



# 6<sup>th</sup> Mid-Term Business Plan

Fiscal Years 2018 - 2020

**Synergy Transformation**

~ Creating a Growth Engine ~

**EIZO Corporation**

6737

May 16<sup>th</sup>, 2018

## Disclaimer Regarding Forward-Looking Statements

Any statements in this document, other than those of historical fact, are forward-looking statements about the future performance of EIZO and its group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Note: "20F" appearing in this presentation means "fiscal year 2020", that is fiscal year ended March 31, 2021.

## Details of the Market Group

Market Group	Market / Use
Business & Plus (B&P)	<ul style="list-style-type: none"><li>● Financial institutions</li><li>● Public authorities</li><li>● Educational facilities</li><li>● Office use</li><li>● High-end home use</li></ul>
Healthcare (HC)	<ul style="list-style-type: none"><li>● Medical imaging</li><li>● Diagnostic applications</li><li>● Operating rooms</li></ul>
Creative Work (CW)	<ul style="list-style-type: none"><li>● Publication / Printing / Photo editing</li><li>● Video production</li></ul>
Vertical & Specific (V&S)	<ul style="list-style-type: none"><li>● Air traffic control</li><li>● Maritime</li><li>● Security &amp; surveillance</li><li>● Other industrial fields</li></ul>
Amusement (AMU)	LCD-mounted pachinko and slot machines
Other (OTH)	Maintenance services and commissioned development of software

- 1. Review: 5<sup>th</sup> Mid-Term Plan  
(Fiscal Years 2015 - 2017)**
- 2. Direction: 6<sup>th</sup> Mid-Term Plan  
(Fiscal Years 2018 - 2020)**
- 3. Business Strategy by Key Markets**
- 4. Return to Shareholders**

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# Review: 5<sup>th</sup> Mid-Term Plan

## □ Achieved financial goals

### 17F Actual

<b>Net Sales</b>	<b>JPY 84.0 Bil.</b>	<b>(+1.0 Bil.)</b>
<b>Operating Income</b>	<b>JPY 8.5 Bil.</b>	<b>(+0.2 Bil.)</b>
<b>Operating Margin</b>	<b>10.2%</b>	<b>(+0.2 pt )</b> <i>(vs plan)</i>

# Review: 5<sup>th</sup> Mid-Term Plan

## Targets “10/15/150”

	Target	Actual
Operating Margin	<b>10%</b>	<b>10.2%</b>
By growth in HC/CW/V&S markets, amusement monitors to total revenue of	<b>15%</b>	<b>18%</b>
Sales growth in HC/CW/V&S markets	<b>+JPY150 Oku = 15 Billion</b>	<b>+JPY105 Oku = 10.5 Billion</b>

# Review: 5<sup>th</sup> Mid-Term Plan

## □ HC/CW/V&S: Expanded business successfully

### ■ HC

- Strengthened business lines driven by M&A and resulting synergy

2015 Nov. HC system integration business

2016 Jul. Endoscopy monitor business

- Business growth in Priority and Strategic Markets

### ■ CW

- Expanded sales in the M&E field worldwide starting from Hollywood

# Review: 5<sup>th</sup> Mid-Term Plan

## □ HC/CW/V&S: Expanded business successfully

### ■ V&S

- Increased business in ATC, Maritime, Security & Surveillance, but did not achieve sales targets

## □ AMU: Maintained No.1 position

- Reinforced partnerships with agile R&D and manufacturing reacting to the market

- R&D reorganization

- Strengthened manufacturing through sourcing capability and production flexibility



# Review: 5<sup>th</sup> Mid-Term Plan

## □ Profitable operation

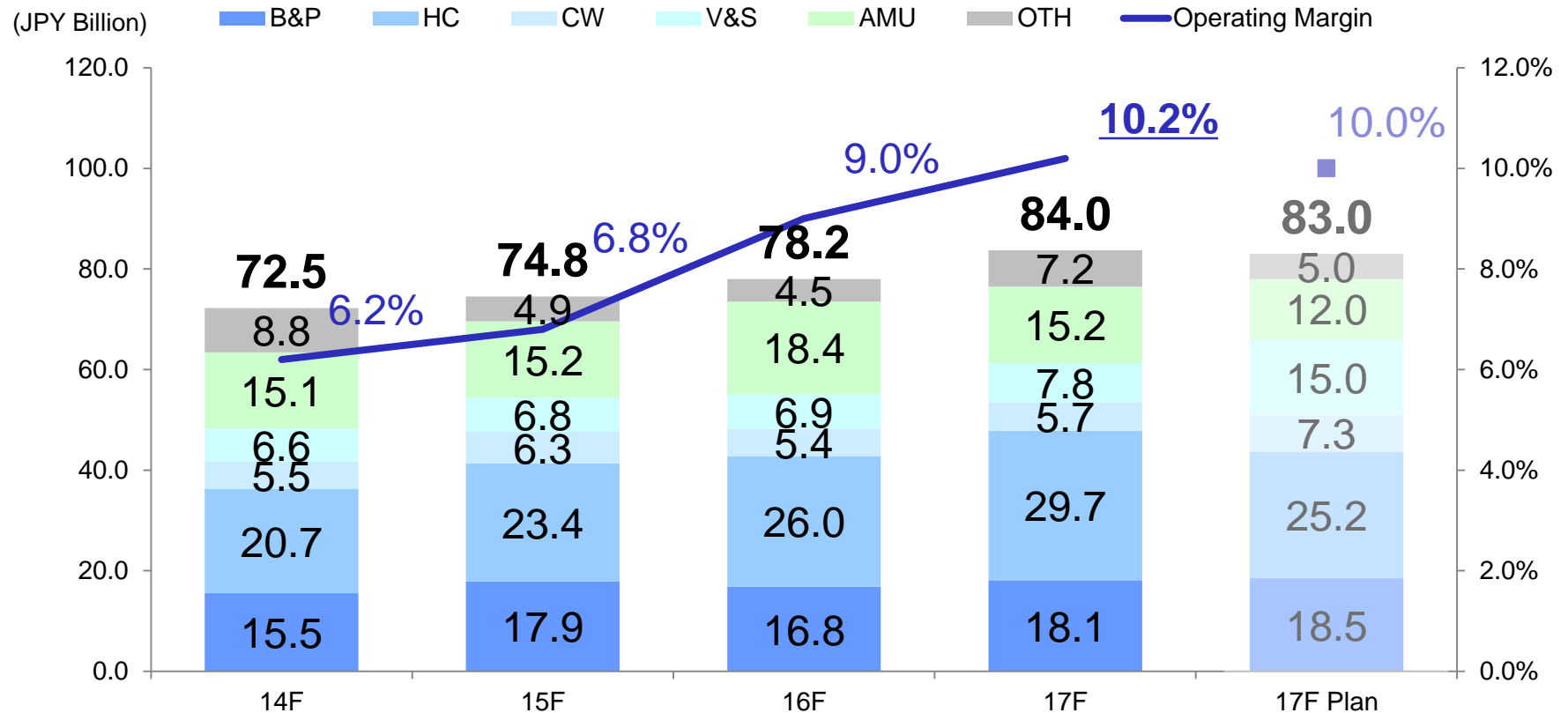
### ■ Increased high-value product portfolio

