

Wearable Products Business Strategy

July 19, 2017
Seiko Epson Corp.

1. Epson's Wearables Innovation

2. Wearable Products Business Strategy

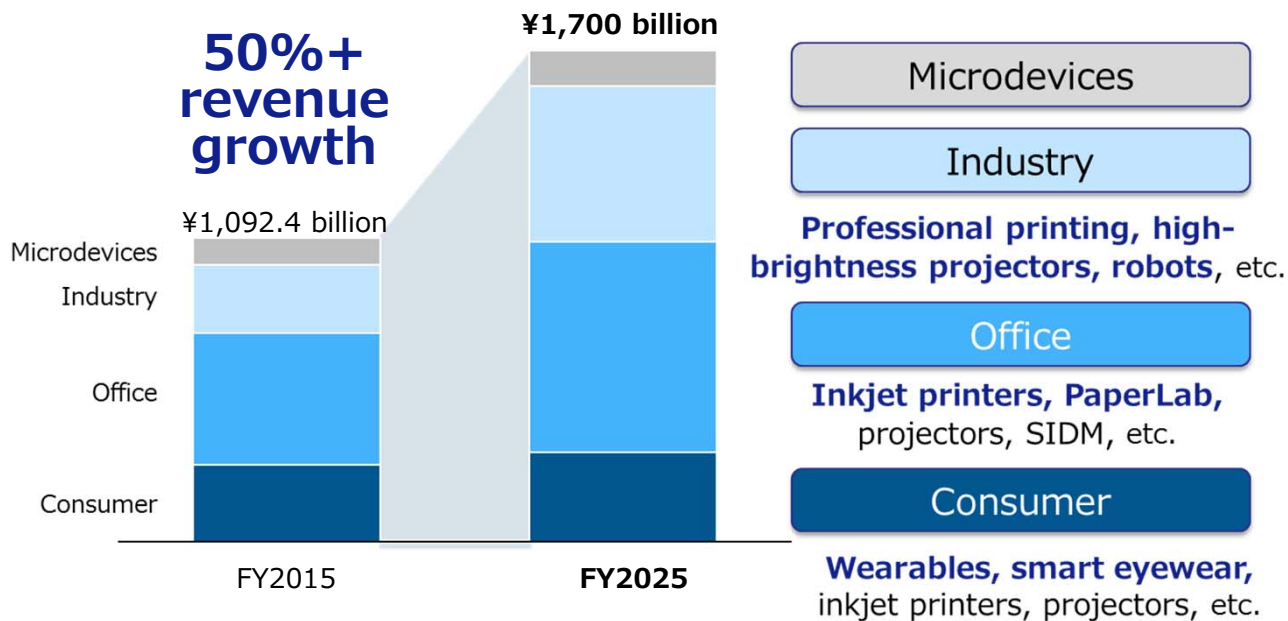
Epson 25 Corporate Vision

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



Epson 25 Corporate Vision

- Revenue to grow by 50% or more over until FY2025



Direction of growth in Epson 25 Corporate Vision

Wearable Products Business Positioning

- The wearable products business can significantly increase sales by using existing assets and expanding the customer base.
 - Strengthen and develop the Epson original brand business in addition to the current core Seiko business and movement business.

Epson's existing assets

Potential to develop, manufacture, and sell a variety of watches

- ✓ Technology
- ✓ People
- ✓ Business model

Seiko business
Movement business

+

Epson original
brand business

Diverse needs and tastes exist in the watch and wearables market

Needs
Tastes

Needs
Tastes

Needs
Tastes

Needs
Tastes

Needs
Tastes

Epson's Strengths (Technology)

- Efficient, compact, and precision technologies developed since Epson was founded
 - Maximize energy efficiency and precision while minimizing size
 - Ultra-high-precision processing technologies and ultra-low power technologies



- Wide range of watch movements, from quartz to mechanical
 - Acquired mechanical movements with the absorption of Orient Watch

- Craftsmanship and passion
 - Since its beginnings as a watch manufacturer, Epson has developed and manufactured its own components and products. Over many years, our people developed a passion for the art of manufacturing and cultivated the high level of craftsmanship that is essential for the watch market, where aesthetics are crucial.
- Vertically integrated business model
 - Maintain our own strong global value chain (from development & manufacturing to sales)
 - ✓ Have a process for incorporating customer needs into device development and product design
 - ✓ Production engineering capabilities and production capacity for volume-producing technologically advanced watches
 - ✓ Global sales network, from developed to emerging markets

Epson's Wearables Innovation



- Wearables innovation that only Epson can achieve
 - Leverage our watchmaking heritage, refine timekeeping and sensing accuracy, and offer a sense of status and fashion
- Make wearable products one of Epson's core businesses
 - Expand both the Epson original brand business and Seiko business and movement business.
 - In the Epson original brand business, foster brands that target different customers than Seiko business and movement business.

