

Information on the Company

1. Overview of the business group

Epson is primarily engaged in developing, manufacturing, selling, and providing services for products in the printing solutions, visual communications, wearable and industrial products, and the other business.

Epson is organized into operations divisions that come under global consolidated management. The majority of advanced R&D and product development is conducted in Japan (by Corporate R&D and R&D organizations in the various operations divisions), while manufacturing and sales activities are conducted around the world by Epson Group manufacturing and sales companies, both in Japan and abroad.

A brief description of Epson's various businesses is provided below along with a list of the main Epson Group companies involved in each segment.

Printing Solutions Business Segment

This segment comprises the printer business, professional printing business, and others. The businesses in this segment leverage Epson's original Micro Piezo and other technologies to develop, manufacture, and sell products. The main activities of these businesses are described below.

Printer business

This business is primarily responsible for home and office inkjet printers, serial impact dot matrix (SIDM) printers, page printers, color image scanners, and related consumables, as well as office papermaking systems.

Professional printing business

This business is primarily responsible for large-format inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers, and related consumables.

Others

This business sells PCs in the Japanese market through a domestic subsidiary.

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The major Epson Group companies involved in this segment are listed in the table below.

Business area	Main products	Main Epson Group companies	
		Manufacturing companies	Sales companies
Printers	Inkjet printers, serial impact dot matrix printers, page printers, color image scanners, and related consumables, office papermaking systems	Tohoku Epson Corporation Akita Epson Corporation Epson Portland Inc. Epson Telford Ltd. Fratelli Robustelli S.r.l.	Epson Sales Japan Corporation Epson America, Inc. Epson Europe B.V. Epson (U.K.) Ltd. Epson Deutschland GmbH Epson France S.A. Epson Italia S.p.A. For.Tex S.r.l. Epson Iberica, S.A. Epson (China) Co., Ltd.
Professional printing	Large-format inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers, and related consumables, and others	Tianjin Epson Co., Ltd. Epson Engineering (Shenzhen) Ltd. P.T. Epson Batam P.T. Indonesia Epson Industry Epson Precision (Philippines), Inc.	Epson Korea Co., Ltd. Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd. P.T. Epson Indonesia Epson (Thailand) Co., Ltd. Epson Philippines Corporation Epson Australia Pty. Ltd. Epson India Pvt. Ltd.
Others	PCs and other equipment	—	Epson Sales Japan Corporation Epson Direct Corporation

Visual Communications Business Segment

The businesses in this segment leverage Epson's original microdisplay and projection technologies to develop, manufacture, and sell 3LCD projectors for business, education, and the home; high-temperature polysilicon TFT LCD panels for 3LCD projectors; and smart eyewear.

The major Epson Group companies involved in this segment are listed in the table below.

Business area	Main products	Main Epson Group companies	
		Manufacturing companies	Sales companies
Visual communications	3LCD projectors, high-temperature polysilicon TFT LCD panels for 3LCD projectors, smart eyewear, and others	Epson Engineering (Shenzhen) Ltd. Epson Precision (Philippines), Inc.	Epson Sales Japan Corporation Epson America, Inc. Epson Europe B.V. Epson (U.K.) Ltd. Epson Deutschland GmbH Epson France S.A. Epson Italia S.p.A. Epson Iberica, S.A. Epson (China) Co., Ltd. Epson Korea Co., Ltd. Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd. P.T. Epson Indonesia Epson (Thailand) Co., Ltd. Epson Philippines Corporation Epson Australia Pty. Ltd. Epson India Pvt. Ltd.

Wearable & Industrial Products Business Segment

This segment comprises the wearable products business, robotics solutions business, and the microdevices business.

The main activities of these businesses are described below.

Wearable products business

This business leverages its ultrafine and ultraprecision machining and processing technologies and its high-density mounting and assembly technologies to develop, manufacture and sell watches, as well as to develop, manufacture and sell useful products that use high-accuracy sensors to connect people and information.