HC/CW/V&S sales distribution ratio 17F 52% (14F 45%, +7pt)

### ■ Achieved higher productivity with a new factory and production lines

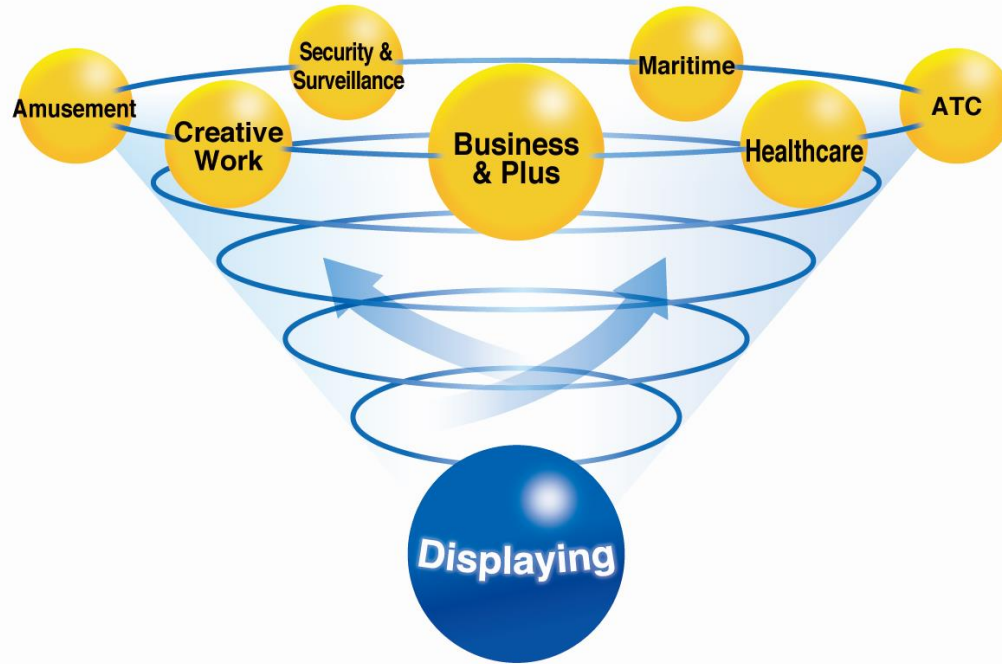
### ■ Improved labor productivity driven by “Work-Style Reform”

# Review: 5<sup>th</sup> Mid-Term Plan



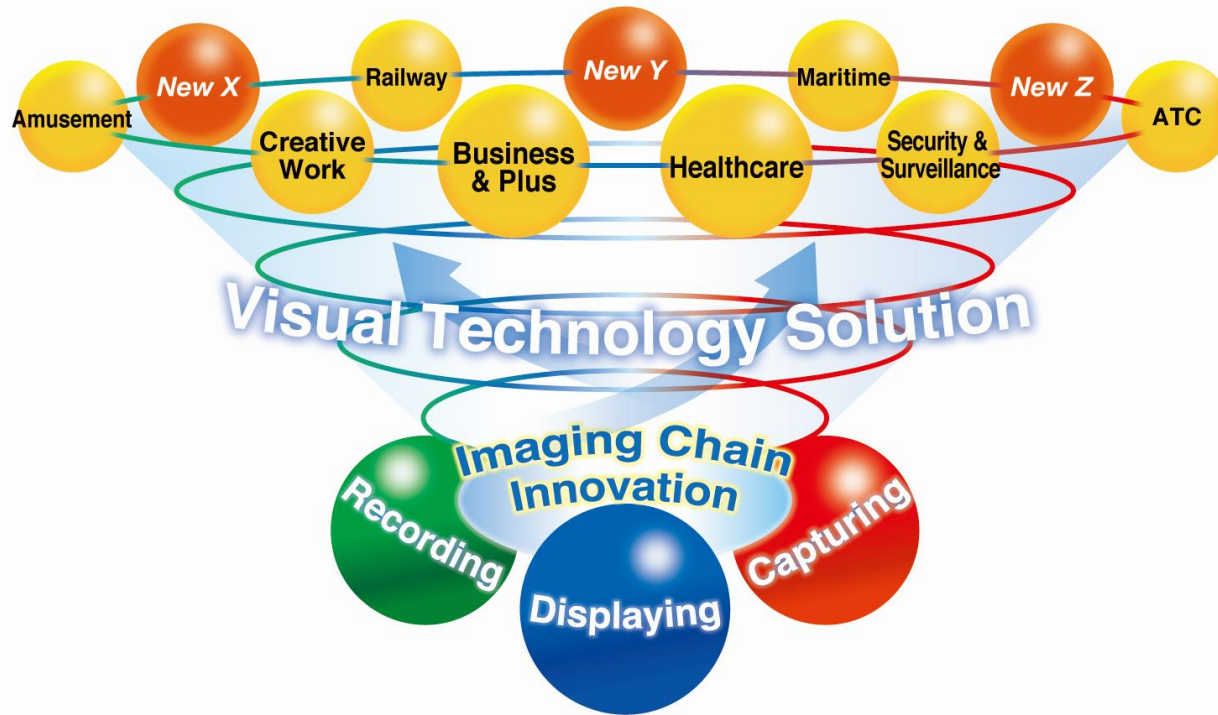
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# - 17F Business Model



