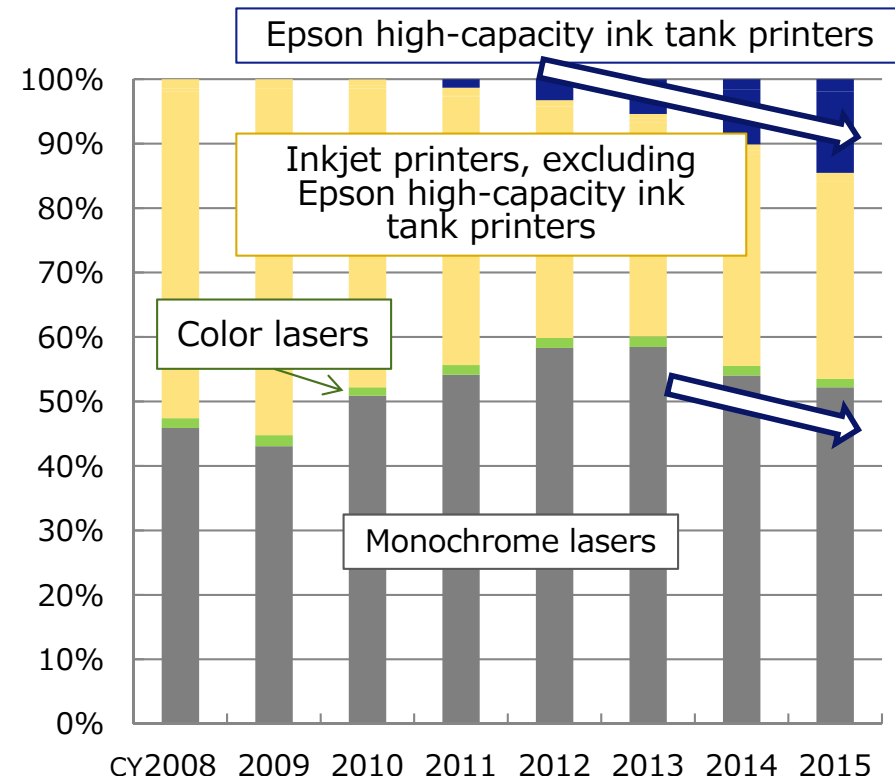
- Epson's high-capacity ink tank printers are steadily growing share in the IJP market

India

- Epson high-capacity ink tank printers are steadily extending share
- Monochrome laser printer share decreasing since 2014

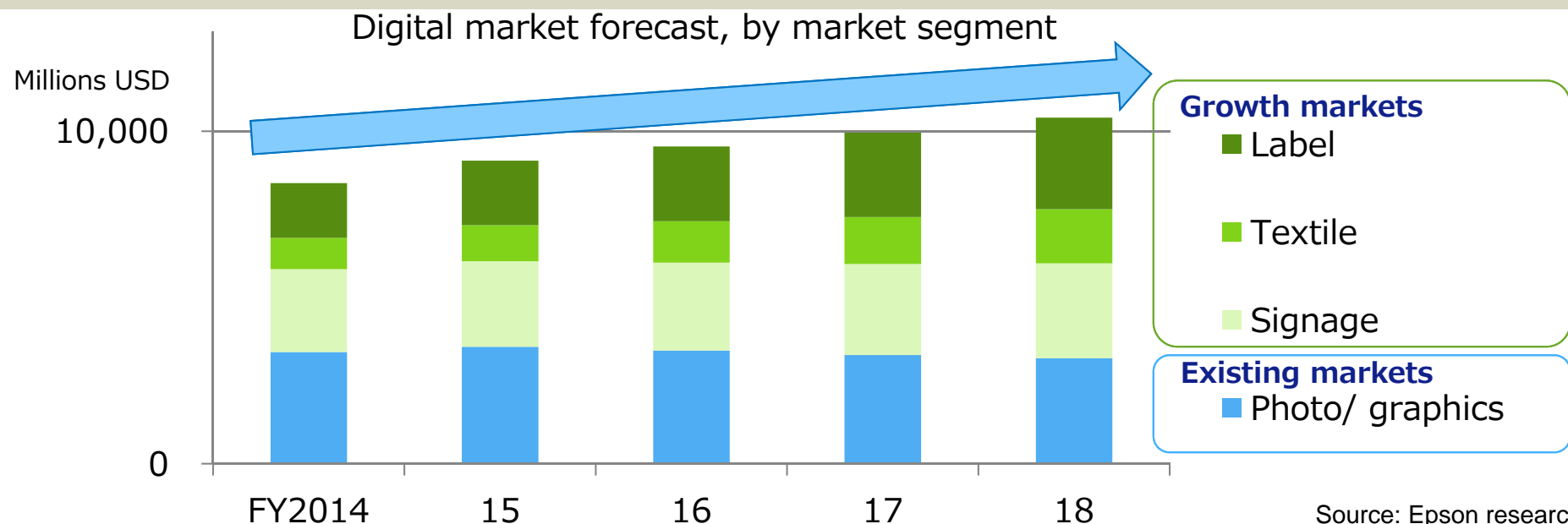


Source: IDC, Worldwide Quarterly Hardcopy Peripherals Tracker 2015Q4
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Source: IDC, Worldwide Quarterly Hardcopy Peripherals Tracker 2015Q4
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- ◆ Photo and graphics market to be stable
 - Epson to maintain high share in high image quality segments
- ◆ Signage, textile, and label printing markets to steadily expand
 - Digital systems to gradually replace analog printing, which currently predominates



- ◆ Compact printer market to remain stable
 - Epson to solidify No. 1 position worldwide

Reference: Visual Communications Market Forecast

Projectors

- ◆ Demand to be stable and in sync with major sporting events
 - Room for growth in high-brightness segment even after capturing the No. 1 position in every segment

Source: Epson research

Domain	Market size (CY2015)	FY2015 Epson share (units)	Market trend
High brightness*	Approx. 2.5 billion USD	Approx. 15%	Demand to steadily increase Serious products from Epson to further invigorate market
Short- and ultra-short throw	Approx. 6 billion USD	30% or more	Education projector demand to be stable
Standard products			Prices to fall amid slow unit growth
Home			Increase in content & ways to experience projection in the home to spur steady growth

* High brightness includes projectors of 4,000 lumens and above and installation projectors weighing 5 kg or more

- ◆ Develop new markets with new projector applications
 - Lighting (e.g., LED lighting market) & continuous image projection

EPSON
EXCEED YOUR VISION