

Annual Securities Report

From April 1, 2019 to March 31, 2020

(The 159th Business Term)

SEIKO HOLDINGS CORPORATION

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[Company Information]

I. Overview of Company

1. Summary of Business Results

(1) Business Results of the Group

Business term		155th	156th	157th	158th	159th
Fiscal year end		March 2016	March 2017	March 2018	March 2019	March 2020
Net sales	Millions of yen	296,705	257,115	268,529	247,293	239,150
Ordinary profit	Millions of yen	11,879	6,671	10,911	11,410	7,004
Profit attributable to owners of parent	Millions of yen	12,142	5,392	11,541	9,249	3,394
Comprehensive income	Millions of yen	6,721	7,862	10,501	8,396	(3,007)
Net assets	Millions of yen	102,692	107,161	105,170	110,415	104,273
Total assets	Millions of yen	329,115	328,857	305,297	303,036	299,990
Net assets per share	Yen	457.44	2,380.50	2,523.54	2,649.99	2,499.97
Basic earnings per share	Yen	58.76	130.71	280.01	224.42	82.36
Diluted earnings per share	Yen	-	-	280.00	224.40	82.33
Equity capital ratio	%	28.7	29.8	34.1	36.0	34.4
Rate of return on equity	%	13.1	5.6	11.4	8.7	3.2
Price-earnings ratio	Times	7.6	17.4	9.2	11.7	21.2
Net cash provided by (used in) operating activities	Millions of yen	15,096	4,209	27,885	17,508	2,704
Net cash provided by (used in) investing activities	Millions of yen	(8,334)	(13,200)	(17,430)	(7,093)	(10,688)
Net cash provided by (used in) financing activities	Millions of yen	(6,645)	5,713	(11,759)	(10,670)	678
Cash and cash equivalents at the end of year	Millions of yen	38,914	35,333	33,911	33,843	26,111
Employees [Excluding average number of part-time employees]	Number of persons	13,437 [860]	13,065 [827]	12,033 [798]	12,020 [772]	11,947 [603]

(Note) 1. Net sales do not include consumption taxes.

2. Diluted net earnings per share for the 155th and 156th business terms are not presented, because there were no potential shares.

3. The Company has adopted the Board Benefit Trust (BBT) from the 156th consolidated fiscal year. For the purpose of calculating the basic earnings per share and diluted earnings per share, the treasury shares remaining in trust posted as treasury shares in the "Shareholders' equity" section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.

4. The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net assets per share and net income per share and diluted net earnings per share represent figures on the

assumption that the share consolidation was performed at the beginning of the fiscal year ended March 31, 2017 (156th.)

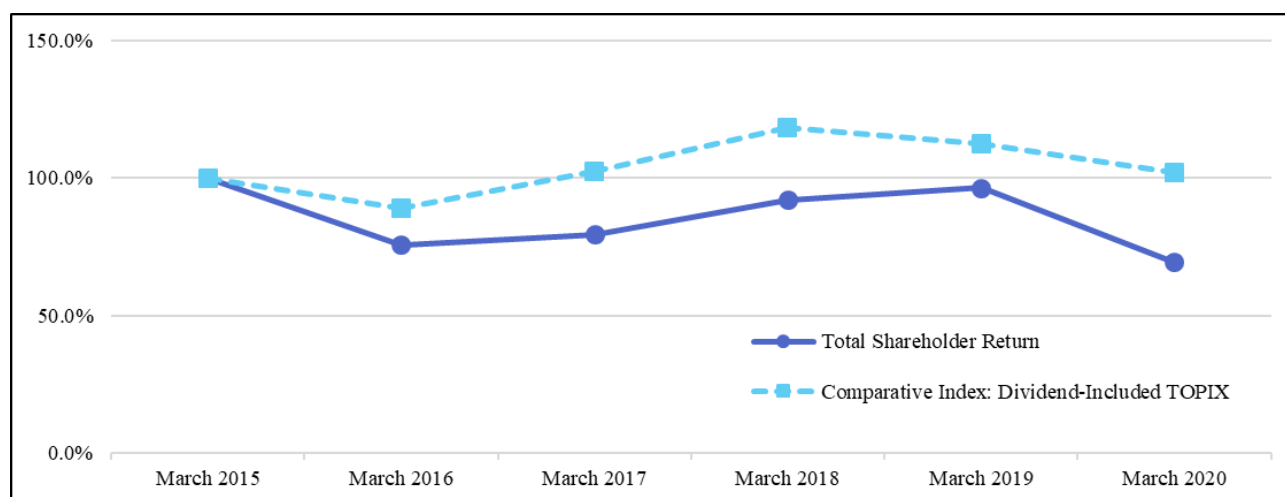
5. The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2019 (158th.) Accordingly, the business results of the fiscal year ended March 31, 2018 (157th) are presented after reclassification.

(2) Business Results of the Company

Business term		155th	156th	157th	158th	159th
Fiscal year end		March 2016	March 2017	March 2018	March 2019	March 2020
Total shareholder return (Comparative index: Dividend-included TOPIX)	%	75.7 (89.2)	79.5 (102.3)	92.0 (118.5)	96.5 (112.5)	69.5 (101.8)
Highest stock price	Yen	838	523	3,430 (519)	3,245	2,986
Lowest stock price	Yen	388	291	2,407 (424)	1,958	1,462

(Note) 1. Highest stock price and lowest stock price were those recorded on the First Section of the Tokyo Stock Exchange. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. For stock prices in the 157th business term, the highest and lowest prices after the share consolidation are presented in the upper field and the highest and lowest prices before the share consolidation are presented in the lower field.

2. Total shareholder return and comparative indicators for the last five years are as follows. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. Total shareholder return and comparative indicators have been shown to reflect the impact of the share consolidation.



2. Company History

December 1881	Established K. Hattori, which later became Seiko Holdings Corporation.
March 1892	Founded Seikosha Clock Factory; started manufacturing wall clocks.
October 1917	Established K. Hattori & Co., Ltd. with a capital stock of 5 million yen, reorganizing as a company organization.
June 1932	Constructed The Wako Clock Tower, the familiar face of Ginza, Tokyo.
September 1937	Spun off the Watch Division of Seikosha clock factory and established an independent organization as Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)
April 1947	Spun off the Retail Division and established Wako Co., Ltd.
May 1949	Listed on the Tokyo Stock Exchange.
May 1959	Spun off the Suwa plant of Daini Seikosha Co., Ltd. and established an independent organization as Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation).
October 1964	Served as Official Timer of the Tokyo Olympic Games.
November 1968	Established HATTORI (H.K.) LTD. (currently SEIKO Hong Kong Ltd.) in Hong Kong.
December 1969	Introduced Seiko Quartz Astron, the world's first quartz watch.
May 1970	Established SEIKO TIME CORPORATION (currently Grand Seiko Corporation of America and Seiko Watch of America LLC) in the United States.
November 1970	Established Seikosha Co., Ltd. by splitting off the Seikosha clock factory.
November 1971	Established SEIKO TIME (U.K.) LTD. (currently SEIKO U.K. Limited) in the United Kingdom.
February 1972	Served as Official Timer of the Sapporo Winter Olympic Games.
August 1983	Changes the name to Hattori Seiko Co., Ltd.
April 1988	Introduced the world's first A.G.S. (Automatic Generating System, later renamed as Kinetic) watch.
June 1988	Established SEIKOSHA (THAILAND) CO., LTD. (currently SEIKO Precision (Thailand) Co., Ltd.) in Thailand.
July 1992	Served as Official Timer of the Barcelona Olympic Games.
February 1994	Served as Official Timer of the Lillehammer Winter Olympic Games.
January 1996	Established SEIKO Clock Inc. and SEIKO Precision Inc. Each of them succeeded businesses from Seikosha Co., Ltd in March in the same year. Established Seiko Optical Products Co., Ltd. to spin off the Eyeglasses Business.
July 1997	Changed the name to Seiko Corporation.
February 1998	Served as Official Timer of the Nagano Winter Olympic Games.
November 1999	A replica of the movement of the world's first quartz wristwatch, Seiko Quartz Astron was exhibited at the Smithsonian Museum in Washington, D.C., U.S.
December 1999	Introduced the world's first Spring Drive wristwatch, realizing a fusion of mechanical and quartz.
July 2001	Established SEIKO WATCH CORPORATION to spin off the Watches Business and the Company became a holding company.
February 2002	Served as Official Timer of the Salt Lake City Winter Olympic Games.
November 2004	Seiko Quartz Astron, the world's first quartz watch, recognized as an IEEE Milestone by the IEEE (Institute of Electrical and Electronics Engineers).
July 2007	Changed the name to SEIKO HOLDINGS CORPORATION.
October 2009	Integrated Seiko Instruments Inc.
September 2012	Launched the world's first GPS solar watch, Seiko Astron.
November 2014	Grand Seiko's Mechanical Hi-Beat 36000 GMT Limited Edition won the Petite Aiguille prize at the 2014 Grand Prix d'Horlogerie de Genève.
November 2018	Seiko Prospex 1968 Diver's Re-creation won the Sports Watch Prize at the 2018 Grand Prix d'Horlogerie de Genève.
November 2019	Seiko Prospex LX Line Diver's won the Diver's Watch Prize at the 2019 Grand Prix d'Horlogerie de Genève.

3. Description of Business

The major businesses of the Group (the Company, its subsidiaries and associates) are the Watches Business, Electronic Devices Business and Systems Solutions Business. As a holding company, the Company has a business structure for consolidating and managing each operating subsidiary.

Details of each business and the positioning of subsidiaries and associates involved with such businesses are as follows. The following classification is the same as the classification of the reported segments presented in Notes (Segment Information), (1) Consolidated Financial Statements, 1. Consolidated Financial Statements, V. Financial Information.

The Company falls under the category of a specified listed company, etc., as stipulated in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. Accordingly, criteria for regarding a material fact under the regulation on insider trading shall be judged based on consolidated figures.

[Watches Business]

In Japan, SEIKO WATCH CORPORATION mainly engages in wholesale of watches, and CRONOS Inc. mainly engages in retail of watches. Seiko Instruments Inc. and Morioka Seiko Instruments Inc. mainly engage in manufacture of watches. In overseas, Grand Seiko Corporation of America, Seiko Watches of America LLC, SEIKO U.K. Limited and other companies engage in wholesale of watches, and Seiko Instruments (H.K.) Ltd. engages in sales of watch movements. Seiko Instruments Singapore Pte. Ltd. and other companies engage in manufacture of watches. In addition, SEIKO TIME LABS CO., LTD. engages in repairs and after-sales services.

[Electronic Devices Business]

In Japan, Seiko Instruments Inc. mainly engages in manufacture and sales of mechatronics devices and electronic devices, etc. Overseas, Seiko Instruments (H.K.) Ltd. and other companies engage in sales of electronic devices, etc. and Seiko Instruments (Thailand) Ltd. and other companies engage in manufacture and sales of electronic devices, etc.

[Systems Solutions Business]

SEIKO Solutions Inc. mainly engages in manufacture and sales of products related to wireless communication equipment, information network systems and data services, etc.

[Others]

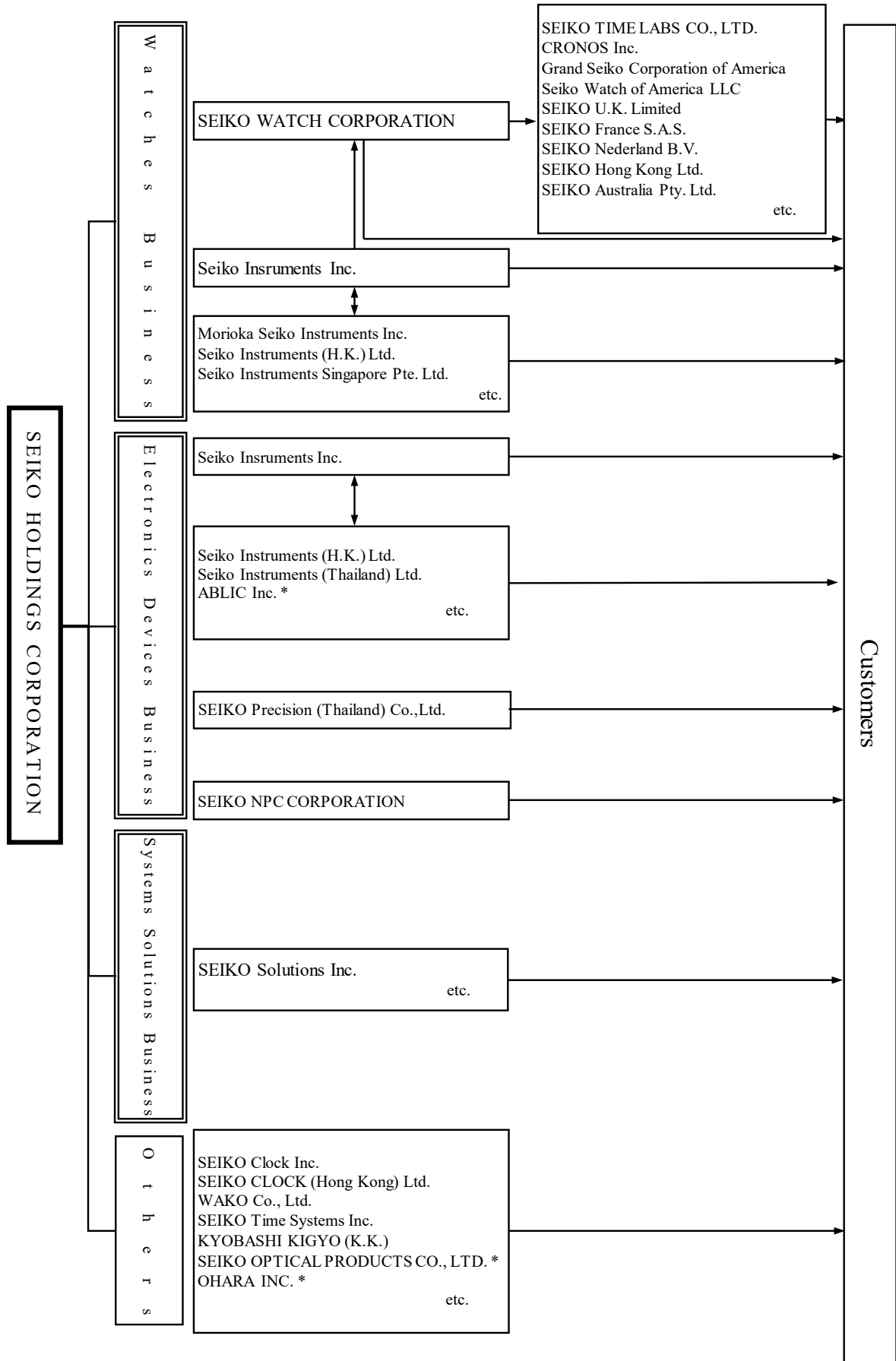
For the Clocks Business, SEIKO Clock Inc. engages in product development, manufacture, sales, repairs and after-sales services of clocks in Japan. Overseas, SEIKO CLOCK (Hong Kong) Ltd. engages in manufacture and sales of clocks, etc.

For others, WAKO Co., Ltd. engages in retail of high-end jewelry, apparel and fashion accessories, and household goods, etc. KYOBASHI KIGYO (K.K.) mainly engages in real estate leasing, and SEIKO Time Systems Inc. engages in sales of system clocks and sports timing devices.

*On April 1, 2020, Seiko Instruments (H.K.) Ltd. changed its corporate name to SEIKO Manufacturing (H.K.) Ltd. On the same date, sales of electronic devices, etc., which had been conducted by Seiko Instruments (H.K.) Ltd., were transferred to Seiko Instruments Trading (H.K.) Ltd.

*On April 1, 2020, Seiko Instruments Singapore Pte. Ltd. changed its corporate name to SEIKO Manufacturing (Singapore) Pte. Ltd.

An overview of the aforementioned status of the corporate group is shown as an organization chart below.



*Companies accounted for by the equity method.

4. Overview of Affiliated Entities

Name of company	Location	Capital stock	Principal business	Ratio of voting rights held (%)	Relationship
Consolidated Subsidiaries: SEIKO WATCH CORPORATION *2	Chuo-ku Tokyo	Thousands of yen 5,000,000	Watches	100.0	Interlocking directorates Providing loans
SEIKO TIME LABS CO., LTD. *3	Koto-ku Tokyo	Thousands of yen 60,000	Watches	100.0 (100.0)	Interlocking directorates
CRONOS Inc.	Chiyoda-ku Tokyo	Thousands of yen 200,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO Retail Marketing Corporation	Chuo-ku Tokyo	Thousands of yen 100,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
Chino Watch Co., Ltd.	Toshima-ku, Tokyo	Thousands of yen 80,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
Grand Seiko Corporation of America	New York U.S.A.	USD 2,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Watch of America LLC	New York U.S.A.	USD 112,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Time Corporation	New York U.S.A.	USD 1,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Panama, S.A.	Panama City Panama	USD 1,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO U.K. Limited	Maidenhead U.K.	GBP 5,500,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO France S.A.S.	Besancon France	EUR 6,000,000	Watches	100.0 (100.0)	Interlocking directorates
Grand Seiko Europe S.A.S.	Paris France	EUR 1,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Nederland B.V.	Schiedam Netherlands	EUR 2,250,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO RUS Limited Liability Company	Moscow Russia	RUB 20,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Hong Kong Ltd.	Kowloon Hong Kong	HKD 129,300,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Watch (Shanghai) Co., Ltd.	Shanghai P. R. China	USD 9,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Taiwan Co., Ltd.	Taipei Taiwan	TWD 44,000,000	Watches	69.9 (69.9)	Interlocking directorates
SEIKO (Thailand) Co., Ltd.	Bangkok Thailand	THB 112,550,000	Watches	82.5 (82.5)	Interlocking directorates
SEIKO Watch India Pvt. Ltd.	Bangalore India	INR 85,000,000	Watches	100.0 (100.0)	Interlocking directorates

SEIKO Australia Pty. Ltd.	Macquarie Park Australia	AUD 8,000,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Instruments Inc.	Mihama-ku Chiba	Thousands of yen 9,756,000	Watches Electronic Devices	100.0	Interlocking directorates Providing loans

Name of company	Location	Capital stock	Principal business	Ratio of voting rights held (%)	Relationship
Morioka Seiko Instruments Inc.	Mihama-ku Chiba	Thousands of yen 1,000,000	Watches	100.0 (100.0)	Interlocking directorates
Ninohe Tokei Kogyo Co., Ltd.	Mihama-ku Chiba	Thousands of yen 20,000	Watches	100.0 (100.0)	-
Tono Seiki Co., Ltd.	Tono-shi Iwate	Thousands of yen 5,000	Watches	100.0 (100.0)	-
Michinoku Service Co.,Ltd.	Morioka-shi Iwate	Thousands of yen 90,000	Watches	100.0 (100.0)	-
Seiko Instruments (H.K.) Ltd. *5	Kowloon Hong Kong	HKD 128,700,000	Watches Electronic Devices	100.0 (100.0)	Interlocking directorates
Time Module (Hong Kong) Ltd.	Kwai Fong Hong Kong	HKD 5,001,000	Watches	100.0 (100.0)	Interlocking directorates
Guangzhou SII Watch Co., Ltd.	Guangzhou P. R. China	USD 5,100,000	Watches	100.0 (100.0)	-
Dalian Seiko Instruments Inc.	Dalian P. R. China	USD 38,919,985	Watches Electronic Devices	100.0 (100.0)	-
Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia	MYR 8,500,000	Watches	100.0 (100.0)	-
Seiko Instruments Singapore Pte. Ltd. *6	Singapore Singapore	SGD 32,288,000	Watches Electronic Devices	100.0 (100.0)	-
SII Printek Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	-
City Service Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	-
Seiko EG&G Co., Ltd.	Mihama-ku Chiba	Thousands of yen 95,000	Electronic Devices	51.0 (51.0)	Interlocking directorates
Seshika Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	-
Seiko I Techno Research Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	Providing loans
SII Crystal Technology Inc.	Mihama-ku Chiba	Thousands of yen 100,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments U.S.A., Inc.	Torrance U.S.A.	USD 1,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments GmbH	Neu-Isenburg Germany	EUR 3,988,076	Electronic Devices	100.0 (100.0)	-

Name of company	Location	Capital stock	Principal business	Ratio of voting rights held (%)	Relationship
Seiko Instruments Trading (H.K) Ltd.	Kowloon Hong Kong	HKD 2,340,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments (Shanghai) Inc.	Shanghai China	USD 1,220,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments Technology (Shanghai)Inc.	Shanghai China	USD 2,400,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Guangzhou Seiko Instruments Ltd.	Guangzhou China	USD 34,200,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments Taiwan Inc.	Taipei Taiwan	TWD 25,000,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments (Thailand) Ltd.	Pathumthani Thailand	THB 1,712,000,000	Electronic Devices	100.0 (100.0)	-
Asian Electronic Technology Pte. Ltd.	Singapore Singapore	SGD 15,000,000	Electronic Devices	100.0 (100.0)	-
SII Electronic Devices Singapore Pte. Ltd. *7	Singapore Singapore	USD 300,000	Electronic Devices	100.0 (100.0)	-
SEIKO Precision Inc.	Matsudo-shi Chiba	Thousands of yen 300,000	Electronic Devices	100.0	Interlocking directorates Providing loans
SEIKO NPC CORPORATION	Chuo-ku Tokyo	Thousands of yen 1,000,000	Electronic Devices	100.0	Interlocking directorates Providing loans
SEIKO Precision (Thailand) Co.,Ltd.	Pathumthani Thailand	THB 603,000,000	Electronic Devices	100.0	Interlocking directorates
SEIKO Solutions Inc. *2	Mihama-ku Chiba	Thousands of yen 500,000	Systems Solutions	100.0	Interlocking directorates Providing loans
IIM Corporation	Chuo-ku Tokyo	Thousands of yen 390,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Clock Inc. *1	Koto-ku Tokyo	Thousands of yen 1,000,000	Others	100.0	Interlocking directorates Providing loans
SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong	HKD 1,500,000	Others	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO CLOCK (Shenzhen) Co.,Ltd.	Shenzhen P. R. China	CNY 12,500,000	Others	100.0 (100.0)	-
WAKO Co., Ltd.	Chuo-ku Tokyo	Thousands of yen 2,500,000	Others	100.0	Interlocking directorates Providing loans
SEIKO Time Systems Inc.	Koto-ku Tokyo	Thousands of yen 60,000	Others	100.0	Interlocking directorates Providing loans
Human Capital Co.,LTD.	Mihama-ku Chiba	Thousands of yen 100,000	Others	100.0	Interlocking directorates

KYOBASHI KIGYO (K.K.)	Chuo-ku Tokyo	Thousands of yen 10,000	Others	100.0	Interlocking directorates Providing loans
Shirakawa Estate Co.,Ltd.	Chuo-ku Tokyo	Thousands of yen 100,000	Others	100.0	Interlocking directorates Providing loans

Name of company	Location	Capital stock	Principal business	Ratio of voting rights held (%)	Relationship
Affiliates accounted for by the equity method: CLOCKWORK HOLDINGS INC.	Chuo-ku Tokyo	Thousands of yen 400,000	Watches	37.1 (37.1)	Interlocking directorates
ABLIC Inc.	Mihama-ku Chiba	Thousands of yen 9,250,000	Electronic Devices	30.0 (30.0)	Interlocking directorates
Jedat Inc.	Chuo-ku Tokyo	Thousands of yen 760,109	Electronic Devices	21.2 (21.2)	Interlocking directorates
SII Logistics Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Others	40.0 (40.0)	Interlocking directorates
SEIKO OPTICAL PRODUCTS CO., LTD.	Chuo-ku Tokyo	Thousands of yen 1,500,000	Others	50.0	Interlocking directorates Providing loans
OHARA INC.	Sagamihara-shi Kanagawa	Thousands of yen 5,855,000	Others	41.1 (21.8)	Interlocking directorates

- (Notes) 1. “Interlocking directorates” shown in “Relationship” column describe concurrent positions of officers of the respective companies held by officers or employees of the Company (including work transfers.)
2. Figures in parentheses for ratio of voting rights held represent indirect ownership ratio included in the total.
3. *1 SEIKO Clock Inc. was in a financial condition with liabilities in excess of assets. The amount of negative net worth as of March 31, 2020 was 7,622 million yen.
4. *2 Companies that post net sales (excluding intra-group transactions) accounting for over 10% of consolidated net sales:

[Key financial data]		
	(Fiscal year ended March 31, 2020)	(Millions of yen)
	SEIKO WATCH CORPORATION	SEIKO Solutions Inc.
(1) Net sales	82,037	30,239
(2) Ordinary profit	5,134	2,928
(3) Profit	3,542	2,052
(4) Net assets	16,000	3,901
(5) Total assets	48,220	19,828

5. *3 On September 1, 2019, SEIKO SERVICE CENTER CO., LTD. changed its corporate name to SEIKO TIME LABS CO., LTD.
6. *4 On April 1, 2020, SEIKO Nederland B.V. changed its corporate name to Seiko Watch Europe B.V.
7. *5 On April 1, 2020, Seiko Instruments (H.K.) Ltd. changed its corporate name to SEIKO Manufacturing (H.K.) Ltd.
8. *6 On April 1, 2020, Seiko Instruments Singapore Pte. Ltd. changed its corporate name to SEIKO Manufacturing (Singapore) Pte. Ltd.
9. *7 On April 1, 2020, SII Electronic Devices Singapore Pte.Ltd. changed its corporate name to Seiko Instruments Singapore Pte. Ltd.