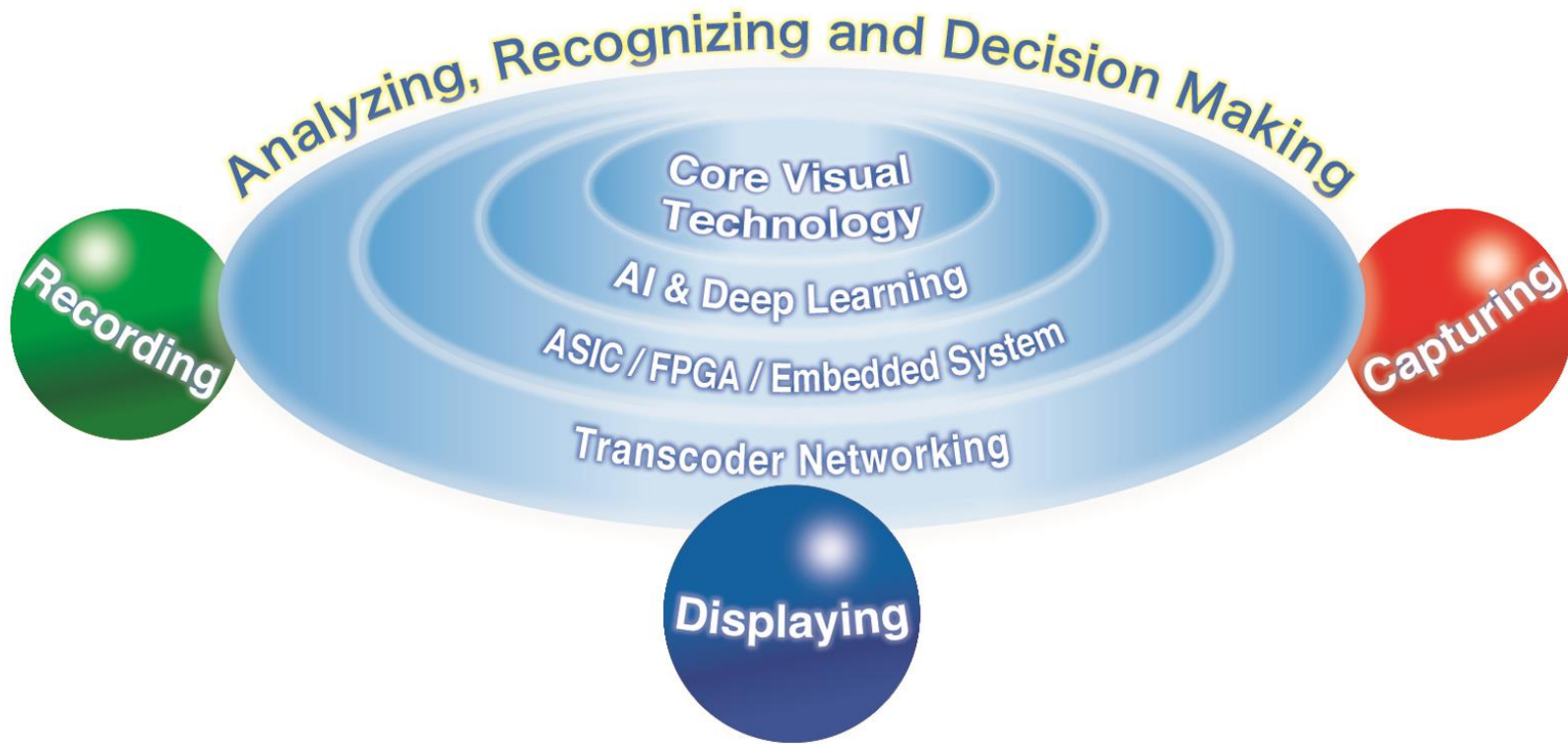
As a Visual Technology Company with display technologies at our core, we expanded our business domain by developing world-leading, high-quality, reliable products and offering monitor solutions.

# 18F - 20F Transformed Business Model

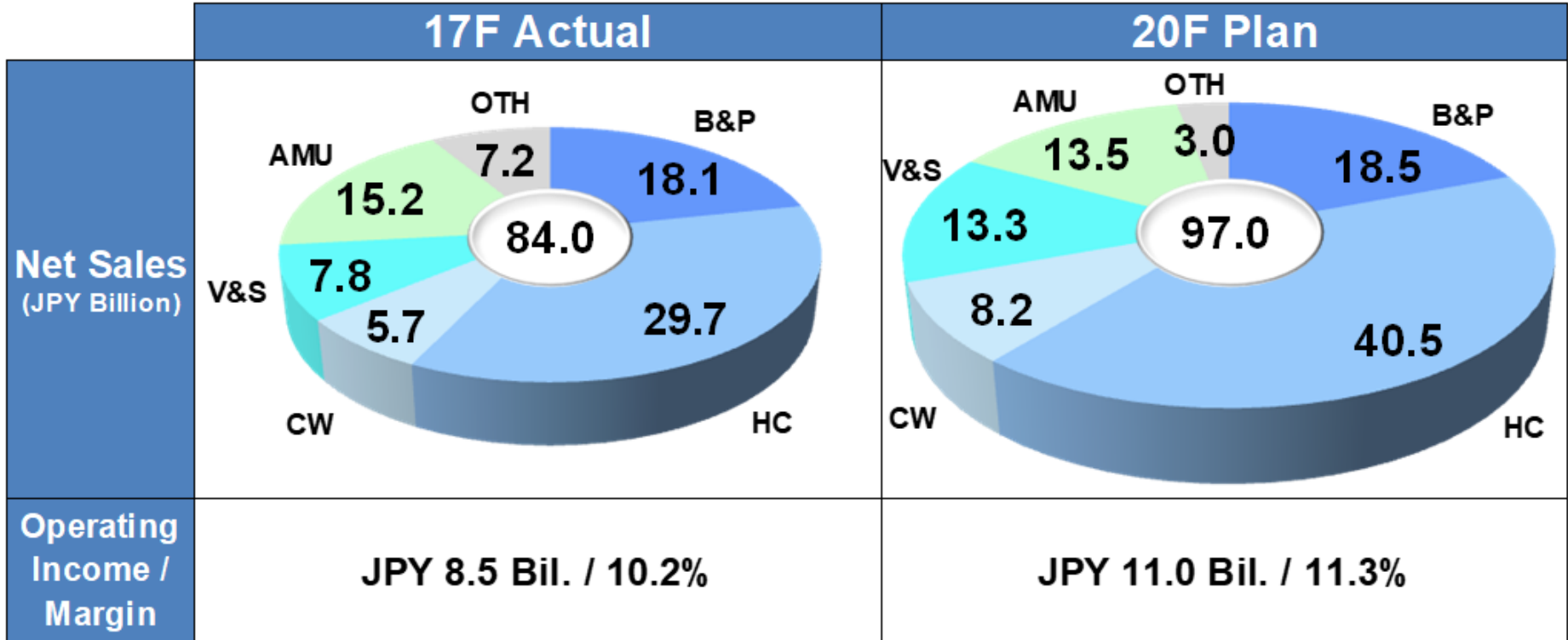


We will further expand our Healthcare, Creative Work, and Vertical & Specific business units and create new opportunities in untapped markets with comprehensive solutions that encompass the “Capturing”, “Recording/Distributing”, and “Displaying” of images.