Lineup of Watch Brands



TRUME




ORIENT STAR
ORIENT



WristableGPS



smart canvas

Brand logos differ from country to country and region to region.
The logos shown here are used in Japan.

1. Epson's Wearables Innovation

2. Wearable Products Business Strategy

Epson's Wearable Products Business

Epson's Wearable Products Business

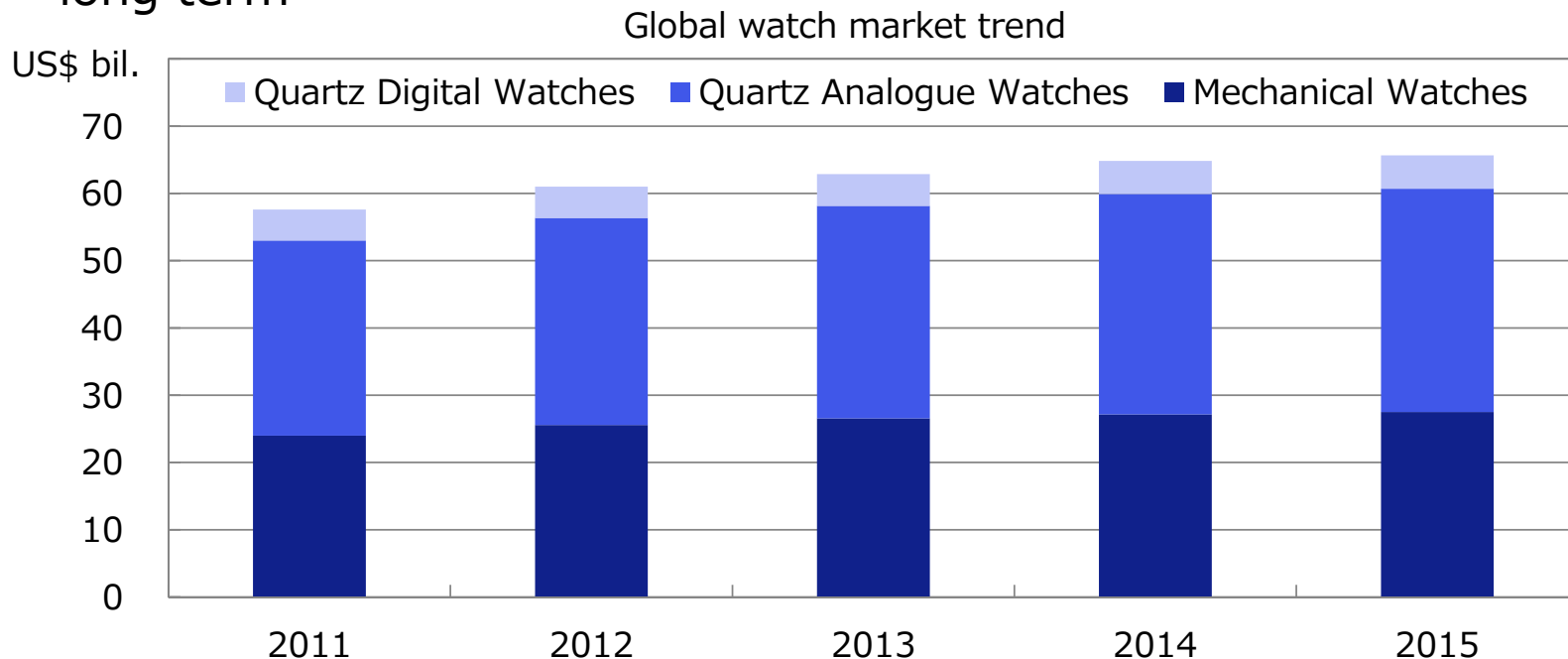
- FY2016 revenue: ¥50.7 billion

Epson original brand business				Seiko business	Movement business
					
Trume (from FY2017)	Orient Star, Orient	GPS sports watches	Smart Canvas	Finished watches	Movements
Other: Activity trackers, sensing equipment, etc.					