5. Information about Employees

(1) Consolidated Group

As of March 31, 2020

Segment	Number of employees	
Watches Business *3	6,549	[141]
Electronic Devices Business *3	3,477	[386]
Systems Solutions Business	746	[3]
Other	736	[73]
Corporate *2, *3	439	[0]
Total	11,947	[603]

- (Note) 1. The number of employees is the number of working employees (excluding individuals seconded from the Group, the Company and its consolidated subsidiaries, to outside the Group and including individuals seconded to the Group from outside the Group). The number of temporary employees is shown in square parentheses as the annual average number, excluding the aforementioned number of employees.
2. The number of employees in “Corporate” represents the number of those belonging to the reporting company (holding company).
3. In order to appropriately evaluate the results of each reported segment, the Company changed to a method of considering expenses related to headquarters for some consolidated subsidiaries that had previously been allocated to the Watches Business and Electronic Devices Business as adjustments to segment income, which are company-wide expenses, from the first quarter of the fiscal year ending March 31, 2020. Following this change, the classification of the number of employees has been changed. In addition, the number of employees in the Electronic Devices Business decreased year on year associated with the termination of some businesses.

II. Overview of Business

1. Business Policy, Business Environment, Issues to Address, etc.

Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2020.

Refer to 3. Management's Analysis of Financial Position, Operating Results and Cash Flows for the business environment.

(1) Corporate philosophy and corporate social responsibility

Seiko has established an individual philosophy and a long-term vision and formulated various basic policies, etc., including our fundamental philosophy of corporate ethics, in addition to practicing risk management, guided by our corporate philosophy of being "A Company that is Trusted by Society" and founded on corporate governance. On this basis, we will engage in business activities with targets that are shared throughout the entire Group. We believe that our corporate social responsibility (CSR) is to contribute to the sustainable development of society and pursue enhancement of corporate value through these business activities. As part of these efforts for CSR, the Company is actively working toward environmental considerations (E), contributing to solving social issues (S), and creating systems that maintain the trust of society (G), and is aiming to further enhance our corporate value.

(2) Business strategies and issues that need to be addressed

1) Impact of novel coronavirus (COVID-19)

Economic activities have been severely restricted on a global scale since the fourth quarter of the fiscal year ended March 31, 2020, due to the spread of the novel coronavirus, also affecting the Company's business. The number of tourists visiting Japan decreased from the latter half of the Chinese Spring Festival in January, followed by lockdowns in major cities overseas from March onward, along with government requests in Japan to refrain from going out. Many retail stores and stores in commercial facilities, including our customers, in Japan and overseas have been closed or have shortened operating hours. Net sales have significantly declined primarily in the Watches Business as a result. Furthermore, some of our overseas manufacturing activities have been reduced, and the operating conditions of our suppliers and customers have deteriorated, affecting our business activities.

The Japanese government declared a state of emergency and lockdowns continued overseas in April and May. The Company's business has been greatly affected as a result. In June, many cities in Japan and overseas resumed business, while concerns over second and third waves of the novel coronavirus infection remain. Therefore, the outlook for the world economy remains uncertain.

The environment surrounding us is expected to change dramatically after the containment of the novel coronavirus from the previous period, further accelerating the digitalization and diversification of workstyles. In an effort to adapt to these changes in the environment, the Watches Business will be committed to accelerating sales through e-commerce and the strengthening of digital marketing. In the Electronic Devices Business, while severe conditions are expected to remain in such areas as automotive components, an increase in demand is anticipated for micro batteries and certain precision components. We will strive to steadily capture this demand to minimize the overall decrease in net sales. In the Systems Solutions Business, we are also determined to take advantage of changes such as further progress of cashless payments and digitalization of contracts for capturing new business opportunities, as part of our effort to expand business by capitalizing on our own strengths.

As stated above, it has become crucial for each Business to further pursue the Seventh Mid-Term Management Plan, in order to provide solutions to management issues in the period after the novel coronavirus is contained.

2) Seventh Mid-Term Management Plan

The Company has formulated and is promoting the Seventh Mid-Term Management Plan, which begins in the fiscal year ended March 31, 2020. The contents are as follows.

[Seventh Mid-Term Management Plan]

(from the fiscal year ending March 31, 2020 through the fiscal year ending March 31, 2022)

1) Long-term vision

The Seiko Holdings Group will continue the long-term vision also in the Seventh Mid-Term Management Plan, established when the Sixth Mid-Term Management Plan was formulated, based on the Group slogan, "SEIKO Moving

Ahead, Touching Hearts”.

We aim to be a trend-setting and innovative global group that shares excitement with all our stakeholders around the world by providing products and services that exceed the highest expectations of our customers.

2) What the Seiko Holdings Group aims to be in FY2025

The Company has set out a more detailed image of what the Seiko Holdings Group aims to be in FY2025 based on the long-term vision.

Being a leading global player, SEIKO continues to strive beyond all expectations.
Growing our fields of expertise and meeting challenges in new areas with the highest levels of reliability.
Being expected by the world to create the future.
We will grow with our sophisticated structures and human resources, as a solid and united group.

3) Basic policies of the Seventh Mid-Term Management Plan

Looking toward FY2025, the Company has set the following basic policies for this three-year period with the aim of achieving the Seventh Mid-Term Management Plan.

With everyone fully committed and focused,
We will invest aggressively in scenarios for the future.
Backed by the strength of the SEIKO brand, our precision technologies and ability to propose solutions
Will provide us with sustained growth.

4) Business environment and initiatives on issues

(a) Watches Business

The Company started the Global Brand strategy from the first fiscal year of the previous mid-term management plan, and Global Brands grew greatly in those three years, particularly Grand Seiko, luxury watches and Seiko Prospex, sports watches. Working to further reduce costs also led to steady results in the Watches Business, including improved profitability.

Based on the results, in the next three years, the Watches Business will see Seiko grow towards a true global brand that is ahead of the rest with cutting-edge technologies, expert craftsmanship, and a uniquely Japanese sense of beauty, and is set to become a major player in the world watch market looking ahead to the year 2025. With the Global Brand strategy as its growth engine, the Company will further accelerate its strategy to accomplish revolutionary transformation, while also expanding sales both in Japan and overseas, particularly in the United States and Asia.

(b) Electronic Devices Business

The Electronic Devices Business saw slower growth in some products due to a slowdown in the Chinese market, but the profitability remained stable as a result of expanded sales in fields of expertise, improvement of unprofitable businesses, and cost reductions. In the Seventh Mid-Term Management Plan, the Company will further evolve “Craftsmanship, Miniaturization and Efficiency” technologies and promote selection and concentration in order to shift key product portfolio to areas of strength and growth markets.

(c) Systems Solutions Business

The Systems Solutions Business saw the addition of IIM Corporation, a company that deploys security solutions and performance management for IT systems, to its subsidiary, as well as steady growth during the previous mid-term

management plan via increased sales in new fields of business and expansion in stock business. The Company will continue expansion of stock business while also aiming to expand business and build a business structure that is resilient to environmental changes, via diversification including the utilization of M&A. In addition, the Company will reform behavioral patterns and both power up and shape up its organization.

(d) Clocks/Wako/Time Systems Business

The Clocks/Wako/Time Systems Business has a long history of supporting the development of Seiko, and still retains links with many of its stakeholders, making it truly positioned as a legacy business. This business will continue to play a role in improving the value of the brand and the Tokyo Olympics/Paralympics will be an opportunity to pursue further globalization.

5) Initiatives for other issues

(a) New research and development

The Company will strive to develop new high-end movements, new materials, and connected modules via active investment, in order to achieve a shift to high-end, high-added value products. Furthermore, the Company will focus on the research and development of new products, new materials, and new technologies for growth markets in not only the Watches Business, but also the Electronic Devices Business and the Systems Solutions Business.

(b) Enhancing management foundation

The Company will enhance its branding, human resources, and financial strategies in order to strengthen its management foundation.

Branding strategy involves further boosting image as a dynamic company by strengthening its fields of sports and music while actively promoting digital communications and events for younger generations, as well as continuing to invest in enhancing corporate brand value from the mid- to long-term viewpoint.

Human resources strategy involves preparing an environment where personnel with diverse senses of value can work enthusiastically, aiming for sustainable growth of the Group by creating a virtuous cycle of “recruiting,” “cultivating,” and “leveraging” human resources.

Financial strategy involves aiming to thoroughly implementing investment management to achieve “wins” through the generation of operating cash flow to support the “aggressive approach” period, well-balanced investing cash flow, and cost-controlled financing cash flow. The Company will also aim for continuously improving equity capital ratio by accumulating profit, and maintaining stable dividends.

6) Target figures under the Seventh Mid-Term Management Plan

(a) Consolidated income forecast

(Billions of yen)

	Actual FY2019	Mid-Term Management Plan FY2021
Net sales	239.1	285.0
Operating profit	6.1	14.2
Ordinary profit	7.0	16.0
Profit attributable to owners of parent	3.3	12.5

(b) Net sales by segment

(Billions of yen)

	Actual FY2019	Mid-Term Management Plan FY2021
Watches	135.4	165.0
Electronic Devices	51.7	63.0
Systems Solutions	32.8	35.0
Others	29.5	31.0
Consolidated total	239.1	285.0

(c) Operating profit by segment

(Billions of yen)

	Actual FY2019	Mid-Term Management Plan FY2021
Watches	10.1	14.5
Electronic Devices	0.6	3.0
Systems Solutions	3.0	3.0
Others	0.3	1.0
Consolidated total	6.1	14.2

(d) Others

(Billions of yen)

	Actual FY2019	Mid-Term Management Plan FY2021
Equity capital ratio	34.4%	40.0%
Net interest-bearing debt	89.1	Maintain current level

2. Business Risks

Risks that may seriously affect the operating results and/or financial position of the Group are outlined below. The Group considers brand-impairment risks and risks that affect the safety and health of employees and others to be critical risks. Both are medium-term risks, apart from the risks that have a significant impact on the business results in short term. Matters concerning the future are judged as of March 31, 2020.

(1) Economic trends

The Group handles certain products directly related to personal consumption, such as watches, clocks, electronic components for digital products and automobiles, high-end jewelry, apparel and fashion accessories, and household goods, etc. Consequently, consolidated business results are strongly affected by trends in domestic and overseas economies, especially trends in personal consumption. In particular, watches and clocks are being sold in at least 130 countries and regions around the world. They are constantly exposed to potential impacts of whatever nature, while the risks are well distributed. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of the fiscal year ended March 31, 2020. If the current situation continues going forward, it is likely to have a severe impact on economic and personal-consumption trends in Japan and overseas, affecting the Group's business operations, financial position, and business results.

(2) High dependence on procurement from specific supplier

Due to the high dependence on procurement from specific watch supplier, business results of the Watches Business may be significantly affected by changes in terms of transactions with this supplier. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of the fiscal year ended March 31, 2020. If the current situation continues going forward, business activities are expected to be suspended at some of the suppliers and others of the Watches Business and the Electronic Devices Business, affecting the Group's business operations, financial position, and business results.

(3) Market environment of the Electronic Devices Business

Business results of the Electronic Devices Business are affected by demand trends of electronic devices, etc., in Japan and overseas. In this business field, the speed of development of new technologies and their mass production is high, and the price competition is also intense. Therefore, the possibility that delays in response to changes in these market environments may have a significant impact on business results is getting stronger. The Group will be engaged in business activities "one step ahead of the times," while being focused on research and development activities under the technological philosophy of "Craftsmanship, Miniaturization and Efficiency."

(4) Country risks on manufacturing bases overseas

The Watches business, the Electronic Devices Business and the Clocks Business have manufacturing bases in Singapore, Malaysia, Thailand and China. Changes in social situations due to politics and economics, etc., in these areas may have a significant impact on manufacturing activities of these businesses. However, respective production lines are in operation largely in multiple regions including Japan, in an effort to mitigate the impact associated with various risks. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of the fiscal year ended March 31, 2020. If the current situation continues going forward, it is likely to have a severe impact on the Group's business operations, financial position, and business results.

(5) Dependence on sales to major customers

For some of the Electronic Devices Business, the dependence on sales to major customers tends to be high, and a decrease in the volume of orders from these customers may have an impact on business results of this business. To avoid excessive dependence on one major customer, we are striving to expand the Electronic Business itself as a whole.

(6) Increase in price of resources

If resources such as crude oil and other raw materials surge due to changes in the supply and demand environment, manufacturing costs may rise that causes an impact on business results. Inventory levels of certain materials are set higher, as necessary, in order to avoid the impact of short-term fluctuations, in consideration of market prices.

(7) Quality issues and production liability

Products manufactured and sold by the Group do not cause any accidents that have effects on human bodies under normal use. However, due to changes in the social environment, such as stricter legal regulations on product accidents, or changes in the business environments, there may be an increase in costs related to quality issues and product liability, such as product recalls

and compensation liability. Since quality issues concerning our products are likely to involve risks of impairing brand image, they are regarded as one of the Group's most critical risks. We are committed to broad-based initiatives to prevent the occurrence of quality issues at all manufacturing bases, etc.

(8) Intellectual property rights

The Group has taken measures, such as obtaining patent rights and protecting confidential information, in order to protect important proprietary development technologies. However, there is a possibility that adequate protection may not be implemented depending on the region. Furthermore, even though such measures are taken, there is a possibility that the superiority of the Group's products may be impaired, if the Group cannot effectively eliminate third parties' products similar to its products. In addition, the Group has taken measures, such as patent investigation to prevent infringement of intellectual property rights of other companies in developing new products. However, there is no reasonable way to eliminate every single possibility of infringements. In the case where the Group infringes intellectual property rights of other companies, there is a possibility that business results may be affected by a claim for an injunction or a claim for damages. As infringement of intellectual property rights is likely to impair our brand image regardless of whether we are the offending party or the offended party, investigations and other activities for the prevention of infringement in both directions are being carried out from broadened perspectives.

(9) Currency exchange rate fluctuations

Within the Group, the Watches Business and the Electronic Devices Business mainly engage in business development for overseas markets. Some of those are engaged in business development for overseas markets from domestic manufacturing bases, and fluctuations in exchange rates may affect product prices, etc. In addition, for the Systems Solutions Business and the Clocks Business that mainly engage in business development for domestic markets, foreign exchange fluctuations may affect procurement costs for parts that are procured from overseas manufacturing bases in foreign currencies. Furthermore, all items denominated in local currencies, such as profits or losses and assets, for overseas subsidiaries are translated into Japanese yen for preparation of consolidated financial statements. Therefore, the Japanese yen-translated value of local currencies may be affected by the exchange rate at the time of conversion. In particular, fluctuations of Japanese yen against U.S. dollars and euro, etc. may affect business results and the financial position of the Group, including foreign currency translation adjustment under net assets of overseas subsidiaries.

(10) Interest rate fluctuations

Currently, the relationship between the Group and financial institutions is favorable, and the Group can procure funds necessary for business development including overseas without any problems. However, there is no guarantee that it will be possible to continue to procure funds sufficiently in the future. In addition, as the interest rate level in the market tends to be low, over 90% of interest rates of the existing long-term loans payable has already been fixed. Although there is no significant risk of interest rate fluctuations, interest rate trends for future procurement may affect business results of the Group.

(11) Market price fluctuations

The Group holds investment securities for business reasons. The Group also owns idle real estate, including part of the former factory sites. In the case where the market price of such investment securities and real estate fluctuate significantly, the Group's business results and financial position may be affected.

(12) Environmental issues

The Watches Business, the Electronic Devices Business and the Clocks Business engage in business activities in accordance with various environmental laws and regulations that regulate energy conservation, air and water pollution, use of chemical substances, waste disposal, recycling, chemical substances contained in products and soil and groundwater pollution, etc. These businesses regard environmental conservation activities as one of the management tasks and promote various activities, including complying with laws and regulations as well as setting stricter voluntary goals. However, there are possibilities of bearing compensation for damages and expenses for taking response measures, due to an increase in expenses for responding to enforced regulations or occurrence of environmental problems in the future.

(13) Information securities

The Group prevents information leaks through measures such as establishment of internal regulations and employee education concerning protection and management of personal information and confidential information obtained in business operations. However, it cannot be guaranteed that there is no possibility of information leaks due to unforeseen circumstances. In the event

of such situation, there is a possibility this will affect business results of the Group due to a decline of the Group's social credibility and a substantial cost burden to respond to such situation. Unexpected leakage of information is a critical risk involving a greater risk of impairing brand image. Thus, we are carrying out thorough prevention measures.

(14) Natural disasters

In the case where the Group's domestic and overseas manufacturing bases and facilities, or local economies in general in Japan and overseas, suffer damage or are regulated, due to natural disasters such as earthquakes or typhoons or epidemics such as viral infections, there is a possibility this would affect business results due to manufacturing disruption, stagnation of sales, logistics, procurement functions, etc. The Group has formulated action plans that ensure the safety of those who are engaged in the business operations of the Company as the first priority in the event of natural disasters or epidemics. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of the fiscal year ended March 31, 2020. If the current situation continues going forward, it is likely to have a severe impact on the Group's business operations, financial position, and business results.

(15) Compliance violation

While we are providing full-scale education for compliance with laws and regulations in each country to all employees and others, who are engaged in the Group's business operations, it is impossible to rule out the risks of legal violations of some nature. Since noncompliance with laws and regulations is highly likely to expose the Group to the risks of impairing brand image, we will continue to promote educational activities for compliance with laws and regulations in all the group companies, while remaining committed to disseminating the importance of brand image.

3. Management's Analysis of Financial Position, Operating Results and Cash Flows

The overview of the Group's financial position, operating results and cash flows (hereinafter the "operating results, etc.") is as follows. Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2020.

(1) Business results

In the world economy, up to the third quarter of the fiscal year ended March 31, 2020, growth in the U.S. showed signs of a slowdown, primarily due to sluggish personal consumption, despite a steady U.S. employment environment. In Europe, while the U.K. economy lacked strength due to uncertainty about the outlook associated with the BREXIT issue, an improvement was seen in business sentiment in the Eurozone countries, with the exception of France, which was affected by large-scale demonstrations. In Asia, growth was sluggish in many economies, mainly China, due in part to the impact of demonstration activities in Hong Kong and U.S.-China trade friction. Meanwhile, from the fourth quarter onward, the global outbreak of the novel coronavirus has had a major impact on the world economy. While a deterioration in company business sentiment began to be observed from roughly mid-February in the U.S., the infection spread rapidly in Europe from early March, and then in the U.S. during the middle of that month, leading to a sudden change in the economy. In China, while real GDP growth from January to March 2020 fell 6.8% year on year, the economy began to move toward normalization from March onward.

In the Japanese economy, while personal consumption remained steady up to the second quarter, mainly due to a surge in demand before the consumption-tax hike, business sentiment deteriorated from October onward due to the tax hike as well as unusual weather, in addition to continued weak overseas demand. Furthermore, the effects of the novel coronavirus gradually emerged from the beginning of February, and its effects on economic activities became more pronounced in March.

Looking toward what the Seiko Holdings Group aims to be in FY2025, the Company has formulated the Seventh Mid-Term Management Plan, which is positioned as an "aggressive approach," and is being promoted from the current fiscal year. From the first year of the plan, the Company has worked to strengthen branding investment to accelerate the expansion of overseas business, expand our business domains through M&A investment, and develop high value-added products and services that lead to an enhancement of its brand value.

However, due to the impact of sluggish electronic devices market conditions resulting from U.S.-China trade friction and the spread of the novel coronavirus, for the fiscal year ended March 31, 2020, the Company reported consolidated net sales of 239.1 billion yen, a year-on-year decrease of 8.1 billion yen, or 3.3%. On a per-segment basis, while sales under the Watches Business and Electronic Devices Business declined year on year, sales under the Systems Solutions Business progressed favorably. On an overall consolidated basis, domestic net sales came to 137.5 billion yen (a year-on-year decrease of 1.8%), and overseas net sales were 101.6 billion yen (a year-on-year decrease of 5.3%). Overseas net sales comprised 42.5% of net sales overall.

In terms of income, operating profit decreased 3.2 billion yen year on year to 6.1 billion yen (a year-on-year decrease of 34.7%), mainly due to an approximate 11% year-on-year increase in advertising and promotion expenses along with the strengthening of investment, in addition to the impact of the decline in net sales. Ordinary profit decreased 4.4 billion yen year on year to become 7.0 billion yen (a year-on-year decrease of 38.6%), due to deterioration in non-operating income and expenses mainly owing to a decrease in share of profit of entities accounted for using equity method. Gain on sales of non-current assets of 0.3 billion yen was posted as extraordinary income. Retirement benefit expenses of 0.1 billion yen associated with a revision of the law for retirement benefits overseas, business restructuring expenses of 0.2 billion yen associated with the termination of some businesses, an impairment loss of 0.2 billion yen, as well as loss on the spread of infectious disease of 0.3 billion yen, for a total of 1.1 billion yen as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests were 3.3 billion yen (a year-on-year decrease of 63.3%).

In addition, with the aim of further strengthening the technological development capabilities of the entire Group, promoting ESG activities, and accelerating support for the SDGs, the Company has decided to transfer R&D and production technology development functions, as well as headquarters functions related to quality control and the environment from its subsidiary, Seiko Instruments Inc. to the Company, from April 1, 2020.

The average exchange rates for the current fiscal year were 108.7 yen to 1 US dollar and 120.8 yen to 1 euro.

Results for each segment are as follows.