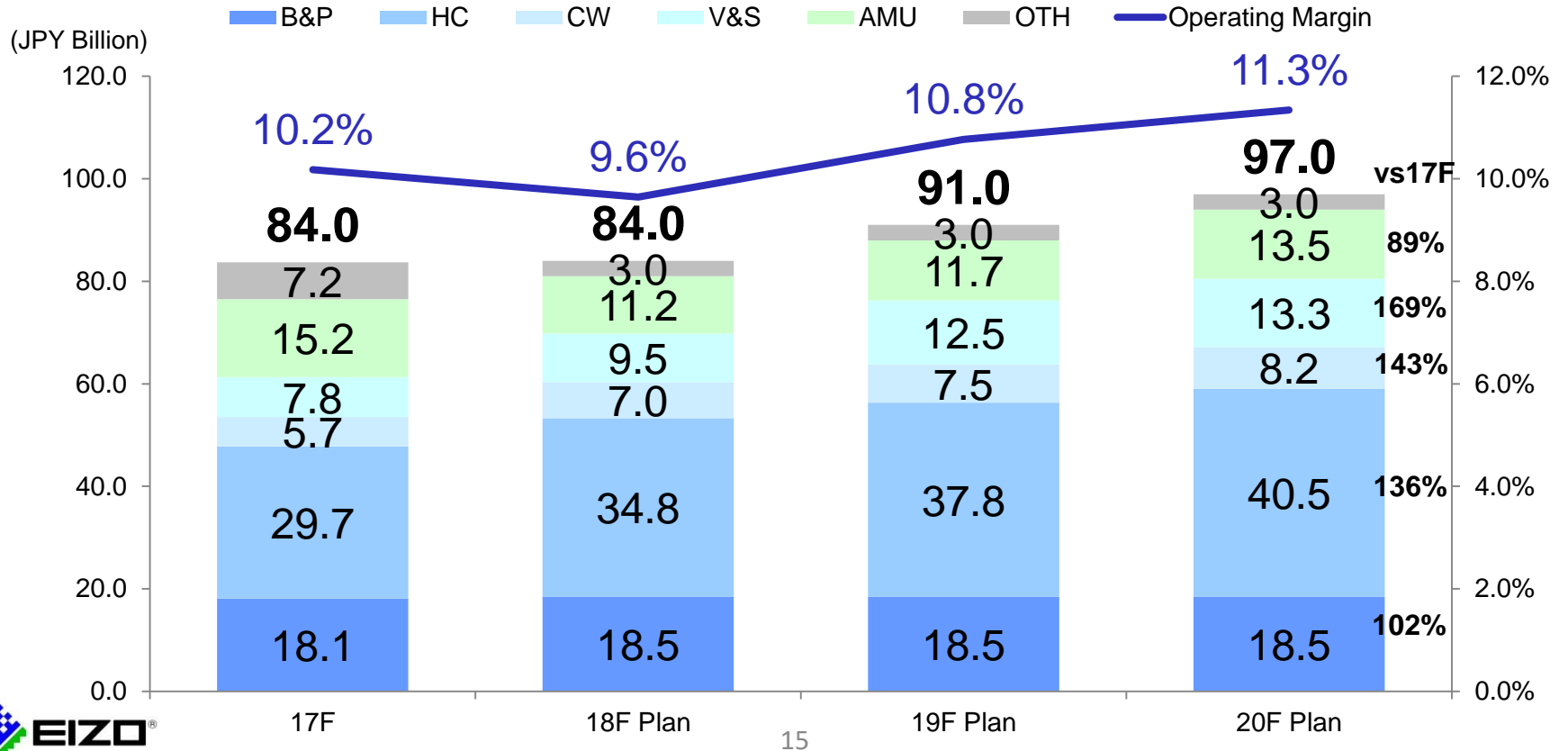
# Growth Engine –“Imaging Chain Innovation”