Watch and Wearable Products Market

Watch and Wearable Products Market

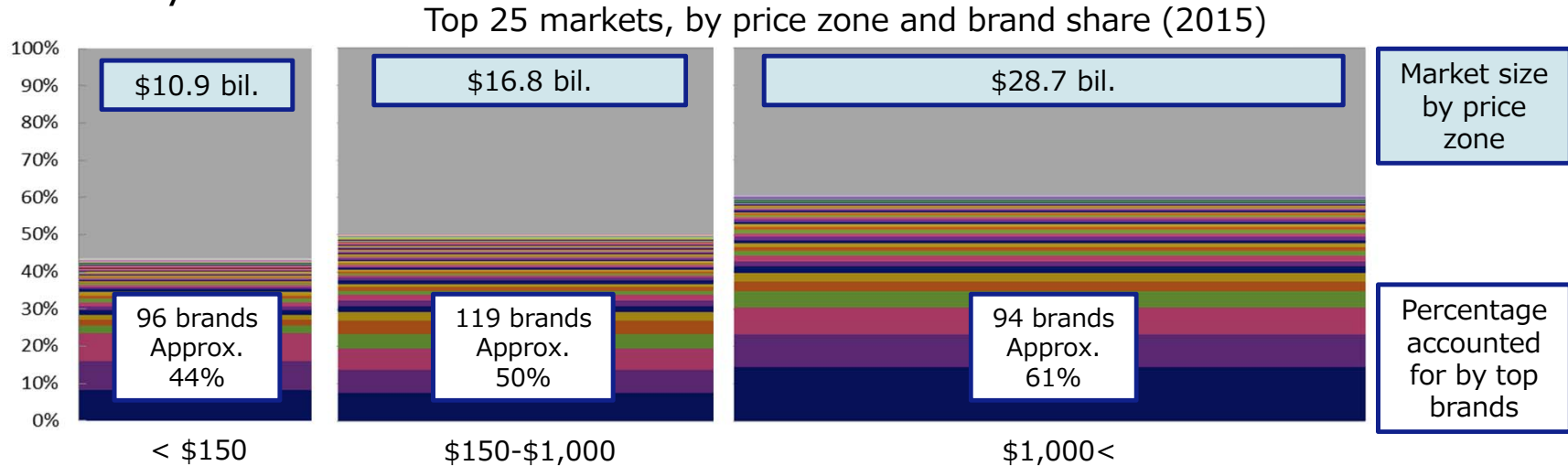
- The watch market is currently soft but will grow steadily over the long term



Data source: Euromonitor

Watch and Wearable Products Market

- Large number of brands and products promising different value for every taste



Data source: Euromonitor




- Market in transition
 - Consumers are looking for new value, as epitomized by the appeal of smart watches

Wearable Products Business Growth Strategy

- Achieve higher sales growth by using existing assets and expanding the customer base.
 - Diverse tastes and a need for new value exist in the watch market
 - Epson combines world class watch technologies with other advanced technologies to create unique, differentiated products.
 - Epson can operate efficiently without further large investment by fully exploiting its existing assets, including Epson-wide technology development, production, and sales capabilities.
 - Grow the Epson original brand, as well as Seiko business and movement business.

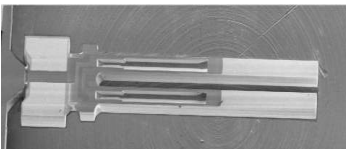
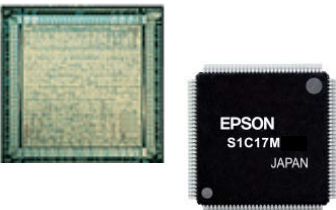
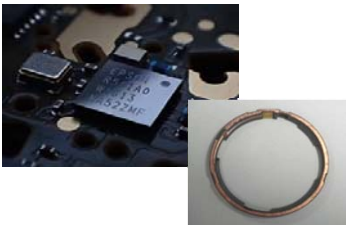

Wearable Products Business Infrastructure

- Micron-order precision machining and processing
 - Parts processing and assembly technology for producing a variety of movement types
 - Case and external parts processing technology that is the backbone of beautiful watches
 - Outstanding production engineering capabilities that exploit craftsmanship