Watch business

This business primarily develops, manufactures, and sells watches and watch movements. Effective April 1, 2017, Seiko Epson succeeded to the watch sales operations (excluding domestic sales operations in Japan) of Orient Watch Co., Ltd. via an absorption-type company split. Epson Sales Japan Corporation, a consolidated subsidiary of Seiko Epson, succeeded to the domestic sales operations of Orient Watch Co., Ltd.

Sensing equipment business

This business is primarily engaged in developing, manufacturing, and selling sensing equipment that have extremely accurate built-in sensors and that are used in the personal health and sports fields etc.

Robotics solutions business

This business uses advanced precision mechatronics and other technologies to develop, manufacture, and sell industrial robots, IC handlers and other production systems that dramatically increase productivity.

Micro-devices and others business

This business designs, manufactures, and sells small, accurate, energy-efficient electronic devices for external customers as well as for other businesses in the Epson Group. It also provides metal powders and surface finishing services.

Quartz device business

This business provides crystal units, crystal oscillators, and quartz sensors for consumer, automotive, and industrial equipment applications.

Semiconductor business

This business provides CMOS LSIs and other chips mainly for consumer electronics and automotive applications.

Others

This business develops, manufacturers, and sells a variety of high-performance metal powders for use as raw materials in the production of electronic components, etc. This business also provides high-value-added surface finishing in a wide variety of industrial fields.

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The major Epson Group companies involved in this segment are listed in the table below.

Business area	Main products	Main Epson Group companies	
		Manufacturing companies	Sales companies
Wearable products	Watches Wristwatches, watch movements, and others	Akita Epson Corporation Epson Precision (Shenzhen) Ltd. Orient Watch (Shenzhen) Ltd. Epson Precision (Johor) Sdn. Bhd.	Orient Watch Co., Ltd. Epson Hong Kong Ltd.
	Sensing equipment	Akita Epson Corporation	Epson Sales Japan Corporation
Robotics solutions	Industrial robots, IC handlers, and others	Epson Engineering (Shenzhen) Ltd.	Epson Sales Japan Corporation Epson America, Inc. Epson Deutschland GmbH Epson (China) Co., Ltd. Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd.
Microdevices and others	Quartz devices Crystal units, crystal oscillators, quartz sensors, and others	Miyazaki Epson Corporation Epson Precision Malaysia Sdn. Bhd.	Epson Electronics America, Inc. Epson Europe Electronics GmbH Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd.
	Semiconductors CMOS LSIs, and others	Tohoku Epson Corporation Singapore Epson Industrial Pte. Ltd.	
	Others Metal powders, surface finishing	Epson Atmix Corporation Singapore Epson Industrial Pte. Ltd.	

Other Business Segment

This segment comprises the businesses of Epson Group companies that offer services for and within the Epson Group.

2. Major equipment and facilities

Epson's major equipment and facilities are as follows.