# Mid-Term Plan - Targets



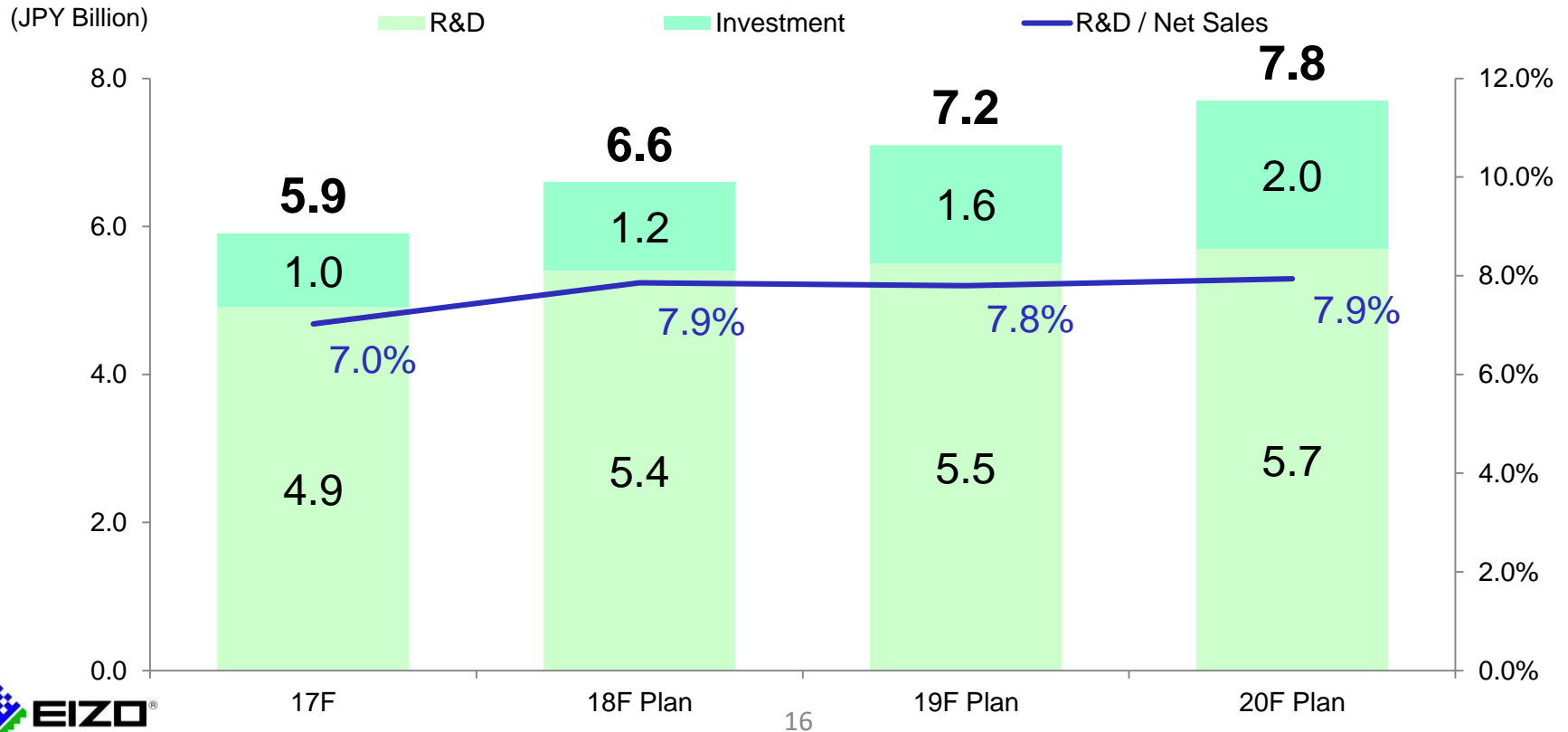
# Sales and Operating Margin - Goals





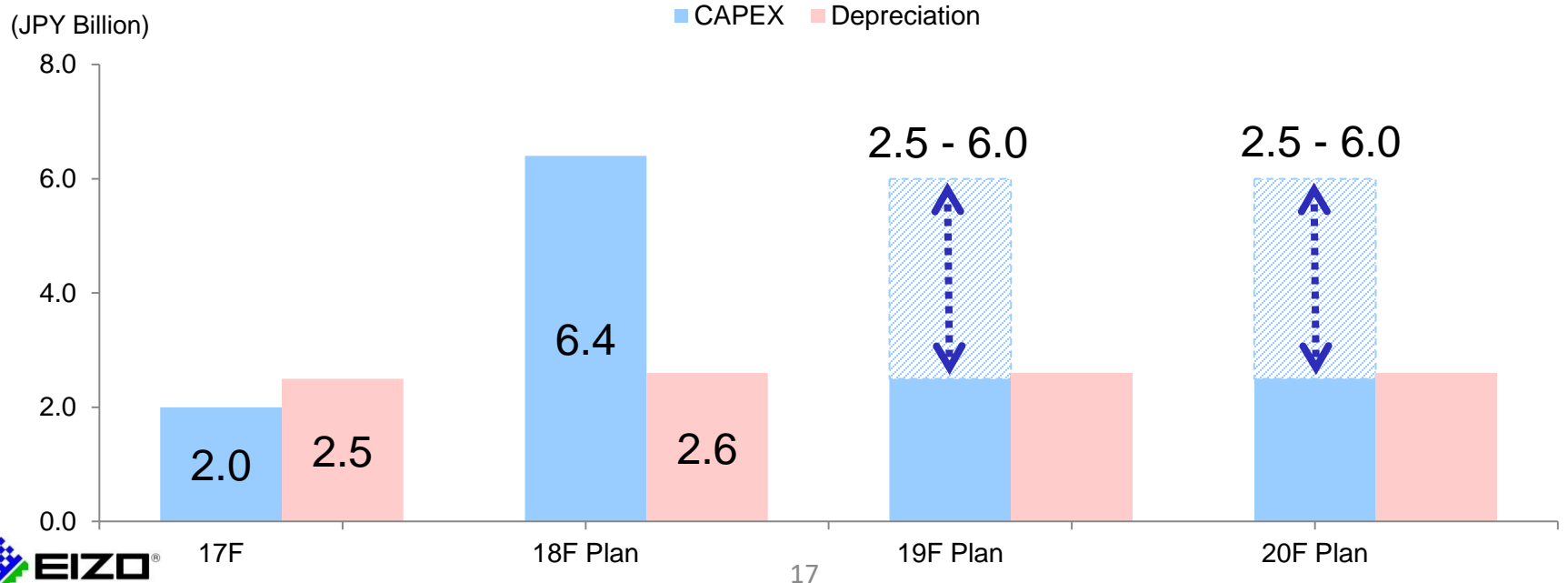
# R&D

□ Increase investment to accelerate “Imaging Chain Innovation”