Watches Business

Net sales under the Watches Business came to 135.4 billion yen, a year-on-year decrease of 6.3 billion yen, or 4.5%. While the environment in Hong Kong, a significant market for high-end watches, has deteriorated due to the impact of demonstration

activities, the market for high-end watches performed favorably, particularly in the U.S., China, Japan, and other areas. Meanwhile, severe market conditions continued in the market for affordable-priced watches. In addition, from February 2020 onward, the spread of the novel coronavirus has had a major impact on the watch markets of each country.

Under such circumstances, the Company has promoted the Global Brands strategy set out in the basic policies of the Seventh Mid-Term Management Plan, and worked to accelerate the expansion of sales in Japan, the U.S., and Asia, such as through the opening of new Grand Seiko Boutiques in Japan and overseas, as well as the opening of the world's first Seiko Prospex Boutique in Ginza, Tokyo in August 2019.

Net sales in the watches business in Japan grew steadily up to the second quarter. However, personal consumption fell due to a suspension or shortening of opening hours across a wide range of industries, as well as self-restraint regarding going out on weekends associated with the spread of the novel coronavirus, in addition to the effects of sluggish personal consumption following the consumption-tax hike and natural disasters. Inbound demand from foreign tourists to Japan decreased due to tightened immigration regulations, as well as prohibition of overseas travel and self-restraint in other countries. Accordingly, net sales fell year on year. In terms of individual brands, sales of Grand Seiko increased, mainly for the Spring Drive models, which marked the 20th Anniversary of its launch, and the Quartz models, which marked its 50th Anniversary. While sales of Seiko Prospex, one of our Global Brands, were also sluggish in the fourth quarter, the Company was able to maintain net sales for the full year at the same level as the previous fiscal year. On a distribution channel basis, while sales at mass retailers were sluggish due to a decrease in the number of tourists visiting Japan, net sales at department stores, which grew steadily up to the second quarter due to a surge in demand before the consumption-tax hike, exceeded the previous fiscal year for the full year.

Overseas, Global Brands continued to grow, mainly for Grand Seiko and Seiko Prospex, and net sales in the watches business increased year on year, excluding the impact of changes in the distribution of some products and exchange rates. In the U.S., Grand Seiko performed steadily, while sales expanded in Europe, mainly in high-end distribution channels in Germany and other countries. In Asia, sales in China grew significantly year on year, while sales in Taiwan and Australia also increased year on year on a local currency basis.

The watch movements business enjoyed favorable sales of mechanical movements, while demand for analogue quartz movements continued to be stagnant. Operating profit was 10.1 billion yen, a decrease of 0.2 billion yen, or 2.2%, mainly due to the decrease in net sales. In addition, operating profit increased by 0.9 billion yen, as a result of a change in the allocation method of expenses related to headquarters for some consolidated subsidiaries.

Electronic Devices Business

Net sales under the Electronic Devices Business came to 51.7 billion yen, a year-on-year decrease of 3.7 billion yen, or 6.8%. Operating profit was 0.6 billion yen, a year-on-year decrease of 0.8 billion yen, or 56.6%. Net sales of thermal printer mechanism products, printer-related products such as inkjet print heads, and integrated circuits for crystal oscillators were sluggish due to a slowdown in the Chinese economy. Meanwhile, sales of micro batteries and quartz crystals grew as we worked to shift our portfolio to key products in our areas of strength and growth markets in line with the basic policies of the Seventh Mid-Term Management Plan. In addition, a change in the allocation method of expenses related to headquarters for some consolidated subsidiaries resulted in an increase of 1.0 billion yen in operating profit.

Systems Solutions Business

Net sales under the Systems Solutions Business came to 32.8 billion yen, a year-on-year increase of 2.0 billion yen, or 6.6%. Operating profit was 3.0 billion yen, a year-on-year increase of 0.6 billion yen, or 25.4%. The IT-related and telecommunications-related markets performed strongly against a backdrop of severe labor shortages, as well as a shift to cashless transactions associated with the consumption-tax hike. Under these circumstances, in addition to favorable sales of digital contract solutions, application performance management software, and mobile payment devices and services, net sales of products for individuals also grew. In terms of income, profit increased year on year by continuing to improve profits for each product.

Others

Net sales under Others amounted to 29.5 billion yen, a year-on-year increase of 1.2 billion yen, or 4.3%. Operating profit was 0.3 billion yen, a year-on-year decrease of 0.3 billion yen, or 53.2%. Despite the impact of the spread of the novel coronavirus in the fourth quarter, in addition to reaction following the consumption-tax hike in the Clocks Business and the Wako Business, net sales for the full year increased year on year. However, operating profit fell year on year due to changes in the business mix.

(2) Financial Condition

-Assets

Total assets at the close of the fiscal year ended March 31, 2020 amounted to 299.9 billion yen, a decrease of 3.0 billion yen from the close of the previous fiscal year. Total current assets came to 138.1 billion yen, a decrease of 0.8 billion yen from the close of the previous fiscal year. This was due to increases of 4.8 billion yen in merchandise and finished goods, 1.8 billion yen in raw materials and supplies, and 2.2 billion yen in accounts receivable - other, offsetting decreases of 7.7 billion yen in cash and deposits and 3.0 billion yen in notes and accounts receivable - trade. Under non-current assets, while property, plant and equipment increased 5.4 billion yen, as a result of adopting IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from the first quarter of the fiscal year ended March 31, 2020, decreases of 1.2 billion yen in intangible assets and 7.1 billion yen in investment securities under investments and other assets resulted in total non-current assets of 161.8 billion yen, a decrease of 2.1 billion yen relative to the close of the previous fiscal year.

-Liabilities

For liabilities, total borrowings came to 109.6 billion yen, due to an increase of 9.5 billion yen in short-term borrowings, as well as decreases of 2.8 billion yen in current portion of long-term borrowings and 1.4 billion yen in long-term borrowings. In addition, current liabilities and non-current liabilities increased by 1.0 billion yen and 3.3 billion yen, respectively, due to the adoption of IFRS 16 "Leases," while notes and accounts payable - trade decreased by 4.5 billion yen, and accounts payable - other decreased by 0.6 billion yen. As a result, total liabilities amounted to 195.7 billion yen, an increase of 3.0 billion yen from the close of the previous fiscal year.

-Net assets

With regard to net assets, total net assets decreased by 6.1 billion yen over the close of the previous fiscal year to become 104.2 billion yen, owing to decreases of 4.6 billion yen in valuation difference on available-for-sale securities and 1.6 billion yen in foreign currency translation adjustment.

(3) Overview of Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2020 came to 26.1 billion yen, a decline of 7.7 billion yen relative to the end of the previous fiscal year. This is primarily due to the following factors:

-Cash flows from operating activities

Net cash provided by operating activities came to positive 2.7 billion yen (compared to a positive cash flow of 17.5 billion yen for the previous fiscal year), a decrease of 14.8 billion yen year on year. This was the result of the Company posting 6.2 billion yen in income before income taxes, factoring in depreciation amounting to 10.3 billion yen, as well as 2.3 billion yen in decrease (increase) in trade receivables, 7.4 billion yen in decrease (increase) in inventories (posted as a decrease), 4.3 billion yen in increase (decrease) in trade payables (posted as a decrease), and 1.7 billion yen in income taxes paid (posted as a decrease).

-Cash flows from investing activities

Net cash used in investing activities came to negative 10.6 billion yen (compared to a negative cash flow of 7.0 billion yen for the previous fiscal year) due to cash flows consisting mainly of 8.8 billion yen in purchase of property, plant and equipment (posted as a decrease).

-Cash flows from financing activities

Net cash used in financing activities came to positive 0.6 billion yen (compared to a negative cash flow of 10.6 billion yen for the previous fiscal year) due mainly to repayments and borrowings of long- and short-term borrowings that combined for a net amount of 5.2 billion yen, as well as 1.4 billion yen in repayments of lease obligations (posted as a decrease) and 3.1 billion yen in cash dividends paid (posted as a decrease).

The trends of the cash flow indicators are as follows:

Indicators \ Fiscal year	FY2015	FY2016	FY2017	FY2018	FY2019
Equity capital ratio (%)	28.7	29.8	34.1	36.0	34.4
Equity capital ratio on market value (%)	28.0	28.5	34.7	35.8	24.0
Interest-bearing debt to cash flows ratio (Years)	8.3	31.7	4.0	6.0	40.5
Interest coverage ratio	6.9	2.4	21.6	17.7	2.7

(Note) 1. Calculation formula of the indicators

-Equity capital ratio: Equity / Total assets

-Equity capital ratio on market value: Aggregate market price (Closing price at the end of the fiscal year × Number of shares outstanding at the end of the fiscal year) / Total assets

-Interest-bearing debt to cash flows ratio: Interest-bearing debt (Short- and long-term loans payable) / Operating cash flows

-Interest coverage ratio: Operating cash flows / Interest expenses paid

2. Numbers used for calculation

Each indicator is calculated by the consolidated financial figures.

-Interests: Interest expenses of the consolidated statement of cash flows.

(4) The financial resources for capital and the liquidity of funds of the Group

The Group's demand for funds mainly comes from demand for operating capital, such as manufacturing costs and selling, general and administrative expenses, and demand for investment aimed at corporate growth and corporate value improvement, such as capital investment, research and development expenses and branding expenses. The Group's principle sources of funds are cash flows from operating activities and financing through interest-bearing debts.

With regard to the liquidity of funds, cash and cash equivalents as of March 31, 2020 were 26.1 billion yen, and the Company recognizes that the appropriate level is secured for future demand for funds. The Company and domestic operating companies have introduced a cash management system to enhance the efficiency of group-wide fund management. We maintain commitment line agreements with multiple financial institutions, in order to stably ensure certain levels of ordinary working capital under the environment affected by the novel coronavirus, etc.

The positioning of the Group's Seventh Mid-Term Management Plan, which commenced in the fiscal year ended March 31, 2020, is an "aggressive approach." The Company and the Group aim to win by stepping up investment for further growth and promote the following measures.

*Thoroughly implementing investment management to achieve "wins" through the generation of operating cash flow to support the "aggressive approach" period, well balanced investing cash flow, and cost controlled financing cash flow

*Continuously improving equity capital ratio (to 40%) by accumulating profit, and maintaining stable dividends

(5) Significant accounting policies and estimates and assumptions for the estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. The significant accounting policies applied by the Group in the preparation of the consolidated financial statements are explained in "V. Financial Information [Notes- important matters that are the basis for preparation of consolidated financial statements]." In the preparation of consolidated financial statements, accounting estimates were made based on reasonable standards. However, the estimates inherently involve uncertainties, and changes in these estimates may affect the Group's financial position and business results for the following fiscal year and onward. Of these accounting estimates and assumptions used as prerequisite to such estimates, those of significance and associated supplementary notes are as follows:

Impairment of fixed assets

In accounting for impairment loss of non-current assets, assets are classified into groups by business units for management accounting in principle. The real estate for rent, idle real estate, and real estate to be sold are classified into groups by individual properties. For assets or asset groups of non-current assets that show signs of impairment, we reasonably estimate future cash flows to be generated from the assets or asset groups, based on factors including historical performance and business plans. If the cumulative amount of the cash flows falls below carrying amounts, the carrying amounts are reduced to the recoverable value, and this reduced amount is recorded as impairment loss.

In identifying signs of impairment and recognizing and measuring impairment loss, we use estimates of future cash flows, etc. and assumptions prerequisite to such estimates. Future changes in the prerequisite or assumptions due to changes in the business environment and other factors may affect the impairment accounting of non-current assets.

The Company posted 240 million yen of impairment loss in the current fiscal year. Refer to (Notes - Consolidated statement of income), (1) Consolidated Financial Statements, 1. Consolidated Financial Statements, V. Financial Information for the detail.

Recoverability of deferred tax assets

We reasonably estimate the future taxable income of each taxable entity based on factors including the historical performance and business plans. Deferred tax assets are recorded for the portion of such taxable income that is deemed to have mitigating effects on the future tax burden, thus considered recoverable. In the event of changes in the estimate of the future taxable income, due to changes in the business environment or amendments to the relevant laws and regulations, the amount recognized as deferred tax assets may be affected.

Refer to (Tax effect accounting), (1) Consolidated Financial Statements, 1. Consolidated Financial Statements, V. Financial Information for the significant components of deferred tax assets and liabilities.

In addition, Refer to (Supplementary information), (1) Consolidated Financial Statements, 1. Consolidated Financial Statements, V. Financial Information for accounting estimates associated with the spread of the novel coronavirus. Such estimates are the best estimates at the time when consolidated financial statements are prepared, and the assumptions used in making the estimates are highly uncertain. Thus, if the timing of the containment of the novel coronavirus and its impact on the business environment change from the original assumptions, that may affect the Group's financial position and business results for the following fiscal year.

4. Critical Contracts for Operation

A subsidiary of SHD, Seiko Instruments Inc. (hereinafter “SII”) has agreed to and concluded a share transfer agreement with MinebeaMitsumi Inc. and Development Bank of Japan Inc., to transfer all shares held in ABLIC Inc., an affiliated company accounted for using equity method of SHD, to MinebeaMitsumi Inc. on December 17, 2019. In accordance with the agreement, SII executed the share transfer on April 30, 2020.

Refer to (Significant events after reporting period), (1) Consolidated Financial Statements, 1. Consolidated Financial Statements, V. Financial Information for detail.

5. Research and Development Activities

Research and development expenses for the entire Group for the fiscal year ended March 31, 2020 were 4.6 billion yen. The Group conducts research and development activities mainly relating to the Electronic Devices Business. Research and development expenses for the Electronic Devices Business and for businesses other than the Electronic Devices Business were 2.3 billion yen and 2.2 billion yen, respectively.

“Craftsmanship” creates new value based on our advanced techniques and know-how. “Miniaturization” reduces product size through precision processing and high-density assembly technologies. “Efficiency” promotes the most efficient use of all resources including energy. Pursuing the technology, we will be the bedrock of constant technological innovation and create new products and technology.

The Group’s main research and development activities are as follows:

(1) Electronic Devices Business

In the Electronic Devices Business, the Group is promoting the development of products for long-term growth markets, such as precision parts for automobiles, by perfecting the “Craftsmanship, Miniaturization, Efficiency” technologies we have cultivated as the basics for the manufacture of watches, and advancing our compact precision design and processing technologies.

(2) Other than the Electronic Devices Business

In the Watches Business, the Group, with an eye on “product development to remain competitive after 10 years,” is conducting a wide range of development activities, ranging from the development of movements, such as new high-end movements, to materials and designs of exteriors, in order to achieve a shift to upscale and high-value-added products. Furthermore, the Group is fostering manufacturing technologies for such items and developing technologies toward the optimization of the processing process.

In the Systems Solutions Business, the Group is developing “new products and new services” to expand business domains such as AI learning for sign detection system and carrying out activities to research and acquire new technologies for that purpose.

In the businesses that belong to the Others, the Group is making research and development investment for the development and design of clock movements and finished products.

III. Information about Facilities

1. Overview of Capital Expenditures, etc.

The Company invested 2,069 million yen in the Watches Business and 2,324 million yen in the Electronic Devices Business primarily to reinforce and renew manufacturing and other facilities, and 1,229 million yen in the Systems Solutions Business primarily to acquire software for sales in the market, respectively. In addition, the Company invested 1,307 million yen of capital expenditures in the acquisition of rental facilities for external parties and subsidiaries (in Chuo-ku, Tokyo, and Shizukuishi-cho, Iwate-gun, Iwate).

2. Major Facilities

The Group (the Company and the subsidiaries)'s major equipment and facilities are summarized as follows:

(1) The Company

As of March 31, 2020

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m ²)	Total	
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings	188	-	113	-	301	139
Rental facilities for Subsidiaries (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores, etc.	3,151	-	179	15,163 (1)	18,493	-
Other rental facilities (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores for rent, Office buildings, etc.	111	-	0	2,717 (94)	2,828	-

(2) Domestic subsidiaries

As of March 31, 2020

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m ²)	Total	
Morioka Seiko Instruments Inc. (Shizukuishi-cho, Iwate- gun, Iwate) *1	Watches	Manufacturing facilities for watches	1,088	1,353	1,162	1,349 (111)	4,955	609
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Electronic Devices, Headquarters	Office buildings, etc.	130	15	61	-	207	310
Takatsuka Unit of Seiko Instruments Inc. (Matsudo-shi, Chiba) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	2,929	1,457	110	4,824 (59)	9,321	243
Sendai Unit of Seiko Instruments Inc. (Aoba-ku, Sendai-shi, Miyagi)	Electronic Devices	Manufacturing facilities for batteries, etc.	2,323	722	112	1,440 (94)	4,598	278
Akita Unit of Seiko Instruments Inc. (Daisen-shi, Akita) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	856	423	7	532 (132)	1,821	123
Ohno Unit of Seiko Instruments Inc. (Ichikawa-shi, Chiba)	Electronic Devices	Manufacturing facilities for cutting tools and precision parts	411	72	32	2,025 (15)	2,541	84
Tochigi Unit of SII Crystal Technology Inc. (Tochigi-shi, Tochigi)	Electronic Devices	Manufacturing facilities for quartz crystals	356	648	398	28 (40)	1,431	87
Nasu-Shiobara Unit of SEIKO NPC CORPORATION (Nasu-Shiobara-shi, Tochigi)	Electronic Devices	Manufacturing facilities for semiconductors	261	108	10	770 (100)	1,150	198
Makuhari Head Office of SEIKO Solutions Inc. (Mihama-ku, Chiba-shi, Chiba)	Systems Solutions	Office buildings and development facilities for systems solutions products	281	0	2,781	-	3,062	675
Shirakawa Estate Co., Ltd. (Chuo-ku, Tokyo, etc.)	Others	Stores for rent and office buildings	1,260	-	13	11,365 (1)	12,639	-

(3) Overseas Subsidiaries

As of March 31, 2020

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m ²)	Total	
Seiko Watch of America LLC (Mahwah U.S.A.)	Watches	Office buildings	-	15	50	-	66	76
SEIKO U.K. Limited (Maidenhead U.K.)	Watches	Office buildings	188	4	40	1,040 (22)	1,274	62
SEIKO Hong Kong Ltd. (Kowloon Hong Kong)	Watches	Office buildings	679	-	-	-	679	140
SEIKO Australia Pty.Ltd. (Macquarie Park Australia)	Watches	Office buildings	114	-	30	410 (11)	556	37
Seiko Instruments Singapore Pte.Ltd. (Singapore Singapore)	Watches	Manufacturing facilities for watch movements	196	1,648	321	-	2,167	501
	Electronic Devices	Manufacturing facilities for electronic components, etc.	480	28	123	-	632	56
Dalian Seiko Instruments Inc. (Dalian P. R. China)	Watches	Manufacturing facilities for watch movements	1,383	770	86	-	2,240	564
	Electronic Devices	Manufacturing facilities for precision parts	554	1,296	123	-	1,974	352
Seiko Instruments (Thailand) Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for hard disk drive components, etc.	1,288	1,086	203	419 (119)	2,997	1,026
SEIKO Precision (Thailand) Co., Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for precision parts, etc.	531	173	77	367 (78)	1,151	813

(Note) 1. "Book value" of "Tools, furniture and fixtures, etc." consists of tools, furniture and fixtures, construction in progress, software and lease assets.

2. *1 Includes the manufacturing facilities owned by SEIKO WATCH CORPORATION and the land, etc. owned by Seiko Instruments Inc.

3. *2 Includes the manufacturing facilities owned by SII Printek Inc.

4. Other than the above facilities, the Group has major rental facilities stated below:

The Company As of March 31, 2020

Facility (Location)	Segment	Description	Rent or lease expenses (Millions of yen)
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings *1	Annual total: 588

*1 A part of the office is sub-leased to subsidiaries.

Domestic subsidiaries As of March 31, 2020

Facility (Location)	Segment	Description	Rent or lease expenses (Millions of yen)
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Electronic Devices, Headquarters	Office buildings	Annual total: 1,810

3. Plans for New Additions or Disposals

Plans for new additions or disposals of major facilities are as follows:

(1) New additions

Company (Location)	Segment	Description	Planned amount		Method of financing	Planned schedule		Ability after completi on
			Total (Millions of yen)	Paid (Millions of yen)		Start	Completion	
The Company (Shizukuishi-cho, Iwate-gun, Iwate)	Corporate	Rental facilities for subsidiaries	1,500	607	Own capital	July 2019	July 2020	Additional
The Company (Chuo-ku, Tokyo)	Corporate	Rental facilities for subsidiaries	1,370	5	Own capital	February 2020	August 2020	(Note 1)
The Company (Chuo-ku, Tokyo)	Corporate	Rental facilities	1,620	3	Own capital	February 2020	September 2021	Additional
SEIKO WATCH CORPORATION (Shizukuishi-cho, Iwate-gun, Iwate)	Watches	Manufacturing facilities for watches	2,084	441	Own capital	May 2019	March 2022	Additional

(Note 1) Refurbishment of retail facilities, etc.

IV. Information about Reporting Company

1. Information about Shares, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common share	149,200,000
Total	149,200,000

2) Issued shares

Class	Number of shares issued as of the end of the fiscal year (March 31, 2020)	Number of shares issued as of the filing date (June 26, 2020)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common share	41,404,261	41,404,261	Tokyo Stock Exchange (First Section)	Number of shares for share unit: 100 shares
Total	41,404,261	41,404,261	-	-

(2) Changes in number of issued shares, capital stock, etc.

Date	Change in the total number of issued shares (Thousands)	Balance of the total number of issued shares (Thousands)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
October 1, 2017 (Note)	(165,617)	41,404	-	10,000	-	2,378

(Note) The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017.

(3) Shareholding by shareholder category

As of March 31, 2020

Classification	Status of shares (1 unit=100shares)								Shares under one unit Financial institutions
	National and local governments	Financial institutions	National and local governments	Financial institutions	National and local governments		Financial institutions	National and local governments	
					Non-individuals	Individuals			
Number of shareholders	-	34	30	109	197	13	10,429	10,812	-
Number of shares hold (units)	-	88,154	6,548	78,592	77,647	124	162,325	413,390	65,261
Ownership percentage of shares (%)	-	21.33	1.58	19.01	18.78	0.03	39.27	100	-

(Notes) 1. Of 162,609 shares of treasury stock, 1,026 units are included in “Financial institutions” column, 600 units in “Individuals and others” column and 9 units in “Shares under one unit” column.

2. “Financial institutions” include 1,026 units of shares owned by Trust & Custody Services Bank, Ltd. (Trust E account) as a trust property of the “Board Benefit Trust (BBT).”

3. Of the shares registers in the name of Japan Securities Depository Center, Inc., 4 units are included in “Other corporations” column and 77 units are included in “Shares under one unit”.

(4) Major shareholders

As of March 31, 2020

Name	Address	Number of shares hold (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
Sanko Kigyo K.K.	6-1, Ginza 5-chome, Chuo-ku, Tokyo	4,436	10.7
Etsuko Hattori	Minato-ku, Tokyo	3,613	8.7
Shinji Hattori	Shibuya-ku, Tokyo	2,279	5.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	1,992	4.8
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,800	4.4
Hideo Hattori	Shinagawa-ku, Tokyo	1,620	3.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	1,318	3.2
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT (Standing agent: MUFG Bank, Ltd.)	GOLDMAN SACHS AND CO, 180 MAIDEN LANE, 37/90TH FLOOR, NEW YORK, NY 10038 U.S.A. (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	809	2.0
SHIMIZU CORPORATION	16-1, Kyobashi 2-chome, Chuo-ku, Tokyo	744	1.8
FUJI BUILDING Co., Ltd.	13-9, Nihombashi Muromachi 1-chome, Chuo-ku, Tokyo	671	1.6
Total	-	19,286	46.6

(Note) 1. On November 8, 2019, Mizuho Bank, Ltd. and its joint holders, Mizuho Trust & Banking Co., Ltd. and Asset Management One Co., Ltd. issued a Large Shareholding Report that each of the three companies holds shares of the Company listed below as of October 31, 2019. However, the information in the report is not described in the above table since the Company does not confirm the actual status of shareholdings as of March 31, 2020.

