

Notification of Company Split (Simple Absorption Type) Involving Epson and Wholly-Owned Subsidiary Company

- TOKYO, Japan, January 31, 2017 -

Seiko Epson Corporation (TSE: 6724, “Epson”) today resolved to absorb part of the business of subsidiary company Orient Watch Co., Ltd. (“Orient Watch”), with Epson to continue as the succeeding company.

Certain information has been omitted from this announcement since the company split involves a wholly-owned subsidiary company.

1. Purpose of the company split

As disclosed in the announcement of September 6, 2016, Epson has been continuing discussions on the restructuring of Orient Watch business. As a result, Epson has decided to absorb the watch sales function of Orient Watch (excluding Japan domestic sales) with the aim of further reinforcing its operational capabilities by optimizing the allocation of management resources within the Epson Group.

The domestic sales business of Orient Watch will be succeeded by Epson Sales Japan Corporation.

Going forward, Epson will absorb the strengths of Orient Watch as it seeks to accelerate the growth of its wearables business to achieve its goal of realizing the wearables innovation raised in its Epson 25 long-range corporate vision, and create wearable products that offer original and indispensable value to its customers.

2. Outline of the company split

(1) Schedule for the company split

Resolution of the company split	January 31, 2017
Conclusion of company split contract	January 31, 2017
Effective date of the company split	April 1, 2017 (planned)

Notes: 1. The company split will not require a shareholders' meeting resolution from either company because the company split will be a simple absorption-type company split for Epson as stipulated in Article 796 (2) of the Companies Act, and a short-form absorption-type company split for Orient Watch as stipulated in Article 784 (1) of the Companies Act.

2. The company split (simple absorption type) was approved on January 31, 2017, by Epson's president acting on authority granted by the board of directors.

(2) Company split method

The company split will be an absorption-type company split where Orient Watch will be the splitting company and Epson will be the succeeding company.

(3) Details of allotments related to the company split

Because Epson holds all the issued shares of Orient Watch, there will be no compensation paid to the latter as a result of this split

(4) Handling of share options and bonds with share options
This item is not applicable.

(5) Increase or decrease in capital relating to split
There will be no increase or decrease in capital as a result of this split at Epson.

(6) Rights and obligations assumed by succeeding company (provisional)
As a result of this split, Epson will assume the rights and obligations of the watch sales business of Orient Watch (excluding Japan domestic sales and the shares of O.R.TIME (HK) LTD. owned by the same).

Revenue (nonconsolidated) for the overseas sales departments for the period ended March 2016 succeeded by Epson as a result of this company split totaled 4,200 million yen.

(7) Assets and liabilities to be acquired by the succeeding company (provisional)
Assets to be acquired: 1,900 million yen, Liabilities to be acquired: 100 million yen.

(8) Outlook for performance of obligations
Epson has determined that it expects to be able to fulfill its necessary liabilities after the split comes into effect.

3. Outline of companies involved in the company split (as of March 31, 2016)

	Succeeding company	Splitting company
(1) Trade name	Seiko Epson Corporation	Orient Watch Co., Ltd.
(2) Registered head office	4-1-6 Shinjuku, Shinjuku-ku, Tokyo	4-1-6 Shinjuku, Shinjuku-ku, Tokyo
(3) Name and title of representative	Minoru Usui, president	Masayuki Kawana, president
(4) Business lines	Development, manufacturing, sales and service of information-related equipment, electronic devices, precision instruments and others	Sales of watches
(5) Paid-in capital	53,204 million yen	100 million yen
(6) Founded	May 18, 1942	July 13, 1950
(7) Total number of shares outstanding	399,634,778 shares	31,780,000 shares
(8) Fiscal year end	March 31	March 31
(9) No. of employees	67,605 (consolidated)	729 (consolidated)
(10) Principal shareholders and shareholding ratios	Sanko Kigyo Kabushiki Kaisha: 5.00% Japan Trustee Services Bank, Ltd. (Trustee Account): 4.16% The Master Trust Bank of Japan, Ltd. (Trust Account): 4.11%	Seiko Epson Corporation 100.00%
(11) Financial situation and business results in the preceding financial year (ended March 2016)		

Accounting standard	IFRS (consolidated)	Japan standard (nonconsolidated)
Equity attributable to owners of the parent company (IFRS) / Total equity	467,818 million yen	2,384 million yen
Total assets	941,340 million yen	5,662 million yen
Equity attributable to owners of the parent company per share (IFRS) / Total net assets per share	1,307.58 yen	75.01 yen
Revenue	1,092,481 million yen	7,109 million yen
Business profit (IFRS) / Operating income	84,951 million yen	-1,028 million yen
Ordinary income	-	-1,006 million yen
Profit for the period attributable to owners of the parent company (IFRS) / Net income	45,772 million yen	-956 million yen
Basic earnings per share (IFRS) / Earnings per share	127.94 yen	-30.10 yen

Note: Ordinary income is not applicable to the IFRS standards applied by Epson. Business profit is broadly equivalent to operating income under Japanese accounting standards.

4. Situation following the company split

There will be no change to Epson's trading names, business lines, main office, representative, paid-in capital or end of fiscal year as a result of this split.

5. Outlook

The effect of this company split on financial results will be minimal because it involves Epson and a wholly owned subsidiary company.

Please refer to the "Consolidated Results for the Third Quarter Ended December 31, 2016" published today for Epson's latest business forecast for the year ending March 2017.

About Epson

Epson is a global technology leader dedicated to connecting people, things and information with its original efficient, compact and precision technologies. With a lineup that ranges from inkjet printers and digital printing systems to 3LCD projectors, smart glasses, sensing systems and industrial robots, the company is focused on driving innovations and exceeding customer expectations in inkjet, visual communications, wearables and robotics.

Led by the Japan-based Seiko Epson Corporation, the Epson Group comprises more than 73,000 employees in 91 companies around the world, and is proud of its contributions to the communities in which it operates and its ongoing efforts to reduce environmental impacts.

<http://global.epson.com/>

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