# CAPEX

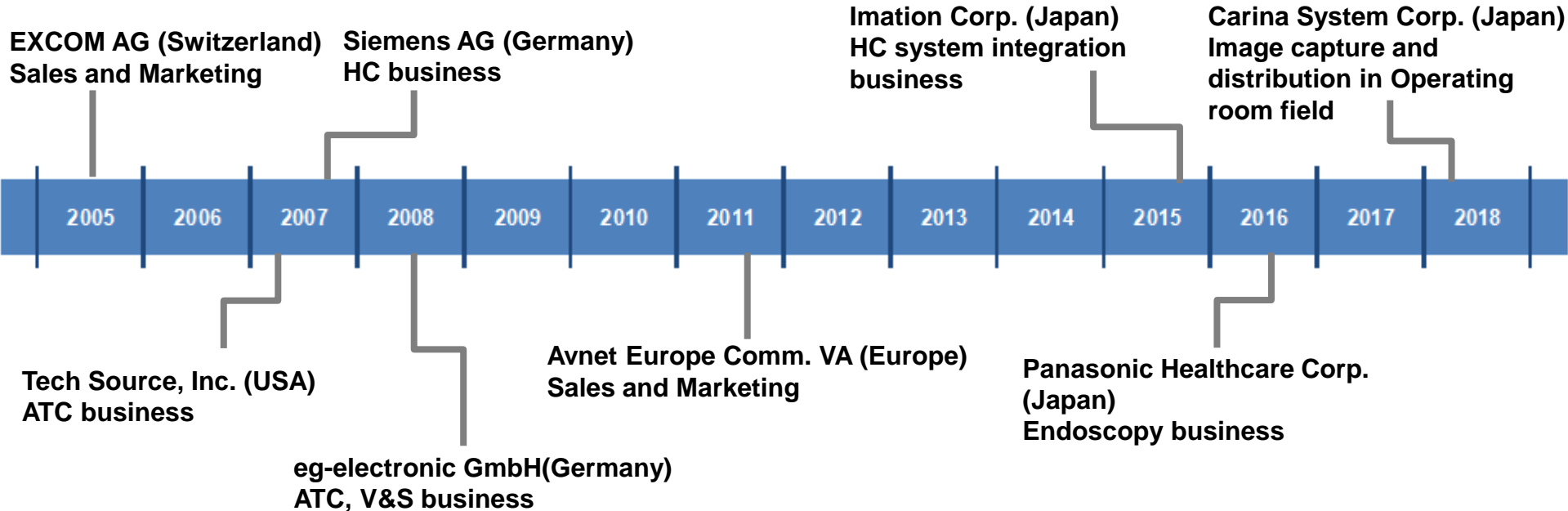
- 18F: Acquire two new facilities in Germany to enhance R&D and production capabilities → JPY 32 Bil.
- 19F - 20F: Plan additional logistics and R&D facilities in Japan for future growth



# M&A

## □ Continue to enhance business models

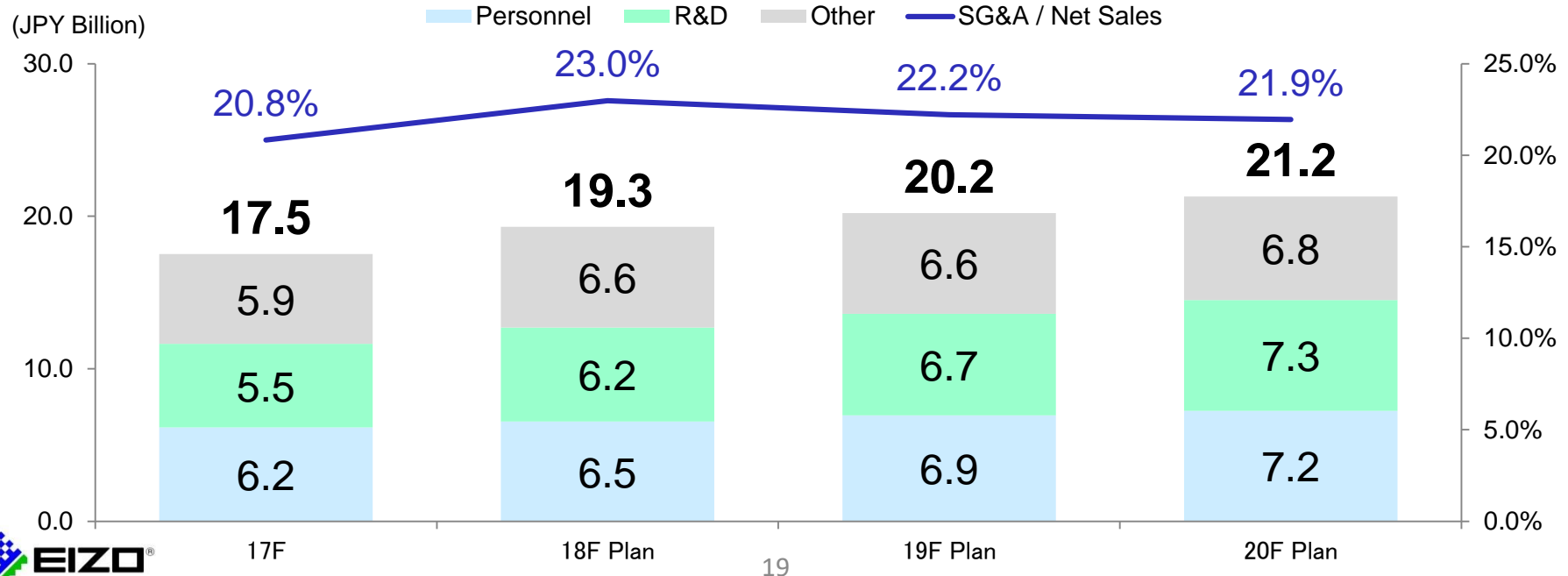
### M&A – Historical 2005 ~ 2018



# Selling, General and Administrative Expenses

- Continuous improvement on operational efficiencies driven by AI / RPA\*  
The rise in SG&A expenses will be kept under 3% vs 17F (excl. R&D, investment, M&A)
- Expenses for investment and sales expansion will increase to drive business

