

[Translation]

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(Stock Exchange Code 8050)

June 7, 2019

**To Shareholders with Voting Rights:**

Yoshinobu Nakamura  
President  
SEIKO HOLDINGS CORPORATION  
5-11, Ginza 4-chome, Chuo-ku, Tokyo

**NOTICE OF  
THE 158TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 158th Ordinary General Meeting of Shareholders of SEIKO HOLDINGS CORPORATION (the “Company”). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing, or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights in either of the methods described on pages 2 and 3 by 6 p.m. on Wednesday, June 26, 2019, Japan time.

**1. Date and Time:** Thursday, June 27, 2019, at 10 a.m. Japan time  
(The reception desk will open at 9 a.m. Japan time.)

**2. Place:** Toranomom Hills Forum Hall B  
Toranomom Hills Mori Tower 4F  
23-3, Toranomom 1-chome, Minato-ku, Tokyo, Japan

**3. Meeting Agenda:**

**Matters to be reported:** The Business Report, Non-consolidated Financial Statements, Consolidated Financial Statements and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements, for the Company’s Fiscal Year Ended on March 31, 2019 (from April 1, 2018 to March 31, 2019)

**Proposals to be resolved:** **Proposal 1:** Distribution of Surplus  
**Proposal 2:** Election of Eleven (11) Directors  
**Proposal 3:** Election of Two (2) Corporate Auditors

**4. Decisions Concerning Convocation**

- (1) Should you choose to exercise your voting rights via a proxy, you may designate a shareholder other than yourself, who is entitled to vote with respect to the Company, as your proxy. In such case, please have the proxy submit a power of attorney together with your Voting Rights Exercise Form to the reception desk.
- (2) Should you diversely exercise your voting rights, please notify the Company in writing to this effect, together with the reason thereof, at least three days prior to the date of the General Meeting of Shareholders.

## Regarding disclosures on the Internet

- ◎ Among the documents to be provided with this Notice, the following items are posted on the Company's website (at the URL provided below) via the Internet pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company; therefore, they are not included in the documents attached hereto:
- (i) "Consolidated Statements of Changes in Equity" and "Notes to Consolidated Financial Statements" for Consolidated Financial Statements
  - (ii) "Non-Consolidated Statements of Changes in Equity" and "Notes to Non-Consolidated Financial Statements" for Non-Consolidated Financial Statements

The Consolidated Financial Statements and Non-Consolidated Financial Statements that the Board of Corporate Auditors and the Accounting Auditor have audited contain the Consolidated Statements of Changes in Equity, Notes to Consolidated Financial Statements, Non-Consolidated Statements of Changes in Equity and Notes to Non-Consolidated Financial Statements as posted on the Company's website.

- ◎ Should any of the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements require revisions, the revised versions will be posted on the Company's website (at the URL provided below).

The Company's Website	English: <a href="https://www.seiko.co.jp/en/ir/">https://www.seiko.co.jp/en/ir/</a> , Japanese: <a href="https://www.seiko.co.jp/ir/">https://www.seiko.co.jp/ir/</a>
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## Notice regarding Exercise of Voting Rights

Voting rights may be exercised by any of the means described below. Shareholders are requested to review the Reference Documents for the General Meeting of Shareholders before exercising voting rights.

### Shareholders attending the meeting in person

Date and time of the meeting: Thursday, June 27, 2019, at 10 a.m., Japan time

When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Please also bring this convocation notice.

### Shareholders not attending the meeting in person

Exercise of voting rights in writing (by mail):

Deadline: Must reach the Company by 6 p.m. on Wednesday, June 26, 2019, Japan time

Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and return the same so that it is received by the deadline for exercising voting rights.

Exercise of voting rights by electromagnetic means (via the Internet):

Deadline: By 6 p.m. on Wednesday, June 26, 2019, Japan time

Please refer to the Notice regarding Exercise of Voting Rights through the Internet provided on the next page, access the Company's designated voting website (<https://soukai.mizuho-tb.co.jp/>), and enter your votes for or against the proposals in accordance with the screen instructions.

## Notice regarding Exercise of Voting Rights via the Internet

### 1. Exercise of voting rights via the Internet

- (1) Voting rights may be exercised through the Company's designated voting website (at the URL provided below), in lieu of exercising voting rights in writing. When voting via the Internet, you should log in by using your voting rights exercise code and password displayed on the right-hand side of the enclosed Voting Rights Exercise Form, and enter your votes in accordance with the screen instructions. Please note that you will be required to change your password when you log in for the first time to ensure security.