The major contents of the reports are as follows.

Name	Address	Share ownership (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo	500	1.2
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	105	0.3
Asset Management One Co., Ltd.	8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,042	2.5

2. On January 21, 2020, Goldman Sachs Japan Co., Ltd. and its joint holders, Goldman Sachs International, Goldman Sachs & Co. LLC, Goldman Sachs Asset Management Co., Ltd. and Goldman Sachs Asset Management, L.P. issued a Large Shareholding Report that each of the three companies holds shares of the Company listed below as of January 15, 2020. However, the information in the report is not described in the above table since the Company does not confirm the actual status of shareholdings as of March 31, 2020.

The major contents of the reports are as follows.

Name	Address	Share ownership (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
Goldman Sachs Japan Co., Ltd.	10-1, Roppongi 6-chome, Minato-ku, Tokyo	(0)	0.0
Goldman Sachs International	Plumtree Court, 25 Shoe Lane, London EC4A 4AU, United Kingdom	60	0.2
Goldman Sachs & Co. LLC	200 West Street, New York, New York 10282, U.S.A.	208	0.5
Goldman Sachs Asset Management Co., Ltd.	10-1, Roppongi 6-chome, Minato-ku, Tokyo	480	1.2
Goldman Sachs Asset Management, L.P.	200 West Street, New York, New York 10282, U.S.A.	1,055	2.6

(5) Voting rights

1) Issued shares

As of March 31, 2020

Classification	Number of shares	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Others)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	Common share 111,400	-	-
Shares with full voting rights (Others)	Common share 41,227,600	412,276	-
Shares under one unit	Common share 65,261	-	Shares under one unit (100 shares)
Total shares issued	41,404,261	-	-
Total voting rights held by all shareholders	-	412,276	-

(Note) 1. The “Shares with full voting rights (Others)” column includes 102,600 shares of the Company held in the Board Benefit Trust (BBT) (1,026 voting rights) and 400 shares under the name of Japan Securities Depository Center, Incorporated (4 voting rights).

2. The “Shares less than one unit” column includes 9 shares of treasury shares owned by the Company, 61 shares of cross-held shares owned by OHARA INC., 20 shares of cross-held shares owned by HAYASHI SEIKI SEIZO Co., Ltd., and 77 shares under the name of Japan Securities Depository Center, Incorporated.

2) Treasury shares, etc.

As of March 31, 2020

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
SEIKO HOLDINGS CORPORATION	5-11, Ginza 4-chome, Chuo-ku, Tokyo	60,000	-	60,000	0.1
OHARA INC.	15-30, Oyama 1-chome, Chuo-ku, Sagamihara-shi, Kanagawa	51,200	-	51,200	0.1
HAYASHI SEIKI SEIZO Co., Ltd.	45, Mukai Hinata, Morijuku, Sukagawa-shi, Fukushima	200	-	200	0.0
Total	-	111,400	-	111,400	0.3

(Note) 102,600 shares of the Company's shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

(6) Officer / employee share ownership program

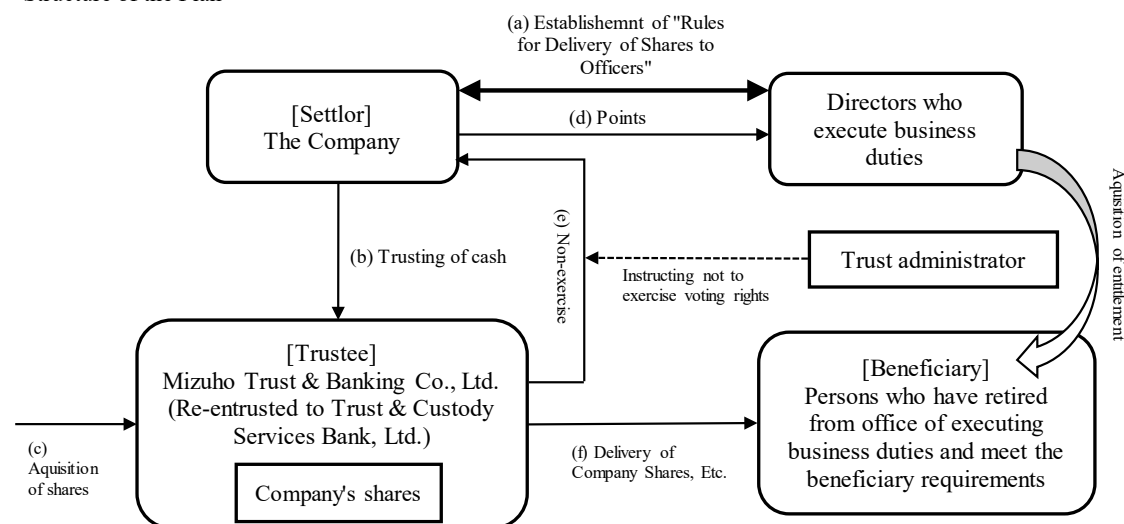
(Introduction of the stock compensation plan for the company’s directors who execute business duties)

The Company resolved at the Board of Directors meeting held on May 10, 2016, to introduce a new performance-linked stock compensation plan, “Board Benefit Trust (BBT)” (hereinafter, “the Plan”), for the Company’s Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors.) The proposal concerning the Plan was submitted to the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 (hereinafter, the “General Meeting of Shareholders”), and it was approved.

1) Outline of the Plan

The Plan is a performance-based stock compensation plan where the Company’s shares are acquired through a trust with funds contributed by the Company (the trust created under the Plan hereinafter being referred to as the “Trust”), and the Company’s shares, and cash equivalent to the market value of the Company’s shares, (“Company Shares, Etc.”) are provided to the Directors who execute business duties through the Trust in accordance with the “Rules for Delivery of Shares to Officers” stipulated by the Company. The time at which a Director who executes business duties receives Company Shares, Etc. shall, in principle, be when he or she retires from office.

<Structure of the Plan>



- (a) Subject to the passing of a resolution of the compensation for officers concerning the Plan at this General Meeting of Shareholders, the Company established the “Rules for Delivery of Shares to Officers” within the scope approved by the meeting.
- (b) The Company will deposit cash in trust within the scope approved by this General Meeting of Shareholders as set forth in (a).
- (c) The Trust will acquire the Company’s shares through stock markets or by subscribing to treasury shares of the Company by using the cash deposited in trust as set forth in (b).
- (d) The Company will award points to each Director who executes business duties in accordance with the “Rules for Delivery of Shares to Officers.”
- (e) In accordance with the instructions of the trust administrator independent from the Company, the Trust will not exercise voting rights for the Company’s shares in the Trust account.
- (f) The Trust will deliver Company’s shares to a Director who executes business duties and has retired from office and who meets the beneficiary requirements stipulated in the “Rules for Delivery of Shares to Officers” (a “Beneficiary”), in proportion to the number of points awarded to the Beneficiary. However, if an Executive Director meets the requirements stipulated in the “Rules for Delivery of Shares to Officers,” the Company may pay him or her cash equivalent to the market value of the Company’s shares for a certain percentage of his or her points, instead of delivering such shares.

2) Total number or total amount of shares to be acquired by the Directors who execute business duties

The Company contributed 240 million yen as of August 26, 2016, and Trust & Custody Services Bank, Ltd. (Trust E

account) acquired 540,000 shares of the Company at 170 million yen. Whether the Trust E account will acquire shares of the Company in the future is undecided.

The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. The number of treasury shares held in the Trust E account as of March 31, 2020 was 102,600 shares.

3) Scope of persons who are entitled to beneficiary rights or other rights under the Plan

Persons who meet beneficiary requirements prescribed in the the “Rules for Delivery of Shares to Officers,” among those who retired from the Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors).

2. Dividend Policy

With regard to profit allocation, the basic policy is to continue to distribute stable dividends with consideration of capital efficiency and stable profit distribution to shareholders, while enhancing capital adequacy. In addition, the Company's major profit return policy to shareholders is to return profits by dividends.

The Company's basic policy is to distribute the surplus twice a year as an interim dividend and a year-end dividend, and the decision-making bodies for the distribution of surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

In addition, the Company stipulates in the Articles of Incorporation that an interim dividend prescribed in Article 454, Paragraph 5 of the Companies Act may be distributed on September 30 each year as the record date by a resolution of the Board of Directors.

For the fiscal year ended March 31, 2020, the Company decided to pay an interim dividend of 37.5 yen per share and a year-end dividend of 37.5 yen per share based on the above policy.

Dividends for the 159th business term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors meeting held on November 12, 2019	1,550	37.50
Annual General Meeting of Shareholders held on June 26, 2020	1,550	37.50

3. Explanation about Corporate Governance, etc.

(1) Explanation about corporate governance

1) Basic principles of corporate governance

As a company based on the principles to being “A Company that is Trusted by Society”, the Company sees as core business challenges compliance with all laws and regulations, implementation of management transparency and fairness, and honoring social ethics—and to realize these goals by striving to apply and reinforce its corporate governance framework. The Company will work to drive sustainable growth and enhance the corporate value of the Company and the Group.

2) Overview of the corporate governance structure of the Company, reasons for adopting such structure, and other matters concerning corporate governance

As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function.

(Board of Directors)

The Board of Directors is composed of 11 Directors (including two female directors), of whom two are Outside Directors. The Board of Directors, pursuant to the Regulations of the Board of Directors, is engaged in decision-making concerning fundamental management matters and important business execution, in addition to matters set forth in laws and regulations and the Articles of Incorporation, as well as the monitoring of business execution. Decisions regarding business execution other than the above have been delegated to the management pursuant to the Regulations of Administrative Authority.

As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function. The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when necessary, as well as carries out quick and appropriate decision-making. The Company holds a Management Council comprising full-time officers of the Company and the respective Presidents of operating companies for the purpose of working to share the management policy and management information of the Group. The Company also holds a Strategic Conference for Management for the purpose of deliberating basic matters of business execution and promoting management activities appropriately and promptly.

(Board of Auditors)

The Board of Auditors is composed of two Corporate Auditors of the Company and three Outside Corporate Auditors. Its role is to make decisions on all matters related to the audit. The Corporate Auditors audit the compliance and validity of the Directors' business execution by participating in the Board of Directors meetings and other important meetings. The Outside Corporate Auditors offer necessary advice, suggestions and opinions, making use of their broad experience and insight in business management. The members of the Board of Auditors are as described in (2) Information about Officers and the chairperson is Mr. Haruhiko Takagi, the standing Corporate Auditor of the Company.

(Corporate Governance Committee)

In order to enhance the objectivity and transparency of management, the Company establishes the Corporate Governance Committee where outside officers account for the majority of members, as an advisory body for the Board of Directors. The Committee deliberates on matters relating to compensation for officers, nomination of officer candidates, appointment and dismissal of Representative Directors, Directors with special titles, and Directors who execute business duties, and other matters regarding corporate governance from an objective and fair perspective, and reports to the Board of Directors.

The members and the chairperson of the Corporate Governance Committee as of the date of submission of the Annual Securities Report are as follows:

Chairperson	President	Yoshinobu Nakamura
Members	Chairman & Group CEO	Shinji Hattori
	Outside Director	Tsuyoshi Nagano
	Outside Director	Yasuko Teraura
	Outside Corporate Auditor	Tomoyasu Asano
	Outside Corporate Auditor	Hideki Amano
	Outside Corporate Auditor	Masatoshi Yano

The Company believes its corporate governance system is optimal in realizing the above important management issues under the management system operated by the Company as a holding company on a consolidated basis.

The Company has been developing its internal control systems according to the following basic policies.

- (a) System to ensure that the duties of directors and employees are executed in compliance with laws and regulations and the Articles of Incorporation
- In order for Directors and employees to comply with corporate ethics, laws and regulations, and internal rules, the Company shall establish the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” to thoroughly ensure their compliance with corporate ethics and laws and regulations, as follows:
- i) The President shall repeatedly convey the spirit of the “Basic Principles of Corporate Ethics” to all Directors and employees to ensure that compliance with corporate ethics and the laws and regulations are the basis for every corporate activity.
 - ii) The “Corporate Ethics Committee” chaired by the President shall discuss corporate ethical issues that might significantly affect the Company and its subsidiaries (the “Company Group”) and matters related to revisions of the system to comply with corporate ethics, and report the discussion results to the Board of Directors.
 - iii) The Company shall develop a system where any Director or employee who finds any action suspected of violating the laws and regulations can promptly report it to the “Corporate Ethics Committee”, and establish a “Corporate Ethics Helpline” as means for transmitting information.
 - iv) The Company shall continuously provide training sessions on corporate ethics for Directors and employees to foster and enhance their awareness of compliance with corporate ethics and laws and regulations.
- (b) System to store and manage information regarding execution of the duties of directors
- i) Pursuant to the “Internal Document Management Rules”, the Company shall record information regarding execution of the duties of Directors in a document or electromagnetic medium, and properly store and manage it.
 - ii) Directors and Corporate Auditors may inspect such document or medium at any time pursuant to the “Internal Document Management Rules”.
- (c) Regulations and systems for loss risk management of the Company and its subsidiaries
- i) Pursuant to the “Risk Management Rules”, the Company shall set forth the basic policy for risk management of the Company Group and develop a risk management system.
 - ii) The Company shall establish the “Risk Management Committee” chaired by the President in order to build, develop and monitor risk management processes, including understanding business risks that might affect the activities of the Company Group, and identifying, analyzing, evaluating and monitoring risks.
 - iii) The Risk Management Committee shall report the status of each risk to the Board of Directors, regularly or as necessary, pursuant to the “Risk Management Rules”.
- (d) System to ensure that the duties of directors of the Company and its subsidiaries are efficiently executed
- i) The Company shall develop a mid-term management plan as the target to be shared by Directors and employees of the Group. It shall also review the progress of annual forecasts consisting of the plan quarterly using the management accounting method, and discuss and implement remedial measures therefor, thereby promoting the efficiency of operations.
 - ii) In order to respect autonomous and independent management of its subsidiaries while contributing to the proper and efficient operation of the Group management, the Company shall develop basic management rules therefor. It shall also establish the “Management Council” comprising standing Directors of the Company and respective Presidents of operating subsidiaries, to share the management policy and management information of the Group.
 - iii) The Company shall clarify the assignment of duties among the Directors, and the responsibility and authority of each division/department, thereby securing the efficient execution of duties.
- (e) System to ensure the proper operations of the corporate group comprising the Company and its subsidiaries
- i) The Company shall assist its subsidiaries to develop a system to comply with corporate ethics, and laws and regulations, and other systems to ensure their proper operations.
 - ii) Each subsidiary shall share the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” established by the Company, and manage its operations pursuant to them. The Company shall set forth the rules for reporting any violation of laws and regulations by any subsidiary, and assist its subsidiaries to develop their internal reporting systems.
 - iii) Pursuant to the “Consolidated Business Management Rules”, the Company shall request that each subsidiary consult in advance with, and report to, the Company regarding significant management-related matters, and whenever necessary,

shall dispatch its officers or employees as Directors or Corporate Auditors of the subsidiary to properly supervise and audit the subsidiary.

iv) Pursuant to the “Consolidated Business Management Rules”, each subsidiary shall report its business results, financial position and other important matters to the Company, and whenever necessary, the President of the relevant subsidiary shall report the execution status of the operations to the Company’s Board of Directors.

v) The Company’s Internal Audit Department shall conduct internal audits on each subsidiary regarding the execution status of the operations, compliance with laws and regulations, and the Articles of Incorporation, and risk management.

(f) Matters related to employees to assist the duties of Corporate Auditors

i) There shall be a system where the Internal Audit Department will assist the duties of Corporate Auditors.

ii) Employees posted to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.

iii) Regarding any replacement of the General Manager of the Internal Audit Department, the President shall discuss with the Board of Corporate Auditors in advance, and respect the Board of Corporate Auditors’ opinions.

(g) System for reporting to Corporate Auditors

i) Each Director and employee of the Company shall regularly report the status of finance, compliance with corporate ethics, risk management, and internal audits to Corporate Auditors; if any Director/employee finds any fact likely to significantly damage the Company or its subsidiaries or any violation of laws and regulations or internal rules, he/she shall immediately report it to Corporate Auditors.

ii) The Company shall develop a reporting system where if any Director, Corporate Auditor or employee of a subsidiary finds any material violation of laws and regulations or internal rules regarding the execution of operations of the Company or the subsidiary, or any fact likely to significantly damage the Company, he/she or the person who was reported by him/her shall report it to the Company’s Corporate Auditors.

iii) The Company shall develop necessary systems so that the person who made the report in the preceding two paragraphs might not be treated disadvantageously because of having made such report.

iv) In conducting internal audits, the General Manager of the Internal Audit Department shall cooperate with standing Corporate Auditors in advance, and make efforts to report important matters to standing Corporate Auditors in a timely manner. In addition, the General Manager shall report the results of internal audits to standing Corporate Auditors without delay, and regularly report them to the Board of Corporate Auditors.

(h) Other systems to ensure that audits by Corporate Auditors are effectively conducted

i) The Company shall ensure a system where, besides the Internal Audit Department, the General Affairs Department, the Accounting Department and the Finance & Corporate Strategy Planning Department will assist audits by Corporate Auditors from time to time based on respective instructions of Corporate Auditors.

ii) The Company shall ensure that Corporate Auditors will attend important meetings and committees established to ensure proper operations, and to be held in a timely manner, by the Board of Directors.

iii) The President shall meet with the Board of Corporate Auditors, as necessary, and exchange opinions regarding important management issues.

iv) If a Corporate Auditor requests that the Company pay expenses incurred in executing his/her duties, the Company shall promptly pay them unless the Company proves that they are not necessary for the Corporate Auditor to execute his/her duties.

The Company has determined in its Articles of Incorporation that the Company may pay an interim dividend as provided by Article 454, paragraph 5 of the Companies Act by a resolution of the Board of Directors, so that the Company can return profits flexibly to shareholders.

6) Requirements for the adoption of special resolutions of General Meetings of Shareholders

The Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds or more the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders. (Article 17, paragraph 2 of the Articles of Incorporation)

(2) Information about Officers

1) Officers

Male: 14; Female: 2 (Percentage of female: 12.5%)

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Chairman & Group CEO	Shinji Hattori	January 1, 1953	<p>April 1975 Joined Mitsubishi Corporation</p> <p>July 1984 Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)</p> <p>January 1996 Director of Seiko Precision Inc.</p> <p>June 2001 President of Seiko Precision Inc.</p> <p>June 2003 President & CEO of SEIKO WATCH CORPORATION</p> <p>June 2007 Director of the Company</p> <p>June 2009 Executive Vice President of the Company</p> <p>April 2010 President of the Company</p> <p>October 2012 Chairman & Group CEO of the Company (to present)</p> <p>June 2015 President & CEO of SEIKO WATCH CORPORATION</p> <p>April 2017 Chairman & CEO of SEIKO WATCH CORPORATION (to present)</p>	(Note 4)	2,279,289
President	Yoshinobu Nakamura	October 21, 1949	<p>April 1972 Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)</p> <p>June 2001 Director of Seiko Precision Inc.</p> <p>June 2003 Director of the Company</p> <p>June 2004 Executive Director & CFO of SEIKO WATCH CORPORATION</p> <p>March 2008 President of Seiko Clock Inc.</p> <p>June 2008 Director of the Company</p> <p>December 2008 Senior Executive Director of the Company</p> <p>May 2010 Representative Director and Senior Executive Director of the Company</p> <p>October 2012 President of the Company (to present)</p> <p>April 2018 Chairman of Seiko Instruments Inc. (to present)</p>	(Note 4)	19,500
Senior Executive Director	Akihiro Okuma	September 9, 1960	<p>April 1984 Joined the Company</p> <p>May 2010 Director of Seiko Clock Inc.</p> <p>June 2013 Director of the Company</p> <p>June 2016 Executive Director of the Company</p> <p>April 2018 Director and Managing Executive Officer of Seiko Instruments Inc.</p> <p>June 2019 Senior Executive Director of the Company (to present)</p> <p>April 2020 Director and Senior Executive Vice President of Seiko Instruments Inc. (to present)</p>	(Note 4)	6,200
Executive Director	Shimesu Takizawa	July 2, 1963	<p>April 1987 Joined the Company</p> <p>August 1993 Seconded to SEIKO U.K. Limited</p> <p>June 2010 General Manager, Finance & Accounting Department of the Company</p> <p>June 2016 Director of the Company</p> <p>March 2017 General Manager, Corporate Strategy & Planning Department (currently Finance & Corporate Strategy Planning Department) of the Company</p> <p>April 2017 Director, Executive Vice President of Seiko Instruments Inc. (to present)</p> <p>June 2018 Outside Director of Jedat Inc. (to present)</p> <p>June 2019 Executive Director of the Company (to present)</p> <p>June 2019 General Manager, Accounting Department of the Company (to present)</p>	(Note 4)	1,900

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Executive Director	Kiyoko Niwasaki	January 20, 1964	April 1986 April 2013 June 2015 June 2018 December 2019 June 2020	Joined the Company Senior Vice President and General Manager, Public Relations Department of SEIKO WATCH CORPORATION Director, Senior Vice President of SEIKO WATCH CORPORATION Director, Executive Vice President of SEIKO WATCH CORPORATION Senior General Manager, Public Relations Department and Sports & Corporate Culture Department, and General Manager, Sports and Corporate Culture Department of the Company Executive Director of the Company (to present)	(Note 4)	1,000
Director	Kazuhiko Sakamoto	November 6, 1965	April 1988 June 1994 April 2007 June 2010 July 2012 June 2015 June 2018 April 2019 June 2019	Joined the Company Seconded to SEIKO Hong Kong Ltd. General Manager, Finance & Accounting Department of WAKO Co., Ltd. General Manager, Corporate Strategy & Planning Department of WAKO Co., Ltd. Senior Vice President of WAKO Co., Ltd. General Manager, Corporate Strategy & Planning Department of the Company Director of the Company (to present) Director, Executive Vice President of WAKO Co., Ltd. (to present) General Manager, Real Estate Department of the Company (to present)	(Note 4)	500
Director	Makoto Ichimura	May 12, 1967	April 1991 April 2010 May 2013 February 2015 June 2016 June 2019 January 2020 April 2020	Joined the Company General Manager, General Affairs Department of WAKO Co., Ltd. General Manager, Secretaries Office of the Company General Manager, Public Relations & Secretaries Department of the Company General Manager, Secretaries Office of the Company (to present) Director of the Company (to present) Outside Director of OHARA INC. (to present) Director and Executive Vice President of Seiko Instruments Inc. (to present)	(Note 4)	500
Director	Shuji Takahashi	August 29, 1957	April 1980 April 2004 February 2011 June 2012 June 2013 April 2014 June 2015 June 2016 April 2017 April 2017	Joined the Company General Manager, Merchandising Department II of SEIKO WATCH CORPORATION Senior Vice President of SEIKO WATCH CORPORATION Director, Senior Vice President of SEIKO WATCH CORPORATION Director of the Company Director, Executive Vice President of SEIKO WATCH CORPORATION Director, Senior Executive Vice President of SEIKO WATCH CORPORATION Executive Director of the Company Director in charge of Watches Business of the Company (to present) President & COO & CMO of SEIKO WATCH CORPORATION (to present)	(Note 4)	3,800