\*Robotic Process Automation

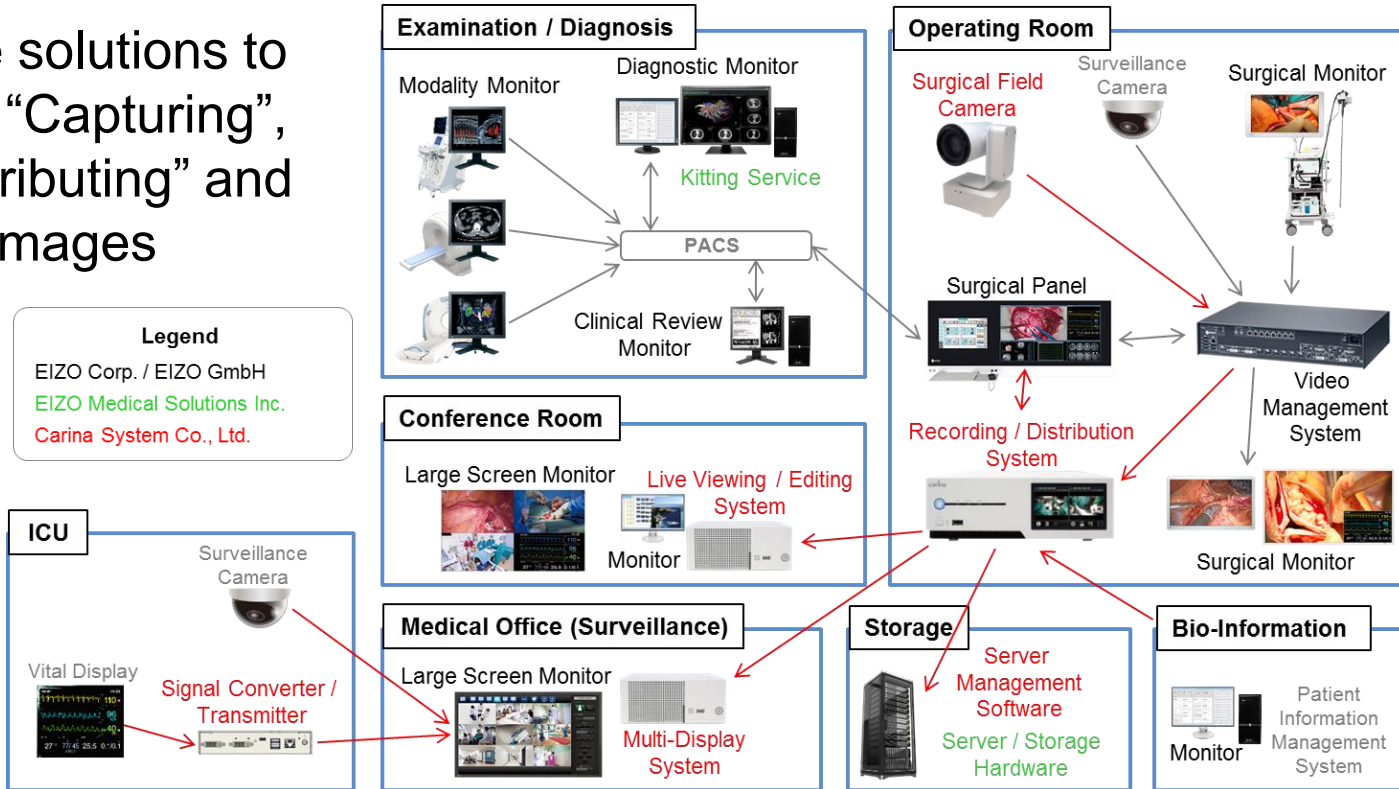


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# Healthcare

“Imaging Chain Innovation” expands our business domain

- Comprehensive solutions to encompass the “Capturing”, “Recording/Distributing” and “Displaying” of images



# Healthcare

“Imaging Chain Innovation” expands our business domain

## □ Diagnostics

- Further competitiveness through evolving our diagnostic workflow concept
- Drive the sales in strategic markets (US, China, India, Middle East + **Southeast Asia**)

## □ Operating Room

- Acceleration of Endoscopy monitor business
- **Business synergy with Carina System Co., Ltd.**

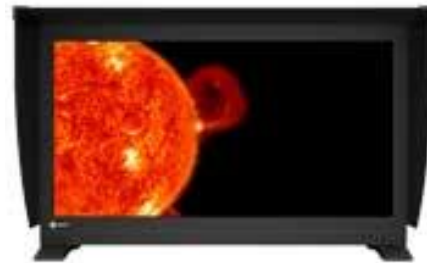
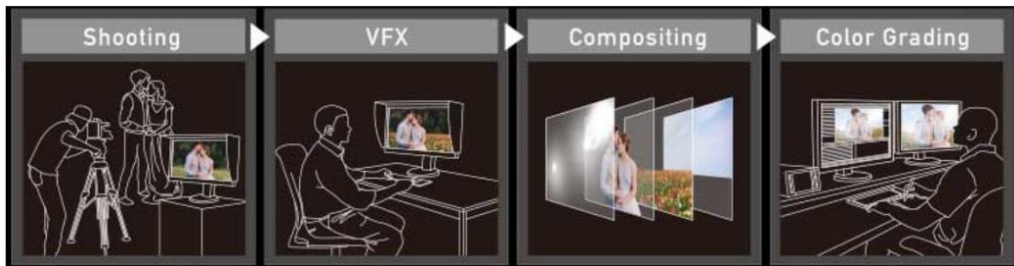


# Creative Work

Establish market dominance by leading in the HDR era

- ▣ Solutions to improve work efficiency throughout the HDR\* content production workflow
- ▣ Seamless color management
- ▣ To enable all users to achieve professional-level creation

\*HDR: High Dynamic Range





# V&S - Overall

Level up! Advancing technology, supply and support

- Further utilize EIZO's comprehensive R&D power including optical bonding, AR film, touch panel, etc.
- Advanced environmental resistance performance
  - MIL-STD
- Speedy customization through “Agile” R&D
- PLM\* corresponding to long-term project development



\*PLM: Product Life-cycle Management

# V&S - ATC

## Imaging chain supporting the efficient monitoring of air traffic

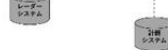
- End-to-end visual display solutions and content management
- PLM, expert support and solution development
- Capture No.1 market position



# V&S - Maritime

## Innovative solutions for onboard IT systems

- ECDIS monitor and beyond
  - “Industry's first” large-scale chart table LCD monitor with touch panel for maritime route planning and navigation
  - Implementing EIZO technology into “**Embedded**” systems to complete unique maritime surveillance solutions



- Anemometer
- Acoustic sounder
- Axis tachometer
- Electronic inclinometer
- Other instruments



# V&S - Security & Surveillance (1/3)

## Target multiple security & surveillance environments

- Expansion of IP decoding monitor line-up
  - 4K support, size variation
  - Video Management System (VMS) Support
- Cross-selling with EIZO's wide product line-up