	Components processing	Movement assembly	Case and external parts processing
Examples			
Production site	Singapore area and Shiojiri (Nagano)	Shenzhen (China), Shiojiri, Akita	Singapore area & Shiojiri

Efficient, Compact and Precision Technologies

- Micron-order precision, precision processing technology, and nano-watt order low-power technology
 - Quartz crystal and semiconductor devices
 - Sensing devices (sensors, signal processors, antennas)
 - High-definition displays

	Crystal devices	Semiconductor devices	Sensing devices	Displays
Examples				
	Crystal units	CPUs	GPS module & dual-ring antenna	EPD technology
Development & production site	Ina (Nagano), Miyazaki, et al.	Fujimi (Nagano), Sakata (Yamagata), et al.	Fujimi, Shiojiri, et al.	Fujimi, et al.

Preserving Craftsmanship

- We have numerous employees who are recognized as contemporary master craftsmen
 - Competition winners, recognized artisans, and licensed technicians
- Experienced technicians pass their knowledge and skills along to subsequent generations



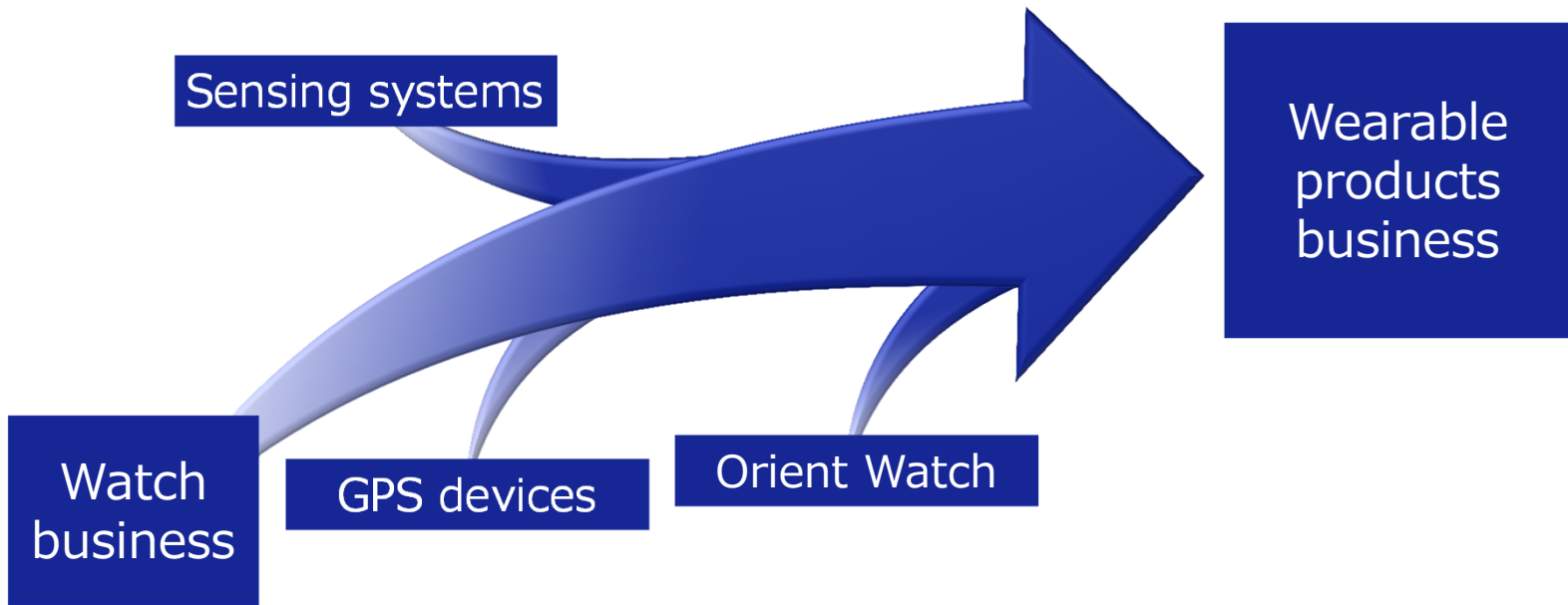
The 54th National Skills Competition
Gold and silver medalists in the watch repair category
(Oct. 2016)



The 29th National Watch Skills Competition
First place finishers in both competition categories
(Nov. 2016)