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Director	Tetsu Kobayashi	January 17, 1960	<p>April 1982 Joined Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)</p> <p>March 2005 Executive General Manager, Corporate Strategy Division of Seiko Instruments Inc.</p> <p>June 2007 General Manager, Watch Movement Division of Seiko Instruments Inc.</p> <p>March 2008 Senior Vice President of Seiko Instruments Inc.</p> <p>July 2009 Executive General Manager, Watches Business Headquarters of Seiko Instruments Inc.</p> <p>October 2010 Director of Seiko Instruments Inc.</p> <p>October 2014 President of Seiko Precision Inc.</p> <p>February 2018 Chief Executive Vice President of Seiko Instruments Inc.</p> <p>April 2018 President of Seiko Instruments Inc. (to present)</p> <p>June 2018 Director of the Company (to present)</p>	(Note 4)	5,000
Outside Director	Tsuyoshi Nagano	November 9, 1952	<p>April 1975 Joined Tokio Marine & Fire Insurance Co., Ltd.</p> <p>June 2003 Executive Officer and General Manager of Nagoya Production Dept. III, Tokai Division of Tokio Marine & Fire Insurance Co., Ltd.</p> <p>October 2004 Executive Officer and General Manager of Nagoya Production Dept. III of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>June 2006 Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>June 2008 Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>June 2008 Director of Tokio Marine Holdings, Inc.</p> <p>June 2010 Senior Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>June 2011 Senior Managing Director of Tokio Marine Holdings, Inc.</p> <p>June 2012 Executive Vice President of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>June 2012 Executive Vice President of Tokio Marine Holdings, Inc.</p> <p>June 2013 President & Chief Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>June 2013 President & Chief Executive Officer of Tokio Marine Holdings, Inc.</p> <p>April 2016 Chairman of the Board Tokio Marine & Nichido Fire Insurance Co., Ltd. (Retired in June 2019)</p> <p>June 2019 Chairman of the Board of Tokio Marine Holdings, Inc. (to present)</p> <p>June 2019 Outside Director of the Company (to present)</p>	(Note 4)	2,400
Outside Director	Yasuko Teraura	October 16, 1970	<p>April 2000 Registered as an attorney</p> <p>October 2006 Certified as a New York State attorney</p> <p>March 2010 Established Endeavour Law Office, Partner Attorney of Endeavour Law Office (to present)</p> <p>June 2014 Outside Director of Neturen Co., Ltd. (to present)</p> <p>June 2019 Outside Director of the Company (to present)</p>	(Note 4)	-

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Corporate Auditor	Haruhiko Takagi	January 10, 1959	<p>April 1982 Joined the Company</p> <p>June 2004 General Manager, Finance & Accounting Department of the Company</p> <p>June 2007 Director of the Company</p> <p>November 2009 General Manager, Corporate Planning & Financial Control Division, Seiko Optical Products Co., Ltd.</p> <p>May 2010 Director of Seiko Optical Products Co., Ltd.</p> <p>April 2014 Corporate Auditor, Seiko Solutions Inc.</p> <p>June 2016 Corporate Auditor of the Company (to present)</p> <p>January 2020 Outside Corporate Auditor of OHARA INC. (to present)</p>	(Note 6)	5,800
Corporate Auditor	Takashi Nishimoto	September 9, 1962	<p>April 1985 Joined the Company</p> <p>June 2009 General Manager, General Affairs Department of the Company</p> <p>October 2012 General Manager, Legal & Intellectual Property Department of the Company</p> <p>January 2015 Senior Vice President of SEIKO Solutions Inc.</p> <p>June 2015 Director and Senior Vice President of SEIKO Solutions Inc.</p> <p>April 2019 Director and Executive Vice President of SEIKO Solutions Inc.</p> <p>June 2020 Corporate Auditor of the Company (to present)</p>	(Note 6)	1,100
Outside Corporate Auditor	Tomoyasu Asano	April 27, 1953	<p>April 1978 Joined The Dai-ichi Mutual Life Insurance Co., Ltd.</p> <p>April 2006 Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd.</p> <p>April 2009 Managing Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd.</p> <p>June 2009 Director, Managing Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd.</p> <p>April 2010 Director, Managing Executive Officer of The Dai-ichi Life Insurance Co., Ltd.</p> <p>October 2013 Auditor of Tokyu Fudosan Holdings Corporation (to present)</p> <p>April 2014 Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Co., Ltd.</p> <p>June 2016 Outside Corporate Auditor of the Company (to present)</p> <p>October 2016 Director, Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc. (Retired in March 2017)</p> <p>June 2017 President of The Cardiovascular Institute (to present)</p>	(Note 6)	-
Outside Corporate Auditor	Hideki Amano	November 26, 1953	<p>April 1976 Joined Arthur Andersen (currently KPMG AZSA LLC)</p> <p>September 1980 Registered as a certified public accountant</p> <p>September 1992 Representative Partner of Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC)</p> <p>September 2011 Vice President (Audit Division) of KPMG AZSA LLC</p> <p>July 2015 Executive Senior Partner of KPMG AZSA LLC (retired in June 2016)</p> <p>July 2016 Outside Director of TOPPAN FORMS CO., LTD. (to present)</p> <p>March 2017 Outside Audit & Supervisory Board Member of Kao Corporation (to present)</p> <p>June 2018 Audit & Supervisory Board Members (External) of Ajinomoto Co., Inc. (to present)</p> <p>June 2019 Outside Corporate Auditor of the Company (to present)</p>	(Note 5)	-

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)	
Outside Corporate Auditor	Masatoshi Yano	August 3, 1956	April 1980	Joined The Dai-ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)	(Note 5)	-
			April 2007	Executive Officer, General Manager, Head Office of Mizuho Bank, Ltd.		
			April 2009	Managing Executive Officer of Mizuho Bank, Ltd.		
			April 2011	Deputy President of Mizuho Bank, Ltd. (retired in March 2013)		
			June 2015	President of Chuo Fudosan K.K.		
			June 2018	President of Seiwa Sogo Tatemono Co., Ltd. (to present)		
			June 2019	Outside Corporate Auditor of the Company (to present)		
Total	16 persons				2,326,989	

(Note) 1. Directors Tsuyoshi Nagano and Yasuko Teraura are outside directors of the Company.

2. Corporate Auditors Tomoyasu Asano, Hideki Amano and Masatoshi Yano are outside corporate auditors of the Company.

3. The Company has reported Directors Tsuyoshi Nagano and Yasuko Teraura, and Corporate Auditors Tomoyasu Asano, Hideki Amano and Masatoshi Yano to the Tokyo Stock Exchange as independent officers.

4. The term of office of the Directors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2021.

5. The term of office of the Directors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023.

6. The term of office of the Directors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024.

2) Outside officers

The Company has two Outside Directors and three Outside Corporate Auditors. There are no special relations of interest between each Outside Director, Outside Corporate Auditor and the Company.

(a) Function and qualification for the Outside Directors and Outside Corporate Auditors

The Company nominated Mr. Tsuyoshi Nagano as Outside Director, expecting him to provide valuable comments for the Company's Board of Directors from an objective perspective based on his knowledge and experience cultivated in his career as a management member of corporations over many years, and to perform appropriate supervisory functions. Mr. Nagano is currently serving as Chairman of the Board of Tokio Marine Holdings, Inc. The Tokio Marine Group and the Group have transactions related to insurance contracts. However, these transactions constitute less than one percent of consolidated ordinary income (equivalent to consolidated net sales) of Tokio Marine Holdings, Inc. and the Company's consolidated net sales, and is thus insignificant. In addition, the Group has borrowed funds from the Tokio Marine Group. However, the amount of such borrowings constitutes less than one percent of consolidated total assets of Tokio Marine Holdings, Inc. and the Company, and is thus insignificant. As described in 1) Officers, he holds shares in the Company. The size of his holding is insignificant and is thus believed unlikely to have conflicts of interest with general shareholders. The Company nominated Ms. Yasuko Teraura as Outside Director, expecting her to provide valuable comments for the Company's Board of Directors from an objective perspective based on her many years' of experience and deep insight in the legal profession and to perform appropriate supervisory functions.

The Company nominated Mr. Tomoyasu Asano as Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his long experience and knowledge of corporate management. Mr. Asano had served as Director, Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc. However, Mr. Asano has not been involved in operation of the business of the company since he retired the company in June 2017. The Company has borrowings from The Dai-ichi Life Insurance Company, Limited, a subsidiary of Dai-ichi Life Holdings, Inc. The Dai-ichi Life Group and the Group have transactions related to insurance contracts. However, these transactions constitute less than one percent of consolidated ordinary income (equivalent to consolidated net sales) of Dai-ichi Life Holdings Inc. and the Company's consolidated net sales, and is thus insignificant. In addition, the Group has borrowed funds from the Dai-ichi Life Group. However, the amount of such borrowings constitutes less than two percent of consolidated total assets of Dai-ichi Life Holdings, Inc. and the Company, and is thus insignificant.

The Company nominated Mr. Hideki Amano as Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his many years of experience and insight as a certified public accountant. Mr. Amano previously worked at KPMG AZSA LLC, the accounting auditor of the Company. However, Mr. Amano did not directly engage in audit work for the Company, and has not been involved in operation of the audit firm since he retired from the said audit firm in June 2016.

The Company nominated Mr. Masatoshi Yano as Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his knowledge and experience cultivated in his career as a management member of corporations for many years. Mr. Yano currently serves as President of Seiwa Sogo Tatemono Co., Ltd. Seiwa Sogo Tatemono Co., Ltd. and the Group have transactions related to real estate management. However, these transactions constitute less than one percent of net sales of Seiwa Sogo Tatemono Co., Ltd. and the Company's consolidated net sales, and is thus insignificant. In addition, Mr. Yano previously worked at Mizuho Bank, Ltd., a major lender to the Company. However, Mr. Yano has not been involved in execution of operations at Mizuho Bank, Ltd. since he retired from the said bank in March 2013.

For the appointment of Outside Directors and Outside Corporate Auditors, the Company appoints several outside officers who have extensive experiences and considerable insight into corporate management and their specialized fields, while paying attention to secure outside officers who are independent, meet the standards for independent officers provided by the Tokyo Stock Exchange and unlikely to have a conflict of interests with general shareholders. The Company strives for realizing the appropriate decision-making and management oversight functions of the Board of Directors. The Company has registered all the Outside Officers as independent officers.

(b) Oversight and audit system by Outside Directors and Outside Corporate Auditors

Outside Corporate Auditors attend the Board of Auditors meetings held on a regular basis and receive reports from other Corporate Auditors on the implementation status and results of audits. In addition, they receive reports from the Accounting Auditor on the status of the execution of duties and reports from the Internal Audit Department on internal audits, as well as exchange opinions with each other to enhance the effectiveness of audits.

The Company strives to enhance the oversight and audit system by providing Outside Directors opportunities to attend the Board of Auditors meetings and securing cooperation with Corporate Auditors.

(3) Status of audit

1) Status of audit by Corporate Auditors

The Company has adopted a Corporate Auditor System. The Board of Auditors meetings are regularly held with five Corporate Auditors (including three Outside Corporate Auditors), where audit policies and assignment of duties are established, and Corporate Auditors report to each other on the implementation status and results of audits. In addition, Each Corporate Auditor is engaged in audit activities in accordance with audit policies and the assignment of duties established by the Board of Auditors. The Company respects opinions of Corporate Auditors at the Board of Directors meetings and other important meetings, and reflects them on management as needed.

Mr. Haruhiko Takagi and Mr. Takashi Nishimoto (newly appointed), Standing Corporate Auditors, have experience in finance and accounting and have reasonable-degrees of knowledge about finance and accounting. Mr. Hideaki Amano, Outside Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge about finance and accounting.

(Frequency of holding the meetings and attendance of each Corporate Auditor)

The Company held ten Board of Auditors meetings in the current fiscal year. Attendance of each Auditor is as follows.

Position	Name	Attendance (rate %)
Standing Corporate Auditor	Seiichi Mikami	10 / 10 (100%)
Standing Corporate Auditor	Haruhiko Takagi	10 / 10 (100%)
Outside Corporate Auditor	Tomoyasu Asano	10 / 10 (100%)
Outside Corporate Auditor	Hideki Amano	7 / 7 (100%)
Outside Corporate Auditor	Masatoshi Yano	7 / 7 (100%)

* Attendance of Outside Corporate Auditors Hideki Amano and Masatoshi Yano refers to the Board of Auditors meetings held after their appointment on June 27, 2019.

(Major subjects)

The Board of Auditors deliberated and examined matters including the formulation of audit policies and audit plans, audits of the development and operational status of internal control systems, consent for the accounting auditor's compensation, audits of business reports, financial statements, etc., evaluations of the accounting auditor, and the preparation of audit reports.

(Activities of the Standing Corporate Auditors)

In accordance with audit policies and the assignment of duties established by the Board of Auditors, standing Corporate Auditors made efforts to collect information and establish an adequate audit environment by communicating with Directors, the Internal Audit Department, and other employees, while attending important meetings including of the Board of Directors, Strategic Conference for Management, and various other committees to receive reports regarding the execution of duties from Directors and employees, and requested explanations as necessary. Standing Corporate Auditors also inspected important decision-making documents and examined the status of operations and the condition of the Company's assets. With regard to subsidiaries, standing Corporate Auditors strived to communicate and exchange information with Directors, Corporate Auditors, etc. of subsidiaries and receive business reports from subsidiaries as necessary. As for internal control systems, the standing Corporate Auditors periodically received reports from Directors and employees regarding the development and operation thereof, requested explanations as necessary, and expressed opinions. Standing Corporate Auditors monitored and examined whether the accounting auditor was maintaining an independent position and conducting audits appropriately, obtained reports on the execution of duties from the accounting auditor, and requested explanations as necessary.

2) Status of internal audit

The Internal Audit Department, consisting of 13 members and reporting directly to the president, cooperates with Corporate Auditors to support their duties, pursuant to the internal rules. However, employees assigned at the Internal Audit Department shall not concurrently engage in duties related to business execution, and the relocation of the General Manager of the Internal Audit Department shall be consulted between the Representative Director and President and Corporate Auditors in advance, and opinions of the Corporate Auditors shall be respected, thereby their independence and effectiveness are enhanced.

3) Status of financial audit

(a) Name of auditing firm

KPMG AZSA LLC

(b) The length of years the Accounting Auditor has served

42 years

The foregoing refers to the period subsequent to the incorporation of Tatsuo Inoue Audit Corporation as an audit corporation, which is one of the predecessors of KPMG AZSA LLC, the Company's incumbent accounting auditor.

(c) Certified public accountants having executed accounting audit works

Junichi Obi

Akira Nishino

Kenji Ueda

(d) Working with to assist the above accountants in conducting audit of the Company

7 certified public accountants, 5 successful applicants who have passed the Certified Public Accountants examination and 4 other people.

(e) Policy and reasons for appointment of accounting auditor

Based on the evaluation and appointment criteria as well as policy for determining dismissal or non-reappointment of the accounting auditor specified by the Board of Auditors of the Company, the Company confirmed that KPMG AZSA LLC has the expertise, independence, and quality management system required for the accounting auditor of the Company as well as the system to perform audits of the Company's global activities in an integrated manner. After comprehensive examination based on its audit track record, the Company decided that KPMG AZSA LLC is adequate and appointed the firm as our accounting auditor.

Pursuant to laws and regulations, if any reasonable event occurs to the accounting auditor, the Board of Auditors shall dismiss the accounting auditor with the unanimous consent of the Corporate Auditors. In addition, if it is deemed difficult for the accounting auditor to properly perform audits, the Company shall propose a resolution for dismissal or non-reappointment of the accounting auditor to the General Meeting of Shareholders.

(f) Valuation of accounting auditor by the Board of Auditors

The Board of Auditors of the Company has established the criteria for evaluation and appointment of the accounting auditor, and carries out evaluation of the accounting auditor based on those criteria in each fiscal year. The Board of Auditors conducted evaluation for the current fiscal year upon deliberation, based on reports on the quality management system, etc., from the accounting auditor and opinions of the Accounting Department, Finance & Corporate Strategy Planning Department, and Internal Audit Department.

4) Details of audit compensation

(a) Details of compensation to independent auditors

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	67	-	73	5
Consolidated subsidiaries	135	3	132	3
Total	202	3	206	8

(Previous fiscal year)

The details of non-audit work for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures, etc., other than services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(Current fiscal year)

The details of non-audit work for which the subsidiaries of the Company paid compensation to certified public accountants consist of supporting projects for issuing the integrated report of the Company, etc.

The details of non-audit work for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures, etc., other than services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(b) Details of compensation to organizations which belong to same network with the certified public accountants, KPMG Member Firm, other than described in (a)

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	-	0	-	-
Consolidated subsidiaries	115	33	119	28
Total	115	33	119	28

(Previous fiscal year)

The details of non-audit work for which the Company paid compensation to organizations which belong to the same network with the certified public accountants of the Company consist of legal advisory services.

The details of non-audit work for which the subsidiaries of the Company paid compensation to organizations which belong to the same network with the certified public accountants of the Company consist of tax-related advisory services, etc.

(Current fiscal year)

The details of non-audit work for which the subsidiaries of the Company paid compensation to organizations which belong to the same network with the certified public accountants of the Company consist of tax-related advisory services, etc.

(c) Other material compensation to independent auditors

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

(d) Policy on determining audit fee

In determining the amount of audit fees, the Company considers matters that include the number of days of audit taking into consideration of the size of the Company, the scope and characteristics of the audit, etc.

(e) Reasons why the Board of Corporate Auditors has consented to compensation for the independent auditor

The Board of Auditors gave consent pursuant to Article 399, Paragraph 1 of the Companies Act to the amount of compensation of the accounting auditor, following the verification and examination of factors including evaluation of audit results for the previous fiscal year, as well as the content of the audit plan, the status of duties performed by the accounting auditor, and adequacy of the estimated compensation of the accounting auditor for the current fiscal year.

(4) Compensation of Directors and Corporate Auditors

1) Amounts disbursed to the Directors and the Corporate Auditors

Category	Total amount of compensation (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus	Basic compensation	
Directors (excluding Outside Directors)	289	255	18	16	10
Corporate Auditors (excluding Outside Corporate Auditors)	39	39	-	-	2
Outside Directors and Outside Corporate Auditors	48	48	-	-	9

(Note) 1. The foregoing includes three Directors and two Auditors who retired from his office at the close of the 158th Ordinary General Meeting of Shareholders held on June 27, 2019.

2. The total amount of basic compensation and bonuses for Directors has been set at 420 million yen or less per year by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. Eleven Directors are subject to the basic compensation as of the filing date of the Annual Securities Report.
3. The amount of basic compensation for Corporate Auditors has been set at 8 million yen or less per month by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. Five Corporate Auditors are subject to the basic compensation as of the filing date of the Annual Securities Report.
4. The 155th Ordinary General Meeting of Shareholders held on June 29, 2016 resolved to set the upper limit of cash contributed by the Company for each of the three fiscal years covered by the mid-term management plan at 240 million yen and the total number of shares, etc., to be provided to eligible Directors who execute business duties at 540,000 shares (180,000 shares per fiscal year) or less. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. The upper limit to the number of shares after the share consolidation shall be 108,000 shares (36,000 shares per fiscal year).
5. The amount of performance-based compensation shown in the above table is the amount of expense recognized and paid for the current fiscal year. Nine Directors who execute business duties (other than Directors who do not execute business duties and the Outside Directors) are subject to the performance-linked compensation as of the filing date of the Annual Securities Report.

2) Compensation from the Company and its subsidiaries

Name	Total compensation (Millions of yen)	Classification	Category	Total amount of each type (Millions of yen)		
				Fixed compensation	Performance-linked compensation	
				Basic compensation	Bonus	Stock-type compensation
Shinji Hattori	140	Director	The Company	60	3	4
		Director	Consolidated subsidiary: SEIKO WATCH CORPORATION	60	8	4

(Note) 1. The above table shows the officer whose total consolidated compensation exceeds 100 million yen.

2. Amount of performance-based compensation shown in the above table is the amount of expense recognized for the current fiscal year.

3) Basic policy of the compensation of officers

For determining compensation for officers of the Company, the basic policy is as follows:

- To ensure transparency and objectivity of compensation as well as to set the compensation level appropriate for their roles and responsibilities.

- To encourage the execution of duties in line with the management philosophy and the management strategy, and to motivate the achievement of management objectives, in order to achieve sustainable growth of the Company and the Group and to enhance corporate value in the medium to long term.

The level of compensation for officers is determined based on results of the survey on compensation for officers by third parties targeting similar companies in terms of business contents and scale, etc.

4) Compensation system for officers

Compensation for Directors who execute business duties consists of “basic compensation,” which is a fixed compensation, and “bonuses” (short-term incentive compensation) and “stock compensation” (medium- to long-term compensation), which are performance-linked compensation. Compensation for Directors who do not execute business duties, including Outside Directors, and Corporate Auditors consists of “basic compensation only.”

The ratio of payment of the fixed compensation to the performance-linked compensation is determined at an appropriate level to serve as an incentive to contribute to improving the corporate value of the Company, taking into account the levels of the above peer companies. The ratio of payment of each type of compensation is as follows:

	Fixed compensation	Performance-linked compensation	
	Basic compensation	Bonus	Basic compensation
Representative Directors	1.0	0.2	0.2
Directors who execute business duties other than Representative Directors	1.0	0.15	0.15

3) and 4) were determined by the Board of Directors after being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers.

5) Calculation method for performance-linked compensation

(Bonuses)

The standard payment amount of bonuses is the amount determined by multiplying the basic compensation by the coefficient set by position. The individual payment amount is determined by multiplying the standard payment amount by the payment rates according to the performance achievement ratio. Bonuses vary from 0% to 200% according to the target achievement level.

(Stock compensation)

For stock compensation, points that the individual payment amount converted into the number of shares are granted in each fiscal year. The individual payment amount is a total of the standard payment amount (fixed portion), calculated by multiplying the basic compensation by the coefficient set by position, and the amount (performance-linked portion), obtained by multiplying the standard payment amount by the payment rate according to the performance achievement ratio. The performance-linked portion of stock compensation varies from 0% to 200% according to the target achievement level. The ratios of the fixed portion and performance-linked portion are 50% each.

Indicators for performance-linked compensation are consolidated net sales and consolidated operating profit, which are set as important management indicators for the company’s performance evaluation to serve as an incentive for achieving the Group’s management targets.

The target values and results of indicators for the performance-linked compensation for the current fiscal year under are as follows:

(Bonuses) Performance achievement ratio for the fiscal year ended March 31, 2020

(Billions of yen)

	Consolidated net sales	Consolidated operating profit
Target values	255.0	9.5
Results	239.2	6.1
Performance achievement ratio (%)	93.80%	64.21%

(Note) For target values, the forecast figures for consolidated net sales and consolidated operating profit published in the consolidated financial statements at the beginning of each fiscal year are adopted.

(Stock compensation) Performance achievement ratio for the Sixth Mid-Term Management Plan

(Billions of yen)

	Consolidated net sales	Consolidated operating profit
Target values	255.0	9.5
Results	239.2	6.1
Performance achievement ratio (%)	93.80%	64.21%

(Note) For the target value of stock compensation, the published figures for consolidated net sales and consolidated operating profit in the mid-term management plan are adopted. For target values for fiscal years for which published figures are not available, figures resolved by the Board of Directors are adopted as the target value after taking into account the management environment in relevant fiscal years.