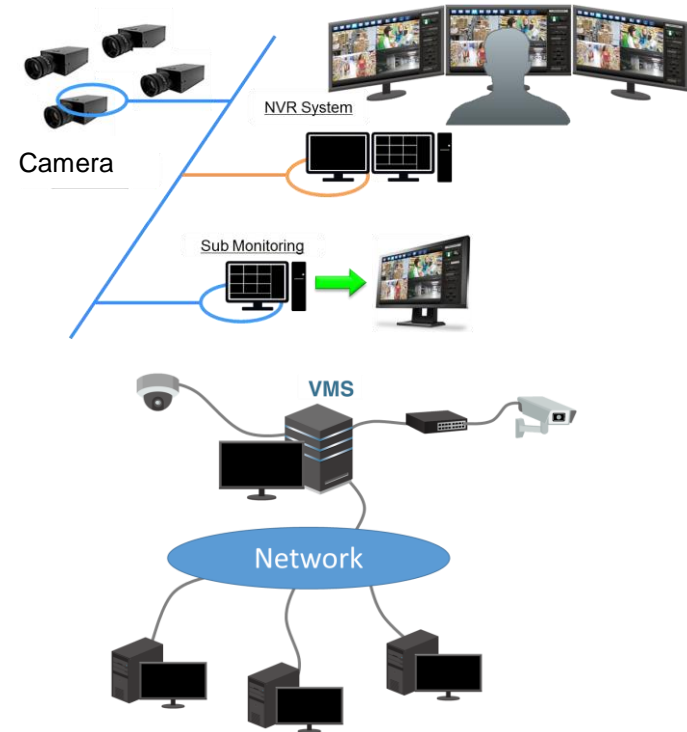


# V&S - Security & Surveillance (2/3)

## Target multiple security & surveillance environments

- Strengthen our business model with **EIZO's original camera**
- Image data encoding/decoding, distribution and analysis
  - FHD multi-screen simultaneous display
  - H.265\*
  - VMS support
  - **Utilizing AI technology**

\*H.265: A video compression standard that enables efficient transmission with 4K and 8K video at approximately twice the compression rate of H.264

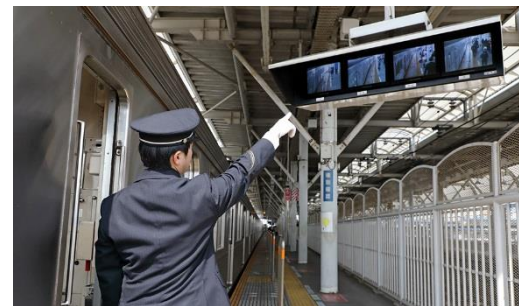
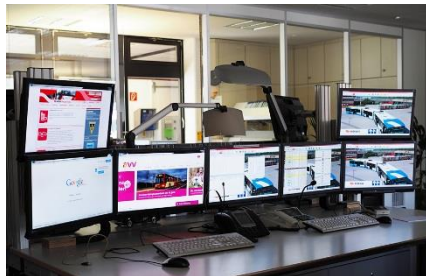




# V&S - Security & Surveillance (3/3)

## Target multiple security & surveillance environments

- Optimal image display in multiple installations
  - High brightness
  - De-fog function
  - Housing options
  - Optical bonding



# Amusement

Stay ahead of market changes to maintain No.1 position

- Define new ways of entertainment abiding to evolving regulations
- Realize further development efficiency by utilizing EIZO original tools
- Further strengthen cooperation with partners
- Flexible production and supply adapted to needs



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**Further competitiveness to show EIZO's presence**



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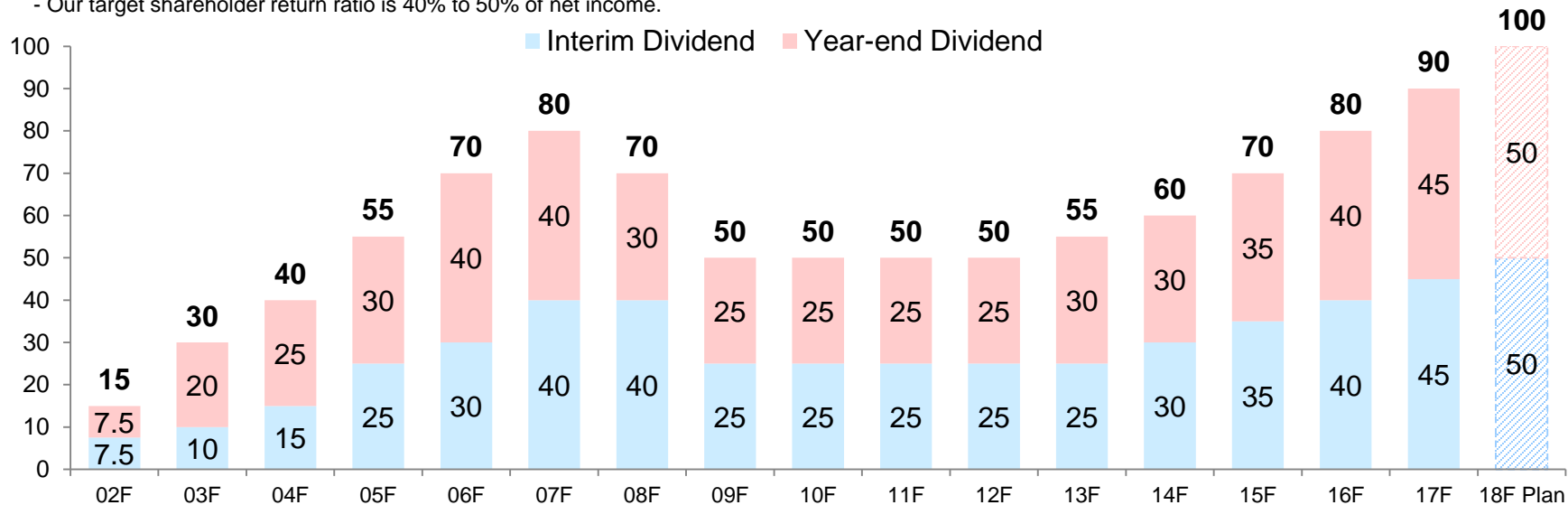
# Return to Shareholders

## Basic policy on profit distribution to shareholders

- Returning profit to shareholders is a key management concern for EIZO Corporation, and we have followed a basic policy of stable dividend payment in line with corporate growth. We return profit to shareholders on the basis of an overall consideration of securing retained profit for capital investments and R&D expenditures required for business expansion, financial status and future performance.

(JPY / Share)

- Our target shareholder return ratio is 40% to 50% of net income.



Dividend Payout Ratio	11.3%	9.5%	14.4%	17.5%	20.6%	41.0%	229.7%	22.6%	31.5%	67.5%	66.7%	21.6%	38.5%	35.5%	30.1%	26.9%	33.8%
Shareholder Return Ratio	11.3%	9.5%	14.4%	17.5%	20.6%	41.0%	375.2%	22.6%	31.5%	168.0%	66.7%	21.6%	38.5%	35.5%	30.1%	26.9%	33.8%

- Dividend Payout Ratio (Consolidated base)

- Share buybacks 0.9 billion in 08F and 1.6 billion in 11F





<http://www.eizoglobal.com>