(1) Seiko Epson Corporation

As of March 31, 2017

Name of plant (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m ²)	Other	Total	
Head Office (Suwa-shi, Nagano)	Overall administration and other	Other facilities	1,450	151	1,201 (42,383) [2,136]	72	2,876	509
Tokyo Office (Shinjuku-ku, Tokyo)	Overall administration and other	Other facilities	708	–	– (–)	87	795	86
Hirooka Office (Shiojiri-shi, Nagano)	Printing solutions Other	Printer development and design and component manufacturing facilities Research and development facilities	16,297	17,933	6,098 (198,152) [32,746]	3,688	44,017	5,415
Matsumoto Minami Plant (Matsumoto-shi, Nagano)	Other	Other facilities	1,308	43	3,764 (179,759) [1,758]	48	5,165	653
Toyoshina Plant (Azumino-shi, Nagano)	Visual communications Wearable & Industrial products	3LCD projector, smart eyewear and factory automation development and design facilities	2,619	1,162	749 (75,912) [32,092]	1,760	6,291	1,436
Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano)	Printing solutions Visual communications Other	Printer component and liquid crystal panel manufacturing facilities Research and development facilities	6,070	14,349	1,443 (113,082) [28,909]	1,216	23,080	1,068
Chitose Plant (Chitose-shi, Hokkaido)	Visual communications	Liquid crystal panel manufacturing facilities	2,030	2,072	1,375 (160,528)	1,027	6,506	208
Ina Plant (Minowa-machi, Kamiina-gun, Nagano)	Wearable & Industrial products	Crystal device development and design facilities	1,849	1,958	129 (39,943) [1,502]	260	4,197	444
Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano)	Wearable & Industrial products Other	Sensing equipment and semiconductor development and design facilities Research and development facilities	6,948	1,948	1,996 (247,143)	855	11,748	1,070
Sakata Plant (Sakata-shi, Yamagata)	Wearable & Industrial products	Semiconductor manufacturing facilities Other	7,256	4,197	2,177 (538,828)	650	14,282	23
Hino Office (Hino-shi, Tokyo)	Wearable & Industrial products	Sales facilities	2,854	0	7,627 (36,245)	60	10,543	216
Shiojiri Plant (Shiojiri-shi, Nagano)	Wearable & Industrial products	Watch development, design and manufacturing facilities	1,693	3,010	1,047 (41,836) [5,764]	331	6,083	689

(2) Domestic subsidiaries

As of March 31, 2017

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m ²)	Other	Total	
Tohoku Epson Corporation (Sakata-shi, Yamagata)	Printing solutions Wearable & Industrial products	Printer component and semiconductor manufacturing facilities	1	17	— (—)	905	924	1,986
Akita Epson Corporation (Yuzawa-shi, Akita)	Printing solutions Wearable & Industrial products	Printer component, watch movements and sensing equipment manufacturing facilities	5,289	139	650 (65,436)	708	6,787	953
Epson Atmix Corporation (Hachinohe-shi, Aomori)	Wearable & Industrial products	Manufacturing facilities for metal powders, etc.	2,911	2,070	409 (30,653) [34,208]	159	5,550	262

(3) Overseas subsidiaries

As of March 31, 2017

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m ²)	Other	Total	
Epson Engineering (Shenzhen) Ltd. (Shenzhen, China)	Printing solutions Visual communications Wearable & Industrial products	Printer, 3LCD projector and factory automation manufacturing facilities	3,078	3,556	— (—) [64,104]	3,710	10,345	9,329
Singapore Epson Industrial Pte. Ltd. (Singapore)	Printing solutions Wearable & Industrial products	Printer consumables, watch component and semiconductor manufacturing facilities and surface finishing facilities	3,839	7,601	52 (41,065) [54,094]	1,086	12,580	5,716
P.T. Indonesia Epson Industry (Bekasi, Indonesia)	Printing solutions	Printer manufacturing facilities	6,021	4,935	— (—) [254,871]	7,646	18,602	11,167
Epson Precision (Philippines), Inc. (Lipa, Philippines)	Printing solutions Visual communications	Printer and 3LCD projector manufacturing facilities	8,290	3,529	513 (100,000) [130,000]	3,385	15,719	10,861
Epson Precision Malaysia Sdn. Bhd. (Kuala Lumpur, Malaysia)	Wearable & Industrial products	Crystal device manufacturing facilities	397	2,634	297 (32,437)	25	3,354	1,686

Notes

1. The above figures do not include consumption tax.
2. "Other" under the book value column includes tools, furniture and fixtures and other property, plant and equipment, but does not include construction in progress.
3. Portions of land are leased from companies not included in consolidated accounts. The size of each area of leased land is indicated in brackets [].
4. Tohoku Epson Corporation uses a portion of the facilities of the Sakata Plant.
5. Figures for Singapore Epson Industrial Pte. Ltd. and Epson Precision (Philippines), Inc., are included in consolidated business results.
6. The above book value amounts are after adjustments for consolidated accounts.

3. Overview of capital expenditures

Capital expenditures for the fiscal year under review were concentrated in key strategic areas, primarily new products, increasing of production capacity, rationalizing, upgrading and maintaining equipment and facilities to help foster the development of new businesses and prepare for future growth. In addition, Epson continued to carefully select investments and efficiently utilize existing facilities in an effort to generate stable cash flow.