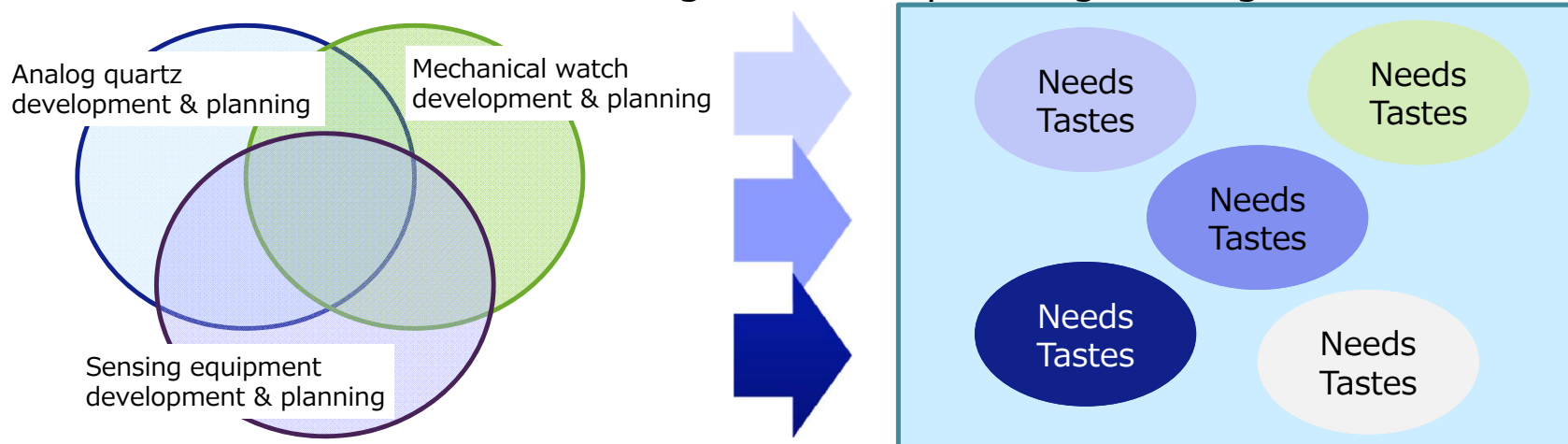
Wearable Products Business Structure

- To drive innovation in wearables, we have merged business assets and structured the organization to enable it to create unique, differentiate products and brands



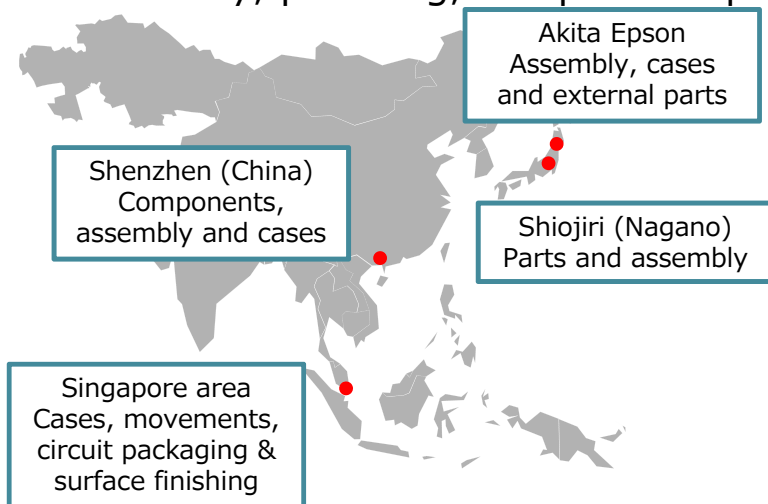
Development and Planning Functions

- To generate advanced products for each customer segment, we combined and continue to strengthen the development and planning functions
 - 2015: Sensing systems operations absorbed into the watch business
 - 2017: Reorganized the functions of Orient Watch
 - 2017: Consolidated & reorganized the planning & design functions