For the target values and results in the above table, cumulative values for three years from the first year of the mid-term management plan to its final year are adopted.

6) Determination process of officers' compensation

For the basic compensation for Directors, the individual payment amount is determined by the Representative Director and Chairman and the Representative Director and President as entrusted by the Board of Directors, within the total amount of compensation for Directors approved by the General Meeting of Shareholders. The basic compensation for Corporate Auditors is determined through discussion by the Board of Auditors within the total amount of compensation for Corporate Auditors approved by the General Meeting of Shareholders.

Performance-linked compensation for Directors who execute business duties is determined based on the rules as determined by a resolution of the Board of Directors (stipulating the calculation method of the payment amount provided in 5) above).

Regarding the compensation for officers as determined above, the Corporate Governance Committee checks for adequacy of the compensation level through verification based on compensation levels of peer companies.

7) The details of activities of the Board of Directors and the Corporate Governance Committee during the determination process of the amount of compensation, etc., for officers for the current fiscal year

The performance-linked compensation payment amount for the current fiscal year was reported to the Corporate Governance Committee and the Board of Directors.

(5) Status of shares held

Among the Company and its consolidated subsidiaries, the Company has the largest amount of investment shares on its balance sheet (amount of investment shares posted) (the largest holding company). The status of shares held by the Company is as follows:

1) Standards of classification of investment shares

The Company classifies investment shares held solely for the purpose of gaining benefits through changes in the value of shares or dividends on shares as "investment shares held for pure investment purpose," and investment shares that do not fall under such classification as "investment shares held for purposes other than pure investment purpose."

2) Investment shares held for purposes other than pure investment purpose

(a) Policy for holding and method for verifying the rationality of holding as well as the details of verification by the Board of Directors, etc., regarding the adequacy of individual stock holdings

From the perspective of improving the corporate value of the Group in the mid- to long-term, the Company has a policy to reduce shares that are deemed not to have a significance of holding them, taking comprehensively into consideration the Company's management strategy, business relationships with clients, and the benefits and risks, etc., associated with holding in view of its capital cost.

At the Board of Directors meeting every year, the Company verifies the rationality of holding shares other than unlisted shares held by the Company for purposes other than pure investment purpose by closely examining the significance as clients and the benefits and risks, etc., associated with holding the shares.

Most recently, the Company verified shares that fall under the above classification at the Board of Directors meeting held in August 2019. As a result, it was confirmed that the Company should continue to hold relevant shares to reinforce the business relationship, as the issuers of such shares are clients that are essential for maintaining and expanding the Group's businesses going forward.

(b) Number of shares and total of the amounts recorded in the balance sheet

	Number of shares	Total amount recorded in the balance sheet (Millions of yen)
Unlisted shares	7	312
Shares other than unlisted stocks	1	14,040

(Shares of which the number increased during the current fiscal year)

Not applicable.

(Shares of which the number increased during the previous fiscal year)

Not applicable.

(c) Share name, number of shares, amount recorded in the balance sheet of the specified investment securities

Specified investment securities

Share name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative holding effects and reason for the increased number of shares	Holding of the Company's shares
	Number of shares held by the Company	Number of shares held by the Company		
	Amount recorded in the balance sheet (Millions of yen)	Amount recorded in the balance sheet (Millions of yen)		
Seiko Epson Corporation	12,000,000	12,000,000	Purpose of holding: to maintain and strengthen a smooth business relationship. Quantitative holding effects: The Company considers that such holding is reasonable by the verifying method mentioned in above a).	Applicable
	14,040	20,340		

3) Shares for investment held solely for investment purpose

Not applicable.

V. Financial Information

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(a) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	*1 33,844	*1 26,112
Notes and accounts receivable - trade	37,456	34,397
Merchandise and finished goods	38,119	42,964
Work in process	11,448	12,161
Raw materials and supplies	8,737	10,608
Accounts receivable - other	3,116	5,406
Other	7,419	7,790
Allowance for doubtful accounts	(1,153)	(1,317)
Total current assets	138,989	138,123
Non-current assets		
Property, plant and equipment		
Buildings and structures	71,913	72,189
Machinery, equipment and vehicles	81,388	78,307
Tools, furniture and fixtures	31,772	32,278
Other	1,820	7,183
Accumulated depreciation	(148,177)	(146,873)
Land	*4 48,998	*4 48,522
Construction in progress	924	2,434
Total property, plant and equipment	88,640	94,044
Intangible assets		
Goodwill	8,289	7,430
Other	8,957	8,572
Total intangible assets	17,247	16,003
Investments and other assets		
Investment securities	*5 45,913	*5 38,759
Deferred tax assets	4,243	4,441
Other	*1 8,165	*1 8,734
Allowance for doubtful accounts	(163)	(115)
Total investments and other assets	58,159	51,820
Total non-current assets	164,047	161,867
Total assets	303,036	299,990

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,449	21,869
Electronically recorded obligations – operating	6,438	6,495
Short-term borrowings	49,610	59,140
Current portion of long-term borrowings	19,698	16,843
Accounts payable – other	*1 12,402	*1 11,739
Income taxes payable	1,281	1,282
Provision for bonuses	3,644	3,477
Provision for goods warranties	440	462
Provision for loss on lease contracts	348	348
Other provisions	444	555
Asset retirement obligations	-	13
Other	*1 12,213	*1 13,929
Total current liabilities	132,972	136,158
Non-current liabilities		
Long-term borrowings	35,106	33,637
Lease obligations	1,246	4,288
Deferred tax liabilities	2,451	1,929
Deferred tax liabilities for land revaluation	*4 3,614	*4 3,614
Provision for loss on lease contracts	1,483	1,134
Provision for gift certificate exchange losses	155	148
Provision for stock benefits	89	133
Provision for long-term goods warranties	82	84
Provision for retirement benefits for directors (and other officers)	36	35
Provision for loss on business withdrawal	32	10
Provision for environmental measures	349	1
Other provisions	8	7
Retirement benefit liability	10,602	10,453
Asset retirement obligations	888	908
Other	3,501	3,171
Total non-current liabilities	59,647	59,558
Total liabilities	192,620	195,717
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	74,124	74,418
Treasury shares	(335)	(328)
Total shareholders' equity	91,034	91,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,099	5,486
Deferred gains or losses on hedges	(104)	11
Revaluation reserve for land	*4 8,190	*4 8,190
Foreign currency translation adjustment	878	(804)
Remeasurements of defined benefit plans	(876)	(1,169)
Total accumulated other comprehensive income	18,186	11,714
Non-controlling interests	1,194	1,223
Total net assets	110,415	104,273
Total liabilities and net assets	303,036	299,990

(b) Consolidated statement of income and consolidated statements of comprehensive income

Consolidated statement of income

(Millions of yen)

	FY2018	FY2019
Net sales	247,293	239,150
Cost of sales	*2, *3 150,955	*2, *3 144,221
Gross profit	96,338	94,928
Selling, general and administrative expenses	*1, *2 86,943	*1, *2 88,794
Operating profit	9,394	6,134
Non-operating income		
Interest income	188	171
Dividend income	774	763
Share of profit of entities accounted for using equity method	1,941	1,313
Other	1,889	1,336
Total non-operating income	4,794	3,585
Non-operating expenses		
Interest expenses	985	982
Foreign exchange losses	79	291
Other	1,712	1,441
Total non-operating expenses	2,777	2,715
Ordinary profit	11,410	7,004
Extraordinary income		
Gain on sales of non-current assets	*4 257	*4 346
Gain on sales of memberships	106	-
Total extraordinary income	363	346
Extraordinary losses		
Loss on the spread of infectious disease	-	*5 305
Business restructuring expenses	-	*6 264
Impairment loss	-	*7 240
Loss on retirement of non-current assets	-	*8 179
Retirement benefit expenses	-	158
Total extraordinary losses	-	1,148
Profit before income taxes	11,774	6,201
Income taxes - current	2,409	1,745
Income taxes - deferred	35	974
Total income taxes	2,445	2,719
Profit	9,329	3,481
Profit attributable to non-controlling interests	79	86
Profit attributable to owners of parent	9,249	3,394

Consolidated statement of comprehensive income

(Millions of yen)

	FY2018	FY2019
Profit	9,329	3,481
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,712)	(4,095)
Deferred gains or losses on hedges	187	113
Foreign currency translation adjustment	491	(1,335)
Remeasurements of defined benefit plans, net of tax	44	(281)
Share of other comprehensive income of entities accounted for using equity method	56	(890)
Total other comprehensive income	*1 (933)	*1 (6,489)
Comprehensive income	8,396	(3,007)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,312	(3,077)
Comprehensive income attributable to non-controlling interests	83	69

(c) Consolidated statement of changes in equity
Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,245	67,975	(334)	84,886
Changes of items during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			9,249		9,249
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	6,148	(1)	6,147
Balance at end of current period	10,000	7,245	74,124	(335)	91,034

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	11,639	(294)	8,190	468	(879)	19,123	1,159	105,170
Changes of items during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								9,249
Purchase of treasury shares								(1)
Net changes of items other than shareholders' equity	(1,539)	190	-	410	2	(936)	34	(902)
Total changes of items during period	(1,539)	190	-	410	2	(936)	34	5,245
Balance at end of current period	10,099	(104)	8,190	878	(876)	18,186	1,194	110,415

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,245	74,124	(335)	91,034
Changes of items during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			3,394		3,394
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity				8	8
Total changes of items during period				*3 0	0
Balance at end of current period					
Balance at beginning of current period	-	-	293	7	301
Changes of items during period	10,000	7,245	74,418	(328)	91,335

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,099	(104)	8,190	878	(876)	18,186	1,194	110,415
Changes of items during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								3,394
Purchase of treasury shares								(1)
Net changes of items other than shareholders' equity								8
Total changes of items during period								0
Balance at end of current period	(4,612)	115	-	(1,682)	(293)	(6,472)	28	(6,443)
Balance at beginning of current period	(4,612)	115	-	(1,682)	(293)	(6,472)	28	(6,142)
Changes of items during period	5,486	11	8,190	(804)	(1,169)	11,714	1,223	104,273

(d) Consolidated statement of cash flows

(Millions of yen)

	FY2018	FY2019
Cash flows from operating activities		
Profit before income taxes	11,774	6,201
Depreciation	8,980	10,315
Increase (decrease) in allowance for doubtful accounts	(76)	134
Increase (decrease) in retirement benefit liability	(275)	149
Interest and dividend income	(962)	(935)
Interest expenses	985	982
Foreign exchange losses (gains)	(94)	75
Share of loss (profit) of entities accounted for using equity method	(1,941)	(1,313)
Impairment loss	-	240
Loss (gain) on sales of non-current assets	(257)	(346)
Loss on retirement of non-current assets	92	245
Decrease (increase) in trade receivables	1,132	2,388
Decrease (increase) in inventories	(976)	(7,446)
Increase (decrease) in trade payables	(518)	(4,358)
Other, net	1,926	(2,643)
Subtotal	19,788	3,689
Interest and dividends received	963	935
Dividends received from entities accounted for using equity method	327	1,456
Interest paid	(988)	(990)
Extra retirement payments	*3 (170)	*3 (666)
Income taxes paid	(2,412)	(1,720)
Net cash provided by (used in) operating activities	17,508	2,704
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,341)	(8,852)
Proceeds from sales of property, plant and equipment	1,061	546
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	33	2
Loan advances	(522)	(477)
Collection of loans receivable	508	1,229
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (219)
Other, net	(1,831)	(2,916)
Net cash provided by (used in) investing activities	(7,093)	(10,688)
Cash flows from financing activities		
Proceeds from short-term borrowings	910,847	893,019
Repayments of short-term borrowings	(911,281)	(883,432)
Proceeds from long-term borrowings	16,300	16,800
Repayments of long-term borrowings	(23,058)	(21,124)
Repayments of lease obligations	(371)	(1,463)
Dividends paid	(3,100)	(3,100)
Other, net	(5)	(20)
Net cash provided by (used in) financing activities	(10,670)	678
Effect of exchange rate change on cash and cash equivalents	229	(427)
Net increase (decrease) in cash and cash equivalents	(26)	(7,732)
Cash and cash equivalents at beginning of period	33,911	33,843
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(41)	-
Cash and cash equivalents at end of period	*1 33,843	*1 26,111

Notes to consolidated financial statements

(Notes - important matters that are the basis for preparation of consolidated financial statements)

1. Matters relating to scope of consolidation

(1) Number of consolidated subsidiaries: 60

(2) Names of major unconsolidated subsidiaries and reasons for exclusion from scope of consolidation

(Major unconsolidated subsidiaries)

AOBA WATCH SERVICE Co. Ltd.

(Reasons for exclusion from scope of consolidation)

The company is of a small scale in terms of net sales, total assets, profit and loss, and retained earnings, and none of them have any material impact on the consolidated financial statements.

2. Matters relating to the application of the equity method

(1) Non-consolidated subsidiaries and affiliates not accounted for by the equity method: AOBA WATCH SERVICE Co. Ltd. and others have a minimal impact on the consolidated net income and loss and retained earnings and are of little significance. Therefore, the equity method has not been applied to these companies.

(2) Entities accounted for by the equity method, which have different fiscal year-end dates from the consolidated fiscal year-end date, use financial statements for their respective fiscal years or tentative financial statements prepared based on the latest quarterly financial results.

3. Matters relating to the fiscal years, etc. of consolidated subsidiaries

Among consolidated subsidiaries, the fiscal year-end date of SEIKO Precision (Thailand) Co., Ltd. is the end of February, the fiscal year-end date of Seiko Instruments (Thailand) Ltd. is the end of January, and the fiscal year-end date of SEIKO EG&G CO., LTD. is the end of December. For preparing consolidated financial statements, their financial statements as of these dates were used, and necessary adjustments for consolidation were made for important transactions during the period until the consolidated fiscal year-end date. In addition, the fiscal year-end date of SEIKO Watch (Shanghai) Co., Ltd. and six other subsidiaries is the end of December. For preparing consolidated financial statements, tentatively settled financial statements complying with the regular settlement were used as of the consolidated fiscal year-end date.

4. Matters relating to accounting policies

(1) Accounting policy for measuring significant assets

1) Securities

Available-for-sale securities

Securities with market value

Market value method based on the market price as of the consolidated closing date (differences in valuation are included directly in net assets and the costs of securities sold are calculated using the moving-average method.)

Securities without market value

Stated at cost using the moving-average method

2) Derivatives

Market value method

3) Inventories

Basically stated at cost using the moving-average method (for values stated on the balance sheet, writing down the book values in response to decreased profitability.)

(2) Depreciation methods for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

As for domestic consolidated companies, basically the straight-line method is used for buildings (excluding

equipment attached to buildings), and the declining-balance method for those other than buildings (except that the straight-line method is used for the equipment attached to buildings, and structures that were acquired on or after April 1, 2016); as for consolidated subsidiaries overseas, basically the straight-line method is used. As for domestic consolidated companies, a useful life and a residue value are basically evaluated using the same standards as set forth in the Corporation Tax Act.

2) Intangible assets (excluding leased assets)

The straight-line method is used. A useful life is basically evaluated using the same standards as set forth in the Corporation Tax Act. However, as for software for in-house use, the straight-line method is used with a usable period of 5 years.

3) Leased assets

Leased assets relating to finance lease with transfer of ownership

The same depreciation method as applied to the property, etc. owned by the company is used.

Lease assets relating to finance lease without transfer of ownership

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

4) Right-of-use assets

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.

2) Allowance for investment loss of subsidiaries and affiliates

In order to prepare for possible losses on investments to subsidiaries and affiliates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and affiliates of 4 million yen is directly reduced from the amount of investment securities.

3) Provision for bonuses

In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the consolidated fiscal year under review.

4) Provision for goods warranties

To provide for warranties of the goods sold at some of the consolidated subsidiaries overseas, respective estimated amount based on the past experience is posted.

5) Provision for loss on lease contracts

To provide for the loss expected to incur during the non-cancellable periods, an amount equivalent to the portion of rents for the real estate deemed likely to be non-performing up to the expiry of lease agreements is posted.

6) Provision for gift certificate exchange losses

In order to prepare for possible losses relating to gift certificates collected after cancelling their inclusion in liabilities, provision is made for an estimated redemption amount according to the historical percentage of collection of such gift certificates.

7) Provision for stock benefits

This is provided for based on the estimated amount of share delivery obligations at the end of the current fiscal year in preparation for the future delivery of the Company's shares to Directors who execute business duties, etc.

at the parent company and its domestic consolidated subsidiaries pursuant to the Rules for Delivery of Shares to Officers.

8) Provision for retirement benefits for directors (and other officers)

Some of the domestic consolidated companies passed a resolution to discontinue their respective Directors' retirement benefit systems during the fiscal year ended March 2005 and that ended March 2014. Accordingly, the amount of retirement benefits for incumbent officers is posted corresponding to the terms of office till the end of the Ordinary General Meeting of Shareholders during the relevant consolidated fiscal year.

9) Provision for loss on business withdrawal

To provide for the loss relating to the business withdrawal, which arose in the past but is expected to incur in future, an estimated amount of such loss is posted.

10) Provision for environmental measures

In order to prepare for possible expenditure aimed at future environmental measures, an estimated amount to be incurred is posted.

(4) Accounting for employees' retirement benefits

1) Method to attribute the estimated retirement benefits to the periods

To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review.

2) Method of amortization of actuarial gains and losses and prior service costs

The actuarial differences that resulted are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 9 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference. Prior service costs are basically recognized by the straight-line method over various periods that are not more than the average remaining service period of employees at the time of the accrual thereof.

(5) Accounting standards for significant income and expenses

1) Accounting standards for the amount of completed work and cost of completed work

Portions of work that were definitely completed by the end of the consolidated fiscal year under review

Percentage-of-completion method

Other portions of work

Work-completion method

(6) Standards for translation of significant foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency receivables/payables are translated into Japanese yen using the spot foreign exchange rate on the consolidated closing date, and translation differences are treated as income or loss.

The assets and liabilities of subsidiaries overseas are translated into Japanese yen using the spot foreign exchange rate on the consolidated closing date; income and expenses are translated into yen using an average market rate during the period, and translation differences are included in "Foreign currency translation adjustment" and "Non-controlling interests" of the "Net assets".

(7) Significant hedge accounting methods

1) Hedge accounting method

Deferred hedge accounting is adopted. However, regarding domestic consolidated companies, basically deferral hedge accounting is adopted for foreign currency receivables/payables with forward exchange contracts or the like, and with regard to interest-rate swaps that meet the requirements for exceptional accounting, exceptional accounting is adopted.

2) Means of hedging and hedged items

Forward exchange contracts and foreign currency deposits to hedge foreign exchange rate fluctuation risks regarding foreign currency-denominated trade payables and receivables; and interest-rate swaps to avoid fluctuation risks regarding loans payable on floating interest rates.

3) Hedging policy

Forward exchange contracts, foreign currency deposits and interest-rate swaps are hedged to avoid exchange- and interest-rate fluctuation risks present in hedged items in accordance with the internal rules of the respective companies, and no speculative transactions are conducted.

4) Assessment of hedge effectiveness

For interest-rate swaps, hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging. However, the assessment of hedge effectiveness is omitted if the material conditions of the means of hedging and the hedged items are the same.

(8) Method and period of amortization of goodwill

Goodwill is equally amortized for 5 to 20 years; minor goodwill is entirely amortized upon accrual.

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(10) Accounting policy for consumption taxes, etc.

Consumption taxes and local consumption taxes payable by domestic consolidated companies including the Company are accounted for by the tax exclusion method.

(11) Matters relating to application of consolidated tax system

Consolidated taxation system is applied.

(12) Application of tax effect accounting concerning the transition from the consolidated taxation system to the Group Tax Sharing System

The parent company and its domestic consolidated subsidiaries, with a few exceptions, do not apply the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) to items subjected to the transition to the Group Tax Sharing System and the review of the non-consolidated taxation system associated with the transition to the Group Tax Sharing System, which is established under the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8 of 2020), due to the application of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the tax act before the revision.

(Changes in significant accounting policies)

The Company adopted IFRS 16 “Leases” at its consolidated subsidiaries overseas, excluding those in the U.S., from the first quarter of the fiscal year ending March 31, 2020. Accordingly, the Company recognizes right-of-use assets and lease obligations with regard to all leases, in principle, for lessees’ lease transactions.

When applying IFRS 16, the Company has adopted a method of recognizing the cumulative effect of application of this standard on the application start date, which is allowed as a transitional measure. There is no impact on retained earnings at the beginning of the fiscal year.

The standard’s application resulted in increases of 4,302 million yen in property, plant and equipment, 1,010 million yen in current liabilities, and 3,349 million yen in non-current liabilities, respectively, in the balance sheets for the year ended March 31, 2020. The impact of this standard on gains or losses or on segment information for the fiscal year ended March 31, 2020 is immaterial.

(Notes - New accounting standards not yet applied)

For the Company and the domestic consolidated subsidiaries

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, the Accounting Standards Board of Japan)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020, the Accounting Standards Board of Japan)

“Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, the Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Federal Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition, and issued “Revenue from Contracts with Customers” (IFRS 15 issued by IASB and Topic 606 issued by FASB) in May 2014. IFRS 15 became effective from the fiscal year beginning on or after January 1, 2018 and Topic 606 became effective from the fiscal year beginning after December 15, 2017. Due to these standards taking effect, the Accounting Standards Board of Japan developed a comprehensive accounting standard for revenue recognition and issued the standard in conjunction with the implementation guidance.

The basic policy behind the Accounting Standards Board of Japan developing the Accounting Standard for Revenue Recognition was to establish an accounting standard, initially taking in the fundamental principle of IFRS 15, from the perspective of comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15. Also, when there is an item that should be considered in the practices that have previously taken place in Japan, an alternative treatment was to be added insofar as not to jeopardize comparability.

(2) Scheduled effective date

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact from applying new accounting standard, etc.

At the moment, the impact from applying new accounting standard, etc., to the consolidated financial statements is being assessed.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, the Accounting Standards Board of Japan)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019, the Accounting Standards Board of Japan)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019, the Accounting Standards Board of Japan)

“Implementation Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, July 4, 2019, the Accounting Standards Board of Japan)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, the Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) of the United States provide for detailed guidance on fair value measurements of a nearly identical nature (IFRS 13 “Fair Value Measurement” under the International Financial Reporting Standards (IFRS), while Topic 820 “Fair Value Measurement” of Accounting Standards Codification under the U.S.GAAP). Given this circumstance, the Accounting Standards Board of Japan (ASBJ) engaged in an endeavor to establish consistency between the Japanese standards and the international accounting standards, primarily concerning the guidance and disclosure on the fair value of financial instruments. Accordingly, the “Accounting Standard for Fair Value Measurement” and other standards were issued.

As part of the ASBJ’s basic policy on developing accounting standards for fair value measurement, basically all provisions of IFRS 13 shall be incorporated, from the perspective of improving comparability of financial statements between companies in Japan and overseas, through the use of unified measurement methods. In addition, other treatments

for individual items shall be determined in consideration of the past practice in Japan, to the extent that the comparability between financial statements is not significantly compromised.

(2) Scheduled effective date

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact from applying new accounting standard, etc.

At the moment, the impact from applying new accounting standard, etc., to the consolidated financial statements is being assessed.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020, the Accounting Standards Board of Japan)

(1) Overview

The ASBJ received requests for the “sources of estimation uncertainty,” which are required to be disclosed under Paragraph 125 of International Accounting Standards (IAS) 1 “Presentation of Financial Statements” issued in 2003 by the International Accounting Standards Board (IASB) (hereinafter, “IAS 1”), to be included in the disclosure requirement in the form of notes under the Japanese standards as highly useful information for users of financial statements. Accordingly, the ASBJ developed and issued the Accounting Standard for Disclosure of Accounting Estimates (hereinafter, the “Accounting Standards”).