As a result of these efforts, total capital expenditures (including property, plant and equipment, software and lease rights) amounted to ¥75.3 billion.

No equipment with significant impact on production capacity was sold or removed.

Capital expenditures in each business segment are discussed below.

Printing solutions segment

Investment used for commercializing new products such as printers, and for increasing of production capacity, rationalizing, upgrading and maintaining equipment and facilities amounted to ¥43.9 billion in the fiscal year under review.

Visual communications segment

Investment used for commercializing new products such as 3LCD projectors, and for rationalizing, upgrading and maintaining equipment and facilities amounted to ¥10.2 billion in the fiscal year under review.

Wearable & Industrial products segment

Investment used for commercializing new products such as watches, sensing equipment, factory automation products, crystal devices and semiconductors, and for rationalizing, upgrading and maintaining equipment and facilities amounted to ¥9.1 billion in the fiscal year under review.

Other and overall

Investment in R&D and other activities amounted to ¥11.9 billion in the fiscal year under review.

4. Plans for new additions or disposals

Epson plans to allocate ¥76.0 billion to capital expenditures for the fiscal year ending March 31, 2018.

Business segment	Planned amount of capital expenditures (100 million yen)	Main type and purpose of equipment and facilities
Printing solutions	430	Commercializing new products; increasing of production capacity, rationalizing, upgrading and maintaining equipment and facilities, etc.
Visual communications	130	Commercializing new products; increasing of production capacity, rationalizing, upgrading and maintaining equipment and facilities, etc.
Wearable & Industrial products	100	Commercializing new products; rationalizing, upgrading and maintaining equipment and facilities, etc.
Other and overall	100	Investment in research and development, etc.
Total	760	—

Notes

1. The above amounts do not include consumption tax.
2. Required funds will be covered by current funds in hand.
3. There are no plans to dispose of or sell major equipment and facilities with the exception of disposals and sales associated with regular and ongoing upkeep of equipment and facilities.

5. Major management contracts

(1) Reciprocal technical assistance agreements

Name of contracting company	Name of other party	Country	Type of contract	Contract period
Seiko Epson Corporation	Hewlett-Packard Company	U.S.A.	License to use patents relating to information-related equipment	May 1, 2012 until the expiry of the patents
Seiko Epson Corporation	International Business Machines Corporation	U.S.A.	License to use patents relating to information-related equipment	April 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Microsoft Corporation	U.S.A.	License to use patents relating to information-related equipment and software used by such equipment	September 29, 2006 until the expiry of the patents
Seiko Epson Corporation	Eastman Kodak Company	U.S.A.	License to use patents relating to information-related equipment	October 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Xerox Corporation	U.S.A.	License to use patents relating to electrophotography and inkjet printers	March 31, 2008 until the expiry of the patents
Seiko Epson Corporation	Texas Instruments Incorporated	U.S.A.	License to use patents relating to semiconductors and information-related equipment	April 1, 2008 until March 31, 2018
Seiko Epson Corporation	Canon Incorporated	Japan	License to use patents relating to information-related equipment	August 22, 2008 until the expiry of the patents

(2) Others

No major management contracts were decided or concluded during the fiscal year under review other than those stated in (1) above.

On November 30, 2016, the Company and its consolidated subsidiary Epson Imaging Devices Corporation (EID) agreed on the absorption-type merger of EID and concluded a merger contract with the effective date of February 1, 2017.

On January 31, 2017, the Company and its consolidated subsidiary Orient Watch Co., Ltd. (“Orient Watch”) agreed that the Company would succeed the watch sales business (excluding the Japan domestic sales business, etc.) of Orient Watch by an absorption-type split and concluded a company split contract with the effective date of April 1, 2017. The domestic sales business of Orient Watch was succeeded by Epson Sales Japan Corporation, another consolidated subsidiary of the Company.