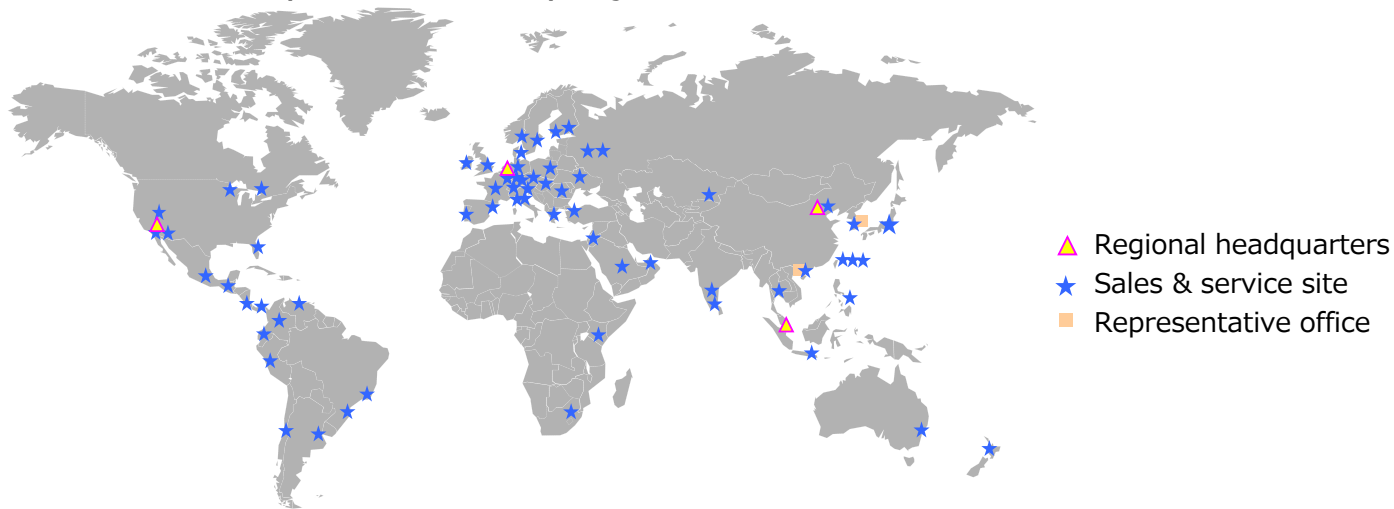
Production Organization

- Consolidated the procurement and production functions of the wearable products business
- As sales increase, we will optimize the current parts processing and assembly sites and will introduce advanced, robot-automated production systems.
 - Assembly, polishing, components processing, etc.



Movement assembly at Akita Epson

- Use of Epson's global sales network
 - Strengthen Orient's watch sales channels in addition to Epson's sales network to build a global sales organization that is tailored to local characteristics.
 - Use our sales capabilities and networks developed for selling a wide range of products, from printers and projectors to microdevices and robots.