As part of the ASBJ’s basic policy on developing these Accounting Standards, individual notes are not expanded in detail, while a principle (purpose of disclosure) shall be presented, and each company shall decide the details of disclosure in light of the purpose of disclosure. The Accounting Standards shall be developed by referring to the provisions of Paragraph 125 of IAS 1.

(2) Scheduled effective date

The accounting standard will be applied from the end of the fiscal year ending March 31, 2021.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020, the Accounting Standards Board of Japan)

(1) Overview

The ASBJ made necessary amendments and issued the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections, in response to a recommendation for considering the enhancement of information to be disclosed in notes related to “principles and procedures under the accounting treatment adopted in the case where specific provisions of the relevant accounting standards, etc. are not clarified.”

In enhancing the information to be disclosed in notes related to “principles and procedures under the accounting treatment adopted in the case where specific provisions of the relevant accounting standards, etc. are not clarified,” provisions of the Annotations on the Accounting Principles (Note 1-2) shall be adopted as they are, in order to avoid having any effect on the current practice adopted in the case where specific provisions of the relevant accounting standards, etc. are sufficiently clarified.

(2) Scheduled effective date

The accounting standard will be applied from the end of the fiscal year ending March 31, 2021.

(Changes in presentation)

(Consolidated balance sheet)

1. "Lease obligations" included in "Other" under "Non-current liabilities" in the previous fiscal year have been presented separately in the current fiscal year, due to the increased materiality. To reflect this change in the presentation method, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 4,748 million yen presented in "Other" under "Non-current liabilities" in the consolidated balance sheet for the previous fiscal year has been reclassified into 1,246 million yen of "Lease obligations" and 3,501 million yen of "Other."
2. "Provision for stock benefits" included in "Other provisions" under "Non-current liabilities" in the previous fiscal year have been presented separately in the current fiscal year, due to the increased materiality. To reflect this change in the presentation method, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 97 million yen presented in "Other provisions" under "Non-current liabilities" in the consolidated balance sheet for the previous fiscal year has been reclassified into 89 million yen of "Provision for stock benefits" and 8 million yen of "Other provisions."

(Consolidated statement of income)

"Foreign exchange losses" included in "Other" under "Non-operating expenses" in the previous fiscal year have been presented separately in the current fiscal year, due to the increased materiality. To reflect this change in the presentation method, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 1,791 million yen presented in "Other" under "Non-operating expenses" in the consolidated statement of income for the previous fiscal year has been reclassified into 79 million yen of "Foreign exchange loss" and 1,712 million yen of "Other."

(Consolidated statement of cash flows)

"Repayments of lease obligations" included in "Other, net" under "Cash flows from financing activities" in the previous fiscal year have been presented separately in the current fiscal year, due to the increased materiality. To reflect this change in the presentation method, consolidated financial statements for the previous fiscal year have been reclassified. As a result, -377 million yen presented in "Other, net" under "Cash flows from financing activities" in the consolidated statement of cash flows for the previous fiscal year has been reclassified into -371 million yen of "Repayments of lease obligations" and -5 million yen of "Other, net."

(Supplementary information)

(Accounting estimates associated with the spread of the novel coronavirus)

Economic activities have been restricted due to the worldwide spread of the novel coronavirus. Many retail stores and stores in commercial facilities, including our customers, have been closed or have shortened operating hours. In addition, some of our overseas manufacturing activities have been reduced, and the operating conditions of our suppliers and customers have deteriorated, affecting our business activities.

Under these circumstances, it is difficult to predict how the epidemic will spread going forward and when it will be contained. However, the Company has made accounting estimates of the recoverability of deferred tax assets, etc., by assuming that the situation will recover and return to normal after July 2020 over a certain period of the fiscal year ending March 31, 2021, based on factors including information from external sources.

(Notes - Consolidated balance sheet)

*1. Pledged assets and secured liabilities

Pledged assets	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Cash and deposits	28	28
Deposits (Investments and other assets)	404	387
Total	432	415

Secured liabilities	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Accounts payable - other	1	0
Gift certificates (Current liabilities; Other)	78	73
Total	80	73

2. Guarantee obligations

The Company has guaranteed borrowings extended to its employees from financial institutions, as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Employees (housing fund)	5	4

3. Discounted trade notes receivable

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Amount of discount on trade notes receivable	813	647

*4. Land for business use was revaluated pursuant to the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998), and valuation differences which correspond to taxes are posted as “Deferred tax liabilities for land revaluation” of “Liabilities” and the balance thereof is posted as “Revaluation reserve for land” of “Net assets”.

(1) Method of revaluation

Land for business use was evaluated based on the roadside land price set forth in Article 2, item 4 of the “Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998), and that land without a roadside land price was evaluated based on the assessed value of fixed assets as set forth in item 3 thereof, with reasonable adjustment.

(2) Date of revaluation: March 31, 2001.

*5. Investment securities provided for lending shares are as follows:

Investment securities	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
	440	425

6. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital. The status of the commitments as of the end of the current fiscal year is as follows:

	(Millions of yen)	
	Current fiscal year (As of March 31, 2020)	
Total availability of loan commitment	28,500	
Outstanding balance	24,600	
Unused balance	3,900	

(Notes - Consolidated statement of income)

*1. Major components of selling, general and administrative expenses (Millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Advertising and promotion expenses	16,905	18,845
Provision of allowance for doubtful accounts	71	210
Salaries and wages	32,454	32,163
Provision for bonuses	1,879	1,913
Retirement benefit expenses	1,470	1,371

*2. Research and development expenses included in general and administrative expenses and manufacturing cost (Millions of yen)

Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
4,190	4,607

*3. Loss on construction contracts included in cost of sales

(Millions of yen)	
Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
31	15

*4. Gain on sales of non-current assets

Gain on sales of non-current assets in the previous fiscal year is posted from sales of land, buildings, machinery, equipment and vehicles and tools.

Gain on sales of non-current assets in the current fiscal year is posted from sales of land and buildings.

*5. Loss on the spread of infectious disease

Detail of loss on the spread of infectious disease posted in the current fiscal year is as follows.

Cancellation expenses etc. of events:	169 million yen
Fixed cost while suspension of operations and business activities:	136 million yen

*6. Business restructuring expenses

Detail of business restructuring expenses posted in the current fiscal year is as follows.

Special extra retirement payments and outplacement expenses:	225 million yen
Expenses regarding business withdrawal, etc.:	38 million yen

*7. Impairment loss

The Group recognized an impairment loss on the following asset group:

Current fiscal year (from April 1, 2019 to March 31, 2020)

Location	Usage	Type	Amount (Millions of yen)
Nasu-Shiobara-shi, Tochigi	Operating assets, etc.	Buildings and structures	0
		Machinery, equipment and vehicles	191
		Tools, furniture and fixtures	17
		Construction in progress	13
		Intangible assets (Other)	16

The Group, in principle, classifies assets into groups by business units for management accounting. The real estate for rent, idle real estate and real estate to be sold are classified into groups by individual properties.

Mainly in the Electronic Devices Business, for assets related to businesses that are not expected to recover future cash flows due to a continued decline in profitability caused by changes in the market environment and a decrease in demand, carrying amounts are reduced to the recoverable value, and such reduced amount is recorded as impairment loss under extraordinary losses.

The recoverable value of such asset group is measured based on the value in use or the net sales value. For the value in use, future cash flows are discounted at 7.6%, and the net sales value is measured based on the value calculated reasonably.

*8. Loss on retirement of non-current assets

Loss on retirement of non-current assets in the current fiscal year is posted from retirement of buildings.

(Notes - Consolidated statement of comprehensive income)

*1. Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities		
Amount arising during the period	(2,702)	(5,949)
Reclassification adjustments	(1)	-
Before tax-effect adjustment	(2,704)	(5,949)
Amount of tax effects	991	1,853
Valuation difference on available-for-sale securities	(1,712)	(4,095)
Deferred gains or losses on hedges		
Amount arising during the period	204	165
Reclassification adjustments	64	74
Before tax-effect adjustment	268	240
Amount of tax effects	(81)	(127)
Deferred gains or losses on hedges	187	113
Foreign currency translation adjustment		
Amount arising during the period	491	(1,335)
Foreign currency translation adjustment	491	(1,335)
Remeasurements of defined benefit plans		
Amount arising during the period	(151)	(590)
Reclassification adjustments	194	251
Before tax-effect adjustment	42	(339)
Amount of tax effects	1	57
Remeasurements of defined benefit plans	44	(281)
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	56	(890)
Share of other comprehensive income of entities accounted for using equity method	56	(890)
Total other comprehensive income	(933)	(6,489)

(Notes - Consolidated statement of changes in equity)

Previous fiscal year (from April 1, 2018 to March 31, 2019)

1. Issued shares and treasury shares

(Thousands of shares)

	At the beginning of period	Increase	Decrease	At the end of period
Issued shares:				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares:				
Common share (Note)	188	0	-	188
Total	188	0	-	188

(Note) The number of common shares held as treasury shares at the beginning and the end of the consolidated fiscal year under review includes 108 thousand shares of the Company held in the Board Benefit Trust (BBT).

The increase in common shares (0 thousand shares) held as treasury shares is the result of the purchase of fraction shares.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2018	Common share	1,550	37.50	March 31, 2018	June 29, 2018
Board of Directors meeting on November 13, 2018	Common share	1,550	37.50	September 30, 2018	December 5, 2018

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 28, 2018 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 13, 2018 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(2) Dividend for which the record date falls in the consolidated fiscal year under review but the effective date comes after the end of that consolidated fiscal year

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2019	Common share	1,550	Retained earnings	37.50	March 31, 2019	June 28, 2019

(Note) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 27, 2019 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

Current fiscal year (from April 1, 2019 to March 31, 2020)

1. Issued shares and treasury shares

(Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares				
Common share (Note)	188	0	5	183
Total	188	0	5	183

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 108 thousand shares at the beginning of the current fiscal year and 102 thousand shares at the end of the current fiscal year of the Company held in the Board Benefit Trust (BBT).

The increase in common shares held as treasury shares is from purchase of shares less than one unit.

The decrease of 5 thousand shares of common stock held as treasury shares was due to a decrease from a sale of the Company's shares held in the Board Benefit Trust (BBT), as well as a decrease in the ownership ratio of entities accounted for by the equity method.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2019	Common share	1,550	37.50	March 31, 2019	June 28, 2019
Board of Directors meeting on November 12, 2019	Common share	1,550	37.50	September 30, 2019	December 5, 2019

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 27, 2019 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 12, 2019 includes a dividend of 3 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(2) Dividend for which the record date falls in the consolidated fiscal year under review but the effective date comes after the end of that consolidated fiscal year

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2020	Common share	1,550	Retained earnings	37.50	March 31, 2020	June 29, 2020

(Note) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 26, 2020 includes a dividend of 3 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

*3. "Other" of 0 million yen under treasury shares was the amount of changes due to a change in the ownership ratio of entities accounted for by the equity method.

(Notes - Consolidated statement of cash flows)

*1. Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

	(Millions of yen)	
	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Cash and deposits	33,844	26,112
Time deposits with maturities of more than three months	(0)	(0)
Cash and cash equivalents at the end of period	33,843	26,111

*2. Major components of assets and liabilities of consolidated subsidiary acquired by purchase.

Current fiscal year (from April 1, 2019 to March 31, 2020)

The relation between major components of assets, liabilities and acquisition price of consolidated subsidiary acquired by purchase of shares and “Purchase of shares of subsidiaries resulting in change in scope of consolidation” is as follows:

	(Millions of yen)
Current assets	795
Non-current assets	124
Goodwill	(481)
Current liabilities	(219)
Acquisition price of shares	219
Cash and cash equivalents of the new consolidated subsidiary	-
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	219

*3. “Extra retirement payments” consist of total amount paid including redundancy payment.

4. A significant non-cash transaction in the current fiscal year was the purchase of right-of-use assets for leases of 5,624 million yen.

(Leases)

1. Finance lease transactions

Finance lease transactions without ownership transfer

1) Details of leased assets

Property, plant and equipment

Mainly production facilities (“machinery, equipment and vehicles”) and others (“tools, furniture and fixtures.”)

Intangible assets

Mainly software.

2) Depreciation method of leased assets

The straight-line method is used with a useful life of the lease period and with a residual value of zero.

2. Right-of-use assets

1) Details of right-of-use assets

Fixed assets

Mainly retail stores, offices and production facilities (“buildings and structures”), vehicles (“machinery, equipment and vehicles”) and others (“tools, furniture and fixtures.”)

2) Depreciation method of right-of-use assets

The straight-line method is used with a useful life of the lease period and with a residual value of zero.

3. Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions

(Millions of yen)

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Due within one year	3,768	3,532
Due after one year	14,572	11,368
Total	18,341	14,900

(Financial instruments)

1. Overview of financial instruments

(1) Policy to manage financial instruments

The Group raises funds (mainly borrowings from banks) necessary in light of respective business plans of operating companies. Temporary surplus funds are invested in more safe financial assets. The Group uses derivative instruments to hedge following risks, and does not enter into any speculative transactions.

(2) Description of financial instruments and related risks

Notes and accounts receivables - trade (which are operating receivables) are exposed to customers' credit risks. Exchange rate fluctuation risks for foreign currency operating receivables due to the Company's global development are almost set off by the risks resulting from foreign currency operating payables, some of which are hedged using forward exchange contracts. Investment securities are mainly shares of customers, and exposed to market price fluctuation risks.

Most of the notes and accounts payable - trade (which are operating payables) are due within one year. Loans payable are mainly for operating transactions, and interest-rate swaps are used to hedge part of exchange rate fluctuation risks.

Derivatives include forward exchange contracts to hedge exchange rate fluctuation risks present in foreign currency receivables/payables, and interest rate swaps to hedge fluctuation risks of interest rates payable on loans payable.

Refer to (7) Significant hedge accounting methods of 4. Matters relating to accounting policies for more information.

(3) Risk management structure regarding financial instruments

1) Management of credit risk

The relevant accounting department or each business division of the Company and its consolidated subsidiaries manage due dates and balances of operating receivables, etc., by business partner and grasp the credit status of major business partners in accordance with internal rules of each company.

Derivative transactions are only conducted with high credit rating financial institutions.

The maximum value of credit risks as of the consolidated fiscal year-end date for the current fiscal year is shown as balance sheet values of financial assets subject to credit risks.

2) Management of market risk (fluctuation risk of exchange and interest rates)

Certain consolidated subsidiaries hedge some of the fluctuation risks of foreign exchange rates for operating receivables and debt denominated in foreign currencies, which are identified by currency and month, through the use of forward exchange contracts.

In addition, the Company and certain consolidated subsidiaries use interest rate swaps to control fluctuation risks of interest rates on loans payable.

With regard to investment securities, the market price and financial position of each issuing entity are regularly identified, and the holding status is continuously reviewed.

The relevant accounting section of each company manages derivative transactions in accordance with its internal rules.

3) Management of liquidity risk related to financing

Accounting sections of the Company and its consolidated subsidiaries prepare and update funding plans in a timely manner based on reports submitted by each section to manage liquidity risks.

(4) Supplemental explanation on the market value of financial instruments

The market value of financial instruments includes the value based on their market prices or the value reasonably calculated if market prices are not available. Since the calculation of such value reflects variable factors, it is subject to change depending on different assumptions used.

2. Market value of financial instruments

Amounts posted on the consolidated balance sheet, market values, and the corresponding differences between the two are as follows. Items, for which ascertaining market values is extremely difficult, are not included in the table below. (See Note 2.)

Previous fiscal year (as of March 31, 2019)		(Millions of yen)	
	Balance sheet amount	Market value	Difference
(1) Cash and deposits	33,844	33,844	-
(2) Notes and accounts receivable - trade	37,456	37,456	-
(3) Accounts receivable - other	3,116	3,116	-
(4) Investment securities			
(a) Shares of subsidiaries and associates	18,217	13,099	(5,118)
(b) Available-for-sale securities	20,700	20,700	-
Total assets	113,335	108,217	(5,118)
(1) Notes and accounts payable - trade	26,449	26,449	-
(2) Electronically recorded obligations - operating	6,438	6,438	-
(3) Short-term loans payable	49,610	49,610	-
(4) Current portion of long-term loans payable	19,698	19,717	19
(5) Accounts payable - other	12,402	12,402	-
(6) Long-term loans payable	35,106	35,245	139
Total liabilities	149,705	149,864	159
Derivative transactions (*)	(130)	(130)	-

(*) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts. In case total liabilities exceed total assets, the amount is presented in parentheses.

Current fiscal year (as of March 31, 2020)		(Millions of yen)	
	Balance sheet amount	Market value	Difference
(1) Cash and deposits	26,112	26,112	-
(2) Notes and accounts receivable - trade	34,397	34,397	-
(3) Accounts receivable - other	5,406	5,406	-
(4) Investment securities			
(a) Shares of subsidiaries and associates	17,620	9,115	(8,504)
(b) Available-for-sale securities	14,795	14,795	-
Total assets	98,333	89,828	(8,504)
(1) Notes and accounts payable - trade	21,869	21,869	-
(2) Electronically recorded obligations - operating	6,495	6,495	-
(3) Short-term loans payable	59,140	59,140	-
(4) Current portion of long-term loans payable	16,843	16,848	5
(5) Accounts payable - other	11,739	11,739	-
(6) Long-term loans payable	33,637	33,715	78
Total liabilities	149,724	149,808	84
Derivative transactions (*)	14	14	-

(*) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts. In case total liabilities exceed total assets, the amount is presented in parentheses.

(Note 1) Calculation method of the market value of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade, and (3) Accounts receivable - other:

These are settled within a short time frame and therefore have a market value nearly equivalent to their book value; as such, these are posted according to their book value.

(4) Investment securities:

Equities are based on their value on exchanges. Bonds are based on financial institutions.

Refer to "Securities" for matters for each type of securities, classified by holding purpose.

Liabilities

(1) Notes and accounts payable - trade, (2) Electronically recorded obligations - operating, (3) Short-term loans payable, and (5) Accounts payable - other:

These are settled within a short time frame and therefore have a market value nearly equivalent to their book value; as such, these are posted according to their book value.

(4) Current portion of long-term loans payable and (6) Long-term loans payable:

The market value of long-term loans payable is calculated by taking into account the total amount of principal and interest and discounting it by the assumed interest rate that would be applied when new borrowings are conducted. The market value of long-term loans payable that are subject to exceptional accounting treatment for interest-rate swaps is calculated by discounting the total amount of principal and interest, which is treated as one with the interest-rate swap in question, by a logically estimated interest rate that would be applied when similar borrowings are conducted.

(Note 2) The amounts of financial instruments recorded in the consolidated balance sheet for which it is extremely difficult to measure the fair value

(Millions of yen)

Classification	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Unlisted shares of subsidiaries and affiliates	6,573	5,940
Unlisted shares	421	402

*Unlisted shares and unlisted shares of subsidiaries and affiliates have no market price, and it is recognized that ascertaining their market value is extremely difficult. As such, these items are not included in "(4) Investment securities".

(Note 3) Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

Previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	33,844	-	-	-
Notes and accounts receivable - trade	37,456	-	-	-
Accounts receivable - other	3,116	-	-	-
Total	74,417	-	-	-

Current fiscal year (as of March 31, 2020)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	26,112	-	-	-
Notes and accounts receivable - trade	34,394	3	-	-
Accounts receivable - other	5,406	-	-	-
Total	65,913	3	-	-

(Note 4) Redemption schedule after the balance sheet date for loans payable and other interest-bearing debts

Previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	49,610	-	-	-	-	-
Current portion of long-term loans payable	19,698	-	-	-	-	-
Long-term loans payable	-	12,907	9,719	10,985	1,395	100
Total	69,308	12,907	9,719	10,985	1,395	100

Current fiscal year (as of March 31, 2020)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	59,140	-	-	-	-	-
Current portion of long-term loans payable	16,843	-	-	-	-	-
Long-term loans payable	-	13,655	14,637	4,095	1,250	-
Total	75,983	13,655	14,637	4,095	1,250	-

(Securities)

1. Available-for-sale securities

Previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Shares	20,698	7,617	13,081
	Subtotal	20,698	7,617	13,081
Securities whose B/S amount do not exceed their acquisition price	Shares	1	1	(0)
	Subtotal	1	1	(0)
Total		20,700	7,619	13,081

Current fiscal year (as of March 31, 2020)

(Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	14,795	7,619	7,176
	Subtotal	14,795	7,619	7,176
Securities whose B/S amount do not exceed their acquisition price	Shares	0	0	(0)
	Subtotal	0	0	(0)
Total		14,795	7,619	7,176

2. Available-for-sale securities sold

Previous fiscal year (as of March 31, 2019)

This information is not provided due to its low materiality.

Current fiscal year (as of March 31, 2020)

Not applicable.

(Retirement benefits)

1. Outline of adopted retirement benefit plans

Certain domestic consolidated subsidiaries have a retirement lump-sum plan (non-installment type) to pay retirement benefits to employees.

Under the retirement lump-sum plan, a lump-sum payment based on salaries and service periods is paid as retirement benefits.

In addition, redundancy payments that are not subject to retirement benefit liability calculated based on an actuarial method in accordance with retirement benefit accounting may be paid in some cases when employees retire.

Certain overseas consolidated subsidiaries have a defined benefit pension plan (installment type) or a retirement lump-sum plan (non-installment type) to prepare for paying retirement benefits to employees. The parent company and certain consolidated subsidiaries have a defined contribution pension plan. Under a retirement lump-sum plan held by certain domestic consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using the simplified method.

One domestic consolidated subsidiary transferred its defined benefit plan (an installment type) to a defined contribution plan in July 2019.

2. Defined-benefit plan

(1) Adjustments between the beginning and ending balances of retirement benefits obligation (except for plans using a simplified method)

	(Millions of yen)	
	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Retirement benefits obligation at the beginning of the period	14,959	14,728
Service cost	127	118
Interest cost	252	228
Actuarial gains and losses generated	429	231
Retirement benefits paid	(890)	(956)
Prior service cost generated	8	158
Effect of foreign currency translation	(159)	(663)
Other	0	(22)
Retirement benefits obligation at the end of the period	14,728	13,823

(2) Adjustments between the beginning and ending balances of plan assets (except for plans using a simplified method)

	(Millions of yen)	
	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Plan assets at the beginning of the period	8,468	8,339
Expected return on plan assets	213	186
Actuarial gains and losses generated	197	(408)
Contribution from employers	25	97
Retirement benefits paid	(396)	(217)
Effect of foreign currency translation	(167)	(612)
Other	(1)	5
Plan assets at the end of the period	8,339	7,390

(3) Adjustments between the beginning and ending balances of net defined benefit liability for plans using a simplified method

	(Millions of yen)	
	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Net defined benefit liability at the beginning of the period	4,319	4,212
Retirement benefit expenses	304	184
Retirement benefits paid	(405)	(588)
Contribution to plans	(6)	(4)
Increase due to newly consolidated subsidiary	-	216
Net defined benefit liability at the end of the period	4,212	4,021

- (4) Adjustments between the ending balances of retirement benefits obligation and plan assets and the net defined benefit liability and net defined benefit assets reported on the consolidated balance sheet

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Retirement benefits obligation for funded plans	8,787	8,218
Plan assets	(8,446)	(7,390)
	341	828
Retirement benefits obligation for unfunded plans	10,260	9,625
Net defined liability and assets reported on the consolidated balance sheet	10,602	10,453
Net defined benefit liability	10,602	10,453
Net defined benefit assets	-	-
Net defined liability and assets reported on the consolidated balance sheet	10,602	10,453

(Note) This includes a plan using the simplified method.

