

3. MANAGEMENT POLICY

(1) Basic Management Policy

The Company aims to help realize a high-quality society by creating and sharing new value for society through innovation that only we can provide based on our management philosophy, "The Creation of New Value."

(2) Medium- to Long-term Management Strategies and Pending Issues

The Company has commenced a new three-year medium term business plan called "TRANSFORM 2016" that runs from fiscal 2014 to fiscal 2016.

Under this plan, the Company aims to fully understand its customers and transform into a company that can provide high added value in order to outstrip global competition amid changes in the management environment surrounding the Company. To achieve this, efforts are being made to expand business content by innovating the Company's business configuration from a customer-oriented perspective with the service solution business as the nucleus aiming to resolve the challenge of shifting from "product to service." The plan was named "Transform 2016" to reflect these concepts.

The Company has made preparations to mobilize all resources as one company following reorganization of the management system in April 2013. By integrating products, technologies and core competencies in a wide range of fields, the Company seeks to enter deeply into customers' industry and business, and provide high added value. In addition, efforts will be made to drive sustainable growth by contributing to innovation in society, the environment and customer companies through this kind of business.

Management Targets

In "Transform 2016," the Company has drawn up objectives for fiscal 2018 with a view to realizing our "vision five years from now." To realize these, the Company is targeting net sales of at least ¥1.1 trillion, operating income of ¥90 billion and an operating income ratio of at least 8% in fiscal 2016, the final year of this plan, through initiatives based on this plan for the next three-year period. In addition, we will work to boost capital efficiency and aim to achieve an ROE of at least 10% by streamlining the balance sheet and strengthening shareholder returns.

International Financial Reporting Standards (IFRS)

	Medium-term management plan targets (FY2016)	Vision five Years from now (FY2018)
Net sales	At least ¥1.1 trillion	At least ¥1.3 trillion
Operating income	¥90 billion	¥130 billion
Operating income ratio	At least 8%	10%
ROE	At least 10%	—

*Assumed exchange rates during the period of the plan (FY2014-FY2016): U.S. dollar = ¥100; euro = ¥135

*The Company will apply International Financial Reporting Standards (IFRS) starting from securities reports released in fiscal 2014 (year ending March 31, 2015).

Basic Policy for Medium Term Management Plan

Under "TRANSFORM 2016," the Company has decided on the following three items as basic strategies to address over the next three years in order to realize our "vision five years from now."

1. Realize sustainable profit growth
2. Reform to a customer-focused company
3. Establish a strong corporate structure

1. Realize sustainable profit growth

Aiming to realize sustainable profit growth, the Company will promote a growth strategy in each business field based on the following policies.

<Business Technologies Business: Office Services Business Field>

[Business Policy] The Company aims to expand sales and profit in this business by strengthening the ability to provide services and solutions befitting customer attributes and by bolstering relationships of trust with customers through enhancement of customers' business efficiency.

The Company also seeks to increase the number of its MFPs in the market and color print volume by providing a digital workflow for each company size, region, industry and business type and contributing to improvements in customers' business efficiency. In OPS, which is being deployed worldwide, efforts are being made to enhance service menu and boost delivery capability with the aim of creating foundations to transform into a services business toward the realization of a print-less society envisioned for the future. With regard to growing markets, the Company will position China, India, ASEAN nations and Brazil in particular as key markets and strengthen the sales system.

<Business Technologies Business: Commercial and Industrial Printing Business Field>

[Business Policy] The Company aims to realize the provision of commercial digital printing solutions from the perspective of the end-customer and expand the number of machines in the market and print volume. To achieve this, the Company will strive to meet all printing needs of major companies that are customers in the commercial printing sector by providing a variety of printing-related services that include our unique marketing print management service and on-demand print service by leveraging Charterhouse Printing Management Limited and Kinko's Japan Co., Ltd., which have been acquired.

In addition, the Company will make use of its core digital electrophotographic and inkjet technologies toward full-fledged expansion into the industrial printing field, including textile printing, labeling and package printing.

<Healthcare Business>

[Business Policy] The Company will provide one-stop solutions that combine high-performance diagnostic instruments such as DR (digital radiography systems) and diagnostic ultrasound systems with medical IT services, and strive to expand sales of diagnostic instruments to small- and medium-sized hospitals and clinics while making these facilities more networked.

In the core cassette-type DR field, we will promote sales alliances with outside entities and seek to accelerate the expansion of sales overseas. In Japan, we will contribute to increased efficiency and sophistication of medical care through IT services that utilize a strong customer base and by enhancing and expanding regional partnerships. In diagnostic ultrasound systems, we aim to be the top of the genre in specific domains such as orthopedic surgery and internal medicine by way of our unique high-resolution technology.

<Industrial Business: Optical Systems for Industrial Use Business Field>

[Business Policy] The Company aims to expand business domain in the growth-potential industrial sector by innovating proposal-making ability accumulated in the sensing business and providing new value that includes equipment and solution/service.

In the sensing field, the Company will leverage synergies with Instrument Systems GmbH, which we acquired, to strengthen operations in the smartphone, tablet and automotive domains, and also establish a system that enables swift response to the needs of major customers. In the optical products field, we will utilize sensing technology and information processing technology centered around interchangeable lenses for DSLR cameras and projector lenses for digital cinema. At the same time, we aim to enter the optical systems field in areas that include non-destructive inspection systems for social infrastructure and safety and security services using monitoring systems for nursing facilities.

<Industrial Business: Performance Materials Business Field>

[Business Policy] The Company aims to establish business foundations that realize growth by anticipating customer needs in growth fields and creating new businesses that originate from our unique technology accumulated in such areas as photo film, TAC film for LCD polarizers and VA-TAC film for increasing the viewing angle and OLED development.

In TAC film, we aim to secure sales volumes through the development of new thin-film-type products, an area of comparative advantage. In new businesses, which include OLED light sources and window film that help reduce environmental burden and make life more convenient, we seek to sharpen value and establish mass-production technology together with customers in order to secure top position in growing markets.

2. Reform to a customer-focused company

In order to drive business growth and realize higher added value, the Company will pay close attention to customer intentions and transform business processes with the customer used as the basis for decisions behind all business processes. We will strive to fully understand customer needs and workflow and look to maximize the value we provide to customers. To achieve this, we have established Business Innovation Centers in five cities worldwide for the purposes of business development. By doing so, we can expand framework as well as assign authority locally. In addition, we will conduct strategic alliances and M&As to complement our management resources.

Further, we will integrate our technologies and core competencies as well as create unique high-value-added solutions in all business domains.

3. Establish a strong corporate structure

We will create a strong corporate structure as a manufacturing business by “creating sturdy production operations” and “conducting corporate reform.” To this end, we will develop technology that leads to differentiation and enhances customer value, employ cost management in an integrated manner for development, procurement and production, and strengthen product lifecycle management that maximizes profit by visualizing the profitability of each product throughout the lifecycle. In corporate divisions, we will work on enhancing business productivity and reforming functions.

The Company will steadily implement measures set forth in our medium term business plan “TRANSFORM 2016” and strive to realize sustainable growth by transforming our business portfolio while enhancing corporate value.