

FY2015 Fourth-Quarter Financial Results Presentation
Q&A Summary

Q1: Can you tell me the breakdown of about the ¥11 billion in FY2016 strategic expenditures indicated on Slide 16 of the presentation? I'd also like to know whether you can control the amount of expenditures in the case that there were changes in the business environment.

A1: This figure represents the increase from the previous fiscal year in strategic expenditures on research and development, advertising, sales promotions, and depreciation and amortization associated with an increase in capital expenditure.

We expect depreciation and amortization to increase by slightly less than ¥2 billion and R&D spending to increase by about ¥4 billion. These investments and expenditures are essential for future growth, and they will not be significantly affected by changes in the business environment.

We anticipate a more than ¥5 billion increase in advertising and sales promotion expenses. We will steadily reinforce our sales organizations in the office and industrial sectors, but we believe that we can control the spend in other areas as the situation warrants.

Q2: How are sales of high-capacity ink tank printers and what is the future outlook?

A2: The FY2015 economic environment was difficult and the entry of our competitors into this market made it more challenging. Nevertheless, we expanded unit shipments in Asia and elsewhere and successfully reached the annual target that we set at the start of the fiscal year. In FY2016 we will keep a close eye on the pricing strategies of our competitors. On the other hand, market expansion promises to accelerate as inkjet printers increasingly take share from laser printers, so we believe that we will be able to capitalize on our extensive product lineup and on the customer relationships we have built to date to maintain a lead in this market and grow sales as we have in the past.

Sales are getting on track in advanced economies, too, but they still represent a small percentage of Epson's sales. Expansion, we believe, will continue to occur primarily in emerging markets.

Q3: Tell us about your strategy for strengthening sales in order to penetrate the office market with inkjet products?

A3: In order of priority, we are currently strengthening our solutions for large offices, improving our dealer network, reinforcing Epson's sales office network, and accelerating personnel recruitment and hiring.

But the most important thing for Epson as we seek to expand the office market is to fill out the lineup. Therefore, instead of strengthening the sales organization before we have products and then waiting for products to be completed, we are building the sales organization in step with product development and market launches.

Q4: What is the financial outlook, excluding the effects of changes in foreign exchange, in the professional printing business in the 2016 fiscal year?

A4: We believe that we can increase both revenue and profit, excluding the effects of changes in foreign exchanges, in the growing signage, textile, and label printer markets.

However, for Epson to achieve significant growth in these markets, we must invest in technology development and the sales organization. We do not anticipate a sudden surge in growth in the 2016 fiscal year. We will steadily prepare in line with the targets set forth in the Epson 25 Mid-Range Business Plan (FY2016-2018).

Q5: With supply and demand expected to be firm, do you plan on further expanding Epson's older semiconductor lines?

A5: The actions we have taken to date have produced a good combination of application and foundry customers. This had enabled us to maintain stable capacity utilization and stabilize profit.

We are not looking to expand applications based on short-term demand. We want the semiconductor business to be able to contribute to the profit growth of Epson as a whole, and so we will continue to optimize our business portfolio as we develop technology and devices that maximize customer value in Epson's finished product businesses.