- (5) The amounts of components of retirement benefit expenses

	(Millions of yen)	
	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Service cost	127	118
Interest cost	252	228
Expected return on plan assets	(213)	(186)
Amortization of actuarial gains and losses	388	417
Amortization of prior service cost	(106)	43
Retirement benefit expenses calculated using the simplified method	304	184
Non-recurring redundancy payments	340	310
Other	2	(28)
Total	1,095	1,089

- (6) Remeasurements of defined benefit plans reported under “Other comprehensive income”

Remeasurements of defined benefit plans (reported under “Other comprehensive income” in the statements of comprehensive income) (before tax effects) are as follows:

	(Millions of yen)	
	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Prior service cost	(115)	(115)
Actuarial gains and losses	158	(223)
Total	42	(339)

- (7) Remeasurements of defined benefit plans reported under “Accumulated other comprehensive income”

Remeasurements of defined benefit plans (reported under “Accumulated other comprehensive income” in the net assets section in the consolidated balance sheets) (before tax effects) are as follows:

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Unrecognized prior service cost	231	115
Unrecognized actuarial gains and losses	(920)	(1,144)
Total	(689)	(1,028)

(Note) The above items are related to consolidated companies and do not include unrecognized items (share of other comprehensive income) of affiliates accounted for by the equity method.

(8) Plan assets

Major components of plan assets

Ratio of each major component of plan assets is as follows:

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Stocks	39%	38%
Bonds	34%	38%
Cash and deposits	4%	4%
Other	23% (Note)	20% (Note)
Total	100%	100%

(Note) It mainly represents investments in funds for bonds and shares, etc.

(9) Actuarial assumptions used

Principal actuarial assumptions

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Discount rate	0.3 - 7.6%	0.4 - 6.3%

3. Defined contribution plans

The required amounts of contribution to the Group's defined contribution plans were 1,381 million yen for the previous fiscal year (ended March 31, 2019) and 1,393 million yen for the current fiscal year (ended March 31, 2020).

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Deferred tax assets:		
Write-down of inventory	1,250	1,250
Allowance for doubtful accounts	332	361
Provision for bonuses	1,022	954
Net defined benefit liability	3,142	2,952
Loss on valuation of securities	661	569
Impairment loss	2,089	1,929
Long-term accounts payable - other	15	10
Unrealized gains on inventories	819	417
Mark-to-market gains from participation in consolidated taxation system	547	369
Net operating losses carried forward (Note 3)	9,036	9,116
Other	4,343	4,404
Subtotal deferred tax assets	23,262	22,337
Valuation allowance for net operating loss carry forwards (Note 3)	(6,570)	(6,724)
Valuation allowance for the sum of deductible temporary differences, etc.	(4,862)	(4,714)
Subtotal valuation allowance (Note 2)	(11,432)	(11,439)
Total deferred tax assets	11,829	10,898
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	4,042	2,189
Valuation difference of consolidated subsidiaries by the market value method	3,770	3,770
Retained earnings of overseas subsidiaries	929	862
Other	1,294	1,563
Total deferred tax liabilities	10,037	8,386
Net deferred tax assets (liabilities) (Note 1)	1,792	2,511

(Note) 1. Net deferred tax assets (liabilities) as of March 31, 2018 and 2019 are included in the following accounts in the consolidated balance sheet:

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Deferred tax assets - non-current assets	4,243	4,441
Deferred tax liabilities - non-current liabilities	2,451	1,929

Previous fiscal year (as of March 31, 2019)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

Current fiscal year (as of March 31, 2020)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

(Note) 2. Valuation allowance increased by 6 million yen, due mainly to an increase in valuation allowance related to tax losses carried forward.

(Note) 3. Amounts of tax losses carried forward and deferred tax assets by carry-forward period

Previous fiscal year (Ended March 31, 2019)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	516	684	692	697	260	6,185	9,036
Valuation allowance decreased	(484)	(684)	(630)	(695)	(251)	(3,824)	(6,570)
Deferred tax assets	31	0	62	1	8	2,360	(b)2,466

(a) The tax losses carried forward represents the amounts after being multiplied by the statutory tax rate.

(b) For tax losses carried forward of 9,036 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 2,466 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

Current fiscal year (Ended March 31, 2020)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	685	605	669	257	567	6,330	9,116
Valuation allowance decreased	(674)	(584)	(668)	(222)	(563)	(4,010)	(6,724)
Deferred tax assets	11	21	1	34	4	2,320	(b)2,392

(a) The tax losses carried forward represents the amounts after being multiplied by the statutory tax rate.

(b) For tax losses carried forward of 9,116 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 2,392 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

2. The reconciliation of significant differences between the statutory tax rate and effective income tax rate after application of tax-effect accounting

Previous fiscal year (as of March 31, 2019)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	(5.78)%
Non-deductible amount (Entertainment expenses, etc.)	1.07 %
Amortization of goodwill	2.23 %
Different tax rates applied to foreign consolidated subsidiaries	(3.58)%
Share of profit of entities accounted for using equity method	(5.65)%
Unrealized gains on inventories	(4.00)%
Per capita tax	0.66 %
Aggregation of income of specified foreign subsidiary companies, etc.	2.80 %
Other	2.39 %
Actual effective income tax rate after application of tax-effect accounting	20.77 %

Current fiscal year (as of March 31, 2020)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	6.07 %
Non-deductible amount (Entertainment expenses, etc.)	1.47 %
Amortization of goodwill	4.24 %
Different tax rates applied to foreign consolidated subsidiaries	(6.66)%
Share of profit of entities accounted for using equity method	(6.50)%
Unrealized gains on inventories	7.56 %
Per capita tax	1.33 %
Other	5.72 %
Actual effective income tax rate after application of tax-effect accounting	43.85 %

(Segment Information, etc.)

<Segment information>

1. Outline of the reported segments

The Company's reported segments are business units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about management resources to be allocated to the segments and assessing the segment's performance.

As a holding company, the Company has a business structure for consolidating and managing each operating subsidiary, which is responsible for comprehensively developing domestic and global strategies as well as engaging in business activities for the merchandise, finished goods and associated services.

In view of this, the Company is comprised of segments centered around a core company of each business classified by merchandise and finished goods. Three reported segments are specified; namely the Watches Business, Electronic Devices Business and Systems Solutions Business.

The main merchandise and finished goods belonging to each reported segment are as follows:

Reported Segment:	Main merchandise and finished goods:
Watches Business	Watches and watch movements
Electronic Devices Business	Quartz crystals, micro batteries and materials, printers, and hard disk drive components
Systems Solutions Business	Wireless communication equipment, information network systems, data services and computer performance management software
Others	Clocks / High-end jewelry, apparel and fashion accessories / System clocks etc.

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reporting segment

The accounting method for the reported segments is the same as basis of preparation for the consolidated financial statements. Intersegment transactions are based on market prices.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reporting segment

Previous fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Watches	Electronic Devices	Systems Solutions	Total				
Net sales								
Sales to third parties	140,346	52,248	29,435	222,029	25,263	247,293	-	247,293
Inter-segment sales or transfers	1,442	3,300	1,373	6,116	3,099	9,215	(9,215)	-
Total	141,788	55,548	30,809	228,146	28,363	256,509	(9,215)	247,293
Segment profits	10,391	1,414	2,401	14,207	697	14,905	(5,511)	9,394
Segment assets	93,677	78,888	19,455	192,022	37,229	229,251	73,784	303,036
Other items								
Depreciation and amortization expense	3,349	3,120	1,393	7,863	531	8,395	584	8,980
Amortization of goodwill	2	-	292	295	-	295	566	861
Investment amounts to equity method companies	323	4,976	-	5,299	5,074	10,374	12,866	23,240
Increase amounts of fixed assets and intangible assets	2,507	3,433	1,050	6,991	414	7,405	1,071	8,477

(Note) 1. The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.

2. Adjustments are as follows:

- (1) Adjustments to segment profits in the amount of -5,511 million yen include -566 million yen in the amortization of goodwill, 319 million yen that mainly consists of the elimination of inter-segment transactions, and -5,263 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses that fall under the parent company (holding company).
 - (2) Adjustments to segment assets in the amount of 73,784 million yen include -71,638 million yen in the elimination of inter-segment liabilities, 194,968 million yen in company-wide assets not appropriated to each reported segment, and -49,545 million yen that mainly consists of the elimination of investments and equity. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).
 - (3) Adjustment to investment in entities accounted for by the equity method in the amount of 12,866 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.
3. Segment profit has been adjusted for alongside operating profit on the consolidated statements of income.

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Watches	Electronic Devices	Systems Solutions	Total				
Net sales								
Sales to third parties	133,759	47,986	31,230	212,976	26,173	239,150	-	239,150
Inter-segment sales or transfers	1,716	3,763	1,609	7,088	3,408	10,496	(10,496)	-
Total	135,475	51,749	32,839	220,064	29,582	249,647	(10,496)	239,150
Segment profits	10,158	614	3,010	13,783	326	14,109	(7,975)	6,134
Segment assets	100,159	65,025	21,591	186,777	37,779	224,557	75,433	299,990
Other items								
Depreciation and amortization expense	4,474	2,415	1,219	8,109	612	8,721	1,593	10,315
Amortization of goodwill	0	-	292	292	-	292	566	859
Investment amounts to equity method companies	219	3,640	-	3,859	5,074	8,933	13,273	22,207
Increase amounts of fixed assets and intangible assets	4,537	2,311	1,262	8,111	846	8,958	2,184	11,142

(Note) 1. The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.

2. Adjustments are as follows:

- (1) Adjustments to segment income in the amount of -7,975 million yen include -566 million yen in the amortization of goodwill, 276 million yen that mainly consists of the elimination of inter-segment transactions, and -7,685 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.
 - (2) Adjustments to segment assets in the amount of 75,433 million yen include -64,537 million yen in the elimination of inter-segment liabilities, 176,713 million yen in company-wide assets not appropriated to each reported segment, and -36,742 million yen that mainly consists of the elimination of investments and equity. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at headquarters, unallocated to reported segments.
 - (3) Adjustment to investment in entities accounted for by the equity method in the amount of 13,273 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.
3. Segment profit has been adjusted for alongside operating profit on the consolidated statements of income.

4. Change in evaluation method of profit / loss of reported segments

In order to appropriately evaluate the results of each reported segment, the Company changed to a method of considering expenses related to headquarters for some consolidated subsidiaries that had previously been allocated to the Watches Business and Electronic Devices Business as adjustments to segment income, which are company-wide expenses, from the first quarter of the fiscal year ending March 31, 2020. As a result of this change, compared to the previous method, segment income for the Watches Business increased by 932 million yen, segment income for the Electronic Devices Business increased by 1,004 million yen, and adjustments to segment income decreased by 1,936 million yen for the year ended March 31, 2020.

<Information associated with reported segments >

Previous fiscal year (from April 1, 2018 to March 31, 2019)

1. Information for each product or service

This information is not provided here because it is the same as the information provided under “Segment information.”

2. Information for each region

(1) Net sales (Millions of yen)

Japan	P.R. China	Other	Total
139,997	33,148	74,148	247,293

(Note) The above is classified by the geographic location of the external customers.

(2) Intangible assets (Millions of yen)

Japan	Other	Total
72,324	16,315	88,640

3. Information for each of main customers

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statement of income.

Current fiscal year (from April 1, 2019 to March 31, 2020)

1. Information for each product or service

This information is not provided here because it is the same as the information provided under “Segment information.”

2. Information for each region

(1) Net sales (Millions of yen)

Japan	P.R. China	Other	Total
137,514	32,569	69,065	239,150

(Note) The above is classified by the geographic location of the external customers.

(2) Intangible assets (Millions of yen)

Japan	Other	Total
73,920	20,123	94,044

3. Information for each of main customers

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of income.

<Disclosure of impairment loss on non-current assets for each reported segment>

Previous fiscal year (from April 1, 2018 to March 31, 2019)

Not applicable.

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reported segment				Other	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Impairment loss	-	240	-	240	-	-	240

<Amortization and unamortized balance of goodwill for each reported segment>

Previous fiscal year (from April 1, 2018 to March 31, 2019)

(Goodwill)

(Millions of yen)

	Reported segment				Other	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Amortization of goodwill	2	-	292	295	-	566	861
Balance at the end of fiscal year	1	-	2,338	2,340	-	5,949	8,289

(Note) Amortization for the fiscal year and balance at the end of the fiscal year for goodwill not appropriated to reported segments are primarily related to investments in some of the Watches Business by the parent company (holding company).

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Goodwill)

(Millions of yen)

	Reported segment				Other	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Amortization of goodwill	0	-	292	292	-	566	859
Balance at the end of fiscal year	1	-	2,046	2,047	-	5,382	7,430

(Note) Amortization for the fiscal year and balance at the end of the fiscal year for goodwill not appropriated to reported segments are primarily related to investments in some of the Watches Business by the parent company (holding company).

<Information about gain on bargain purchase for each reported segment>

Not applicable.

<Related parties>

1. Transactions with related parties

(1) Transactions of the Company with related parties

Parent company and major shareholders, etc. of the Company

Previous fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 5.4%	Property lease-in, etc.	Property lease-in	975	Current liabilities (Other)	8

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.2%	Property lease-in, etc.	Property lease-in	1,067	Current liabilities (Other)	6

(Note) 1. The above amount of transactions does not include consumption taxes and year-end balance includes consumption taxes.

2. Transaction terms and policies to determine them

The terms for property lease-in are determined based on the same standards as for general transaction terms after considering market price. In the statements of income, the property rents payable are presented in selling, general and administrative expenses, while are offset with other of non-operating income.

(2) Transactions of the consolidated subsidiaries of the Company with related parties

Non-consolidated subsidiaries and affiliates of the reporting company

Previous fiscal year (from April 1, 2018 to March 31, 2019)

Not applicable.

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights	Relation	Transactions	Amount	Account item	Year-end balance
Affiliate	ABLIC Inc.	Mihama-ku, Chiba	9,250	Development, design, manufacture and sales of analog semiconductor products	(Indirect) 30.0%	Interlocking directorates	Property rent	1,023	Accounts receivable - other	94

(Note) 1. The above amount of transactions does not include consumption taxes and year-end balance includes consumption taxes.

2. Transaction terms and policies to determine them

The terms for property rent are determined based on the same standards as for general transaction terms after considering market price. In the statements of income, the property rents payable are presented in other of non-operating income, after offsetting with other of non-operating expenses.

2. Notes concerning the parent company and significant affiliates

(1) Information of the parent company
Not applicable.

(2) Information of the significant affiliates

Condensed financial information of ABLIC Inc., which the Company defines as a significant affiliate for the current fiscal year, is as follows.

(Millions of yen)

	ABLIC Inc.	
	Previous fiscal year	Current fiscal year
Total current assets	-	21,475
Total non-current assets	-	18,157
Total current liabilities	-	10,152
Total non-current liabilities	-	8,353
Total net assets	-	21,126
Net sales	-	30,573
Profit before income taxes	-	3,856
Profit attributable to owners of parent	-	1,994

(Note) ABLIC Inc. has been classified as a significant affiliate from the current fiscal year due to its increased materiality.

OHARA INC., which was classified as a significant affiliate in the previous fiscal year, is not classified as a significant affiliate in the current fiscal year due to its decreased materiality.

Condensed financial information of OHARA INC. is as follows.

(Millions of yen)

	OHARA INC.	
	Previous fiscal year	Current fiscal year
Total current assets	31,911	-
Total non-current assets	26,819	-
Total current liabilities	9,262	-
Total non-current liabilities	5,428	-
Total net assets	44,040	-
Net sales	28,221	-
Profit before income taxes	3,705	-
Profit attributable to owners of parent	3,220	-

(Per-share information)

(Yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Net assets per share	2,649.99	2,499.97
Basic earnings per share	224.42	82.36
Diluted earnings per share	224.40	82.33

(Notes) 1. For the purpose of calculating the basic earnings per share and diluted earnings per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders’ equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year (108 thousand shares for the previous fiscal year and 105 thousand shares for the current fiscal year).

For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year (108 thousand shares for the previous fiscal year and 102 thousand shares for the current fiscal year).

2. Calculation basis of net assets per share is as follows:

(Millions of yen)

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Total net assets	110,415	104,273
Amounts deducted from total net assets	1,194	1,223
<i>Of which, non-controlling interests</i>	<i>1,194</i>	<i>1,223</i>
Net assets at the end of the fiscal year related to common shares	109,221	103,050
The number of common shares at the end of the fiscal year used to calculate net assets per share (Thousands of shares)	41,215	41,220

3. Calculation basis of basic earnings per share and diluted earnings per share is as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Basic earnings per share:		
Profit attributable to owners of parent	9,249	3,394
Profit attributable to owners of parent pertaining to common stock	9,249	3,394
Average number of shares of common stock outstanding during the period (Thousands of shares)	41,215	41,218
Diluted earnings per share:		
Adjustments to profit attributable to owners of parent	(0)	(1)
<i>Of which, adjustments by potential shares of affiliates accounted for by the equity method</i>	<i>(0)</i>	<i>(1)</i>
The increased number of common shares (Thousands of shares)	-	-
Overview of potential shares that are not included in the calculation of diluted earnings per share due to absence of dilutive effects	19,000 common stocks of ABLIC Inc., affiliates accounted for by the equity method, as stock acquisition rights (stock options)	19,000 common stocks of ABLIC Inc., affiliates accounted for by the equity method, as stock acquisition rights (stock options)

(Significant events after reporting period)

(Extraordinary income associated with the transfer of shares in an affiliated company accounted for using equity method)

A subsidiary of Seiko Holdings Corporation (hereinafter “SHD”), Seiko Instruments Inc. (hereinafter “SII”) to MinebeaMitsumi Inc. (hereinafter “MinebeaMitsumi”), and Development Bank of Japan Inc. (hereinafter “DBJ”), as follows on the transfer of all shares held in ABLIC Inc. (hereinafter “ABLIC”), an affiliated company accounted for using equity method of SHD, and duly concluded a share transfer agreement as December 17, 2019. Based on this agreement, SII transferred the shares of ABLIC on April 30, 2020.

(1) Reason for the share transfer

In January 2016, SII transferred its semiconductor business to ABLIC (previous trade name: SII Semiconductor Corporation), a semiconductor company jointly funded by SII and DBJ. Initially, ABLIC was collaboratively managed by SII and DBJ, with a respective ownership ratio of 60 % and 40 %. However, later in January 2018, SII transferred 30% of its ownership to DBJ in pursuit of growth strategies.

In December 2019, an agreement was reached on the transfer of all shares in ABLIC held by DBJ and SII to MinebeaMitsumi, with a view toward further enhancing the corporate value of ABLIC and expanding its business. Businesses owned by MinebeaMitsumi have a great degree of affinity and complementarity with those owned by ABLIC, potentially creating synergistic effects not limited to the semiconductor field. Meanwhile, in the Seiko Holdings Group, this share transfer is believed to facilitate the effective utilization of management resources and reinforcement of the management foundation, including investments with a view toward creating sustainable value.

Following this share transfer, ABLIC should no longer be an affiliated company accounted for using equity method of SHD.

(2) Name of the company the shares transferred

MinebeaMitsumi Inc.

(3) Name of company and business lines the equity method affiliate transferred

Name	ABLIC Inc.
Business lines	Development, design, manufacture and sales of analog semiconductor products

(4) Date of share transfer

April 30, 2020

(5) Number of shares for transfer, transfer price and status of shareholding before and after transfer

Shareholding prior to transfer	555,000 shares	(Percentage of voting rights held: 30.0%)
Number of shares for transfer	555,000 shares	(Ratio to the number of shares issued: 30.0%)
Transfer price	10,317 million yen*	
Shareholding after transfer	0 share	(Percentage of voting rights held: 0.0 %)

*The transfer price is the price stated in the Share Transfer Agreement concluded on December 17, 2019. It has been agreed that the transfer price will be subject to adjustments based on the financial data of ABLIC at the time of the share transfer, and that additional payment of an amount not exceeding 450 million yen shall be payable to SHD, depending on the business performance of the ABLIC Group during a certain period of time.

(6) Extraordinary income to be posted

In association with the share transfer, 7.1 billion yen of gain on transfer of shares and the realized amount of the unrealized gain is scheduled to be posted as extraordinary income in the first quarter of the fiscal year ending March 31, 2021. Of this extraordinary income, the gain on transfer of shares will be 3.8 billion yen and the realized amount of the unrealized gain will be 3.3 billion yen. The realized amount of the unrealized gain is, of the transfer profit that was generated at the time of the business transfer in 2016 and eliminated in the consolidated financial statements, the amount to be realized corresponding to the share transfer.

In addition, regarding the gain on transfer of shares in the extraordinary income, there are variable factors associated with

adjustments to the transfer price, as described in the margin of (5).

(e) Consolidated supplemental schedules

Annexed consolidated detailed schedule of borrowings

Classification	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Average interest rate (%)	Maturity date
Short-term loans payable	49,610	59,140	0.6	-
Current portion of long-term loans payable	19,698	16,843	0.8	-
Current portion of lease obligations	361	1,351	2.6	-
Long-term loans payable (excluding current portion)	35,106	33,637	0.9	March 31, 2025
Lease obligations (excluding current portion)	1,246	4,288	2.3	October 31, 2030
Other interest-bearing debt (Current portion of) guarantee deposits received	90	105	0.1	-
Business security deposit	32	32	0.0	-
Total	106,144	115,398	-	-

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the year-end balance of loans payable.

2. Repayment deadlines for guarantee deposits received under other interest bearing debt are not set in particular. In addition, guarantee deposits received are included in "Other" under non-current liabilities in the consolidated balance sheets.

3. The following table shows the aggregate annual maturities of long-term loans payable and lease obligations (excluding the current portion) within five years after the consolidated balance sheet date.

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans payable	13,655	14,637	4,095	1,250
Lease obligations	980	725	619	551

Independent Auditors' Audit Report and Internal Control Audit Report

June 26, 2019

The Board of Directors
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC

Designated Limited Partner
Engagement Partner Certified Public Accountant Junichi Obi [seal]

Designated Limited Partner
Engagement Partner Certified Public Accountant Akira Nishino [seal]

Designated Limited Partner
Engagement Partner Certified Public Accountant Kenji Ueda [seal]

<Financial statements audit>

Opinion

We have audited the accompanying consolidated financial statements presented under "Financial Information" of SEIKO HOLDINGS CORPORATION, which comprise the consolidated balance sheets as at March 31, 2020 and 2019, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, in order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SEIKO HOLDINGS CORPORATION and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

We draw attention to the significant subsequent event, which describes that Seiko Instruments Inc., a consolidated subsidiary of the Company, transferred all shares in ABLIC Inc., an affiliate accounted for by the equity method, on April 30, 2020.

Our conclusion is not modified in respect of this matter.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles for consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

<Internal control audit>

Opinion

We also have audited, pursuant to the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report as of March 31, 2020 of the Company.

In our opinion, the above internal control report, in which SEIKO HOLDINGS CORPORATION indicated that internal control over financial reporting as at March 31, 2020 was effective, fairly represents, in all material respects, evaluation results of internal control over financial reporting in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility for the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company and its subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

The English translation has no legal force and is provided for convenience only.

1. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report and Internal Control Audit Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of audit.