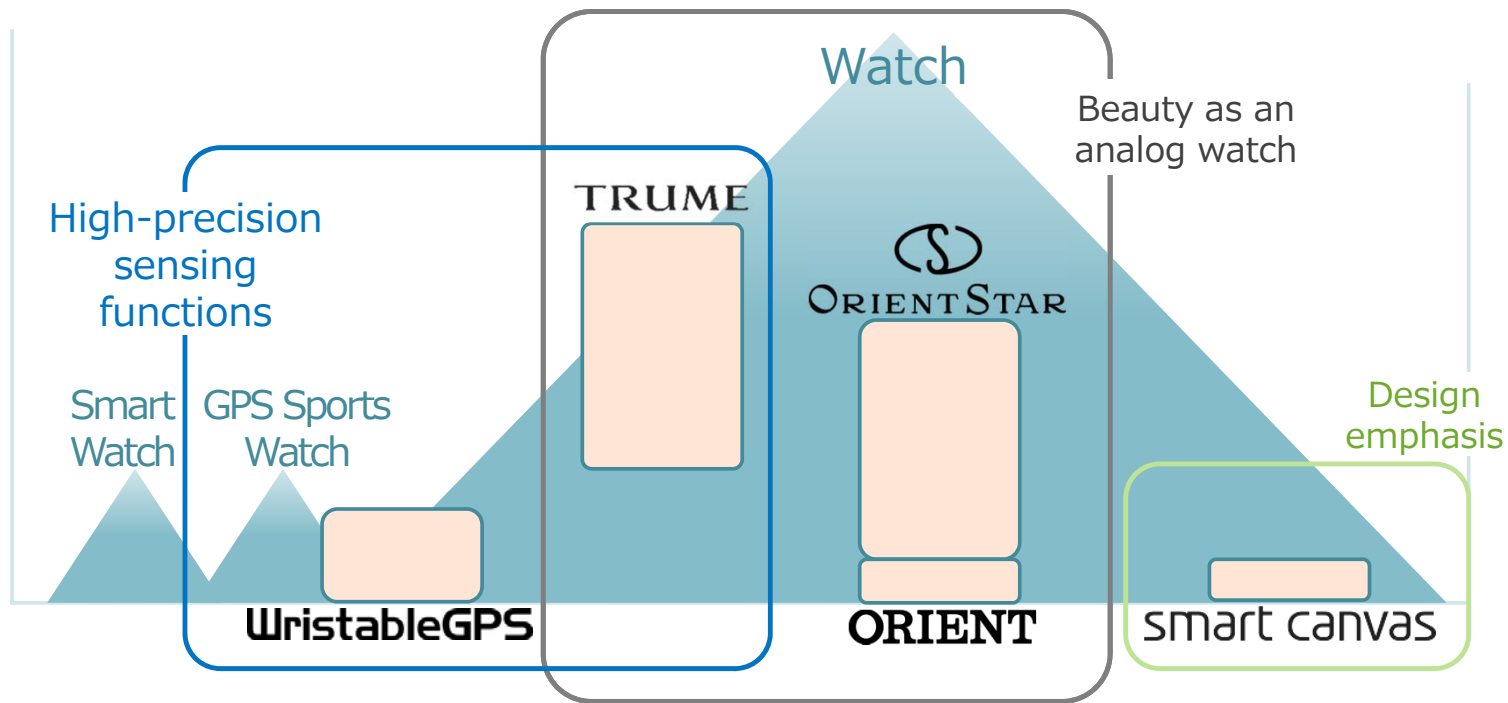


Brand Development

Brand logos and product prices differ from country to country and region to region.
The logos and prices shown here are used in Japan.

Brand Development Strategy

- A brand for each form of customer value



- Leveraging leading-edge technology to achieve the ultimate analog watch

TRUME

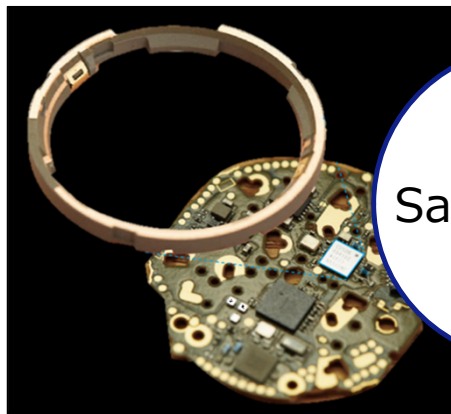
SEARCH for TRUTH

Trume, a compass for guiding the life of a pioneer who adapts to changes as time ticks by and blazes his own trail to the future.

Trume: Features of the First Models

- A beautiful analog watch that uses advanced sensor technology to measure time, current location data, and activity and present it in a natural way.





Satellitelink

Always display accurate time

- Equipped with a highly sensitive, low-power GPS module
- Links to the Michibiki Quasi-Zenith Satellite System
- Dual-ring antenna capable of simultaneously receiving GPS and Bluetooth® signals



Light Charge

Extended run time

- Charges on indoor light as well as sunlight
- Enters Sleep Mode when not exposed to light for three days
- Detects when it is indoors, and automatically turns off the GPS function

The Bluetooth word marks and logos are the property of Bluetooth SIG, Inc. Epson uses these marks under license.



Altitude, barometric
pressure and position
measurements
+
Waypoint

A host of measurement functions

- A built-in altimeter, barometer, and compass provide high-precision measurements
- “Waypoint” indicates the distance and compass bearings between the starting point and your current location



Expanded
Sensor

- “Expanded Sensor” is an accessory with additional high-precision sensors on board.
- Measures ultraviolet rays, temperature, number of steps, and calories burned
- Data is transferred to the watch via Bluetooth® and displayed using analog hands

Trume: Lineup of the First Models

- Unique, high-performance analog watches equipped with multiple sensors and Light Charge, which eliminates the need for battery replacement

Metal band model with Expanded Sensor



Metal band model without Expanded Sensor not included



Leather and metal band models with Expanded Sensor



Metal band models (scheduled for Sept. release)

With Expanded Sensor: ¥280,000* + tax

Without Expanded Sensor: ¥240,000* + tax

Leather band models (scheduled for Dec. release)

With Expanded Sensor: ¥240,000* + tax

*Suggested retail price

Orient Star/ Orient Features

- Combine watch assets to maximize accuracy and quality



Orient Star Mechanical Moon Phase

Orient Star/ Orient: New Products

- Finely crafted, practical Japanese watches that exhibit the special features of mechanical watches

Orient Star's first mechanical moon phase watches based on the superbly reliable 46-series movement

Orient Star Mechanical Moon Phase



¥170,000* + tax

Orient Star semi-skeleton



¥130,000* + tax

¥140,000* + tax

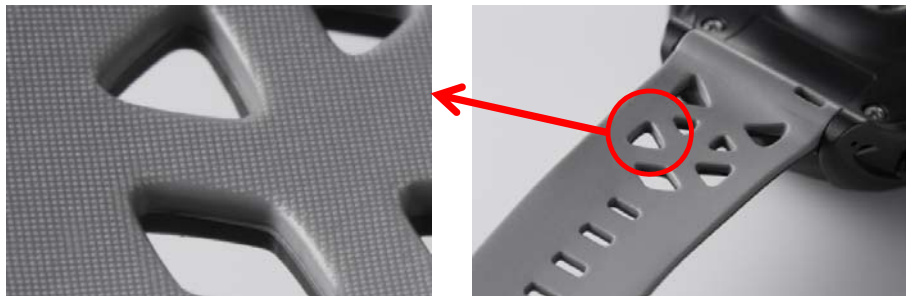
*Suggested retail price

GPS Sports Watches Features

- A high-sensitivity GPS module fully supports you every day, including on race day
- Features of the new product (U350)
 - Excellent measurement accuracy and long battery life meet the expectations of athletes
 - EasyView Display (EPD method) provides great visibility
 - User interface with enhanced pairing with PCs and smartphones
 - Newly developed silicon band for unprecedented comfort



U350



Newly developed Pro Silicon Band

GPS Sports Watches: New Products

- A broad lineup of running monitors that feature the usability that runners want with the powerful features and performance they need

U350

J350 series

J300 series

J50 series

Q10 series

EasyView Display



Suggested
retail price
¥50,000 + tax
Scheduled for
Oct. release

Open price
Reference price*
¥39,800 + tax
Scheduled for
Oct. release

Open price
Reference price*
¥34,800 + tax
Scheduled for Sept.
release

Open price
Reference price*
¥24,800 + tax
Scheduled for
Sept. release

Suggested
retail price
¥13,000 + tax
Scheduled for
Aug. release

*Planned price for Epson online site in Japan

- Fashion watches with display graphics that change and a colorful assortment of bands

Smart Canvas design model (flower model)



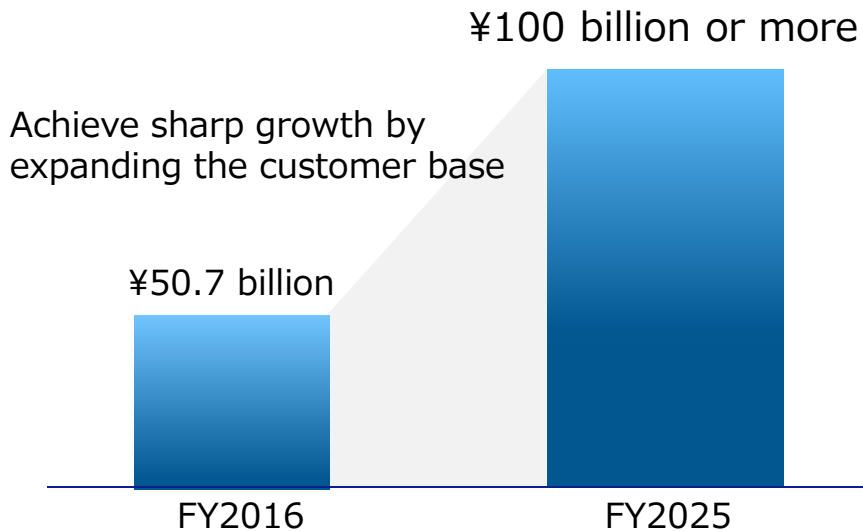
¥21,000* + tax, replaceable band ¥4,500* + tax

*Suggested retail price

Financial Targets

Wearable Products Business Financial Targets

- Earn revenue of ¥100 billion or above and at least 12% return on sales in 2025 by driving wearables innovation in a way that only Epson can



Wearable Products Business Revenue Targets

EPSON
EXCEED YOUR VISION