Voting Website	<a href="https://soukai.mizuho-tb.co.jp/">https://soukai.mizuho-tb.co.jp/</a>
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- (2) The deadline for exercising voting rights is 6 p.m. on Wednesday, June 26, 2019, Japan time, and votes must be entered by the above deadline. Please exercise your voting rights promptly.
- (3) If you exercise a voting right both in writing and via the Internet, the vote submitted through the Internet will be taken as the valid vote. If you exercise a voting right multiple times via the Internet, the vote last submitted will be taken as the valid vote.
- (4) The password (including the password that may be changed by a shareholder) is valid only for this general meeting of shareholders. A new password will be issued at the time of convocation of the next general meeting of shareholders.
- (5) Please note that shareholders are responsible for any expenses incurred for accessing the Internet.

#### Notes:

- The password is a means to verify the identification of the person casting the vote. Please note that the Company will not ask for your password.
- If a wrong password is entered a certain number of times, it will be locked and may no longer be used. If you have had your password locked, please take the procedures in accordance with the screen instructions.
- Although the operationability of the voting website is checked with a general Internet access device, you may not be able to use the voting website depending on the device you use to access the website.

### 2. Contact information

If you have any questions, please contact Stock Transfer Agent Department, Mizuho Trust & Banking Co., Ltd., the shareholder register administrator.

- (1) Inquiries regarding the operation of the voting website:  
(Toll free, accessible only in Japan) 0120-768-524 (9:00 - 21:00 on weekdays)
- (2) Other inquiries regarding administration of shares:  
(Toll free, accessible only in Japan) 0120-288-324 (9:00 - 17:00 on weekdays)

(For reference)

Institutional investors may use the electronic proxy voting platform operated by ICJ, Inc.

[Translation]

**Reference Documents for the General Meeting of Shareholders**

Agenda of the Ordinary General Meeting of Shareholders

**Proposal 1: Distribution of surplus**

The Company has a policy to provide consistent dividend payments while considering the consolidated business results for the year under review and taking into account the enrichment of internal reserves to strengthen our management foundation. Based on this policy, with regard to the year-end dividend for the fiscal year under review, we hereby propose to distribute the surplus as described below.

Matters related to the year-end dividend

(1) Type of dividend assets

Cash

(2) Allotment of dividend property to shareholders and its total amount

Amount per common share: 37.5 yen

Total amount of dividends: 1,550,426,175 yen

Note: As the Company has already paid an interim dividend of 37.5 yen per share, the annual dividend for the 158th fiscal year will be 75 yen per share.

(3) Effective date of distribution of surplus

June 28, 2019

## Proposal 2: Election of Eleven (11) Directors

The Company proposes the election of eleven (11) Directors, as the terms of office of all eleven (11) Directors will expire at the closing of this General Meeting of Shareholders.

The candidates for Director are as follows.

Candidate No.		Name	Positions and responsibilities at the Company	
1	Reappointed	<b>Shinji Hattori</b>	Chairman & Group CEO	
2	Reappointed	<b>Yoshinobu Nakamura</b>	President	
3	Reappointed	<b>Akihiro Okuma</b>	Executive Director in charge of Secretariat, Human Resources, General Affairs, and IT Planning	
4	Reappointed	<b>Hiromi Kanagawa</b>	Director in charge of Public Relations, Sports Branding, and Corporate Culture General Manager of the Corporate Culture Department	
5	Reappointed	<b>Shimesu Takizawa</b>	Director in charge of Finance & Corporate Strategy Planning and Long-Term Management & Technology Strategy General Manager of the Finance & Corporate Strategy Planning Department	
6	Reappointed	<b>Kazuhiko Sakamoto</b>	Director in charge of Accounting General Manager of the Accounting Department	
7	Newly Appointed	<b>Makoto Ichimura</b>	Senior General Manager, Secretaries Office and General Affairs Department General Manager of the Secretaries Office General Manager of the Long-Term Management & Technology Strategy Department	
8	Reappointed	<b>Shuji Takahashi</b>	Director in charge of Watches Business	
9	Reappointed	<b>Tetsu Kobayashi</b>	Director	
10	Newly Appointed	<b>Tsuyoshi Nagano</b>	Outside Director Independent Director	—
11	Newly Appointed	<b>Yasuko Teraura</b>	Outside Director Independent Director	—

1. Shinji Hattori (Date of Birth: January 1, 1953) (Reappointed)



- (1) Number of shares of the Company held: 2,279,289
- (2) Length of service as a Director: 12 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 12 out of 13 meetings (92.3%)
- (4) Career, positions, and responsibilities

April 1975	Joined Mitsubishi Corporation
July 1984	Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)
January 1996	Director of Seiko Precision Inc.
June 2001	President of Seiko Precision Inc.
June 2003	President & CEO of SEIKO WATCH CORPORATION
June 2007	Director of the Company
June 2009	Executive Vice President of the Company
April 2010	President of the Company
October 2012	Chairman & Group CEO of the Company (to present)
June 2014	Outside Director of JAPAN POST INSURANCE Co., Ltd. (to present)
June 2015	President & CEO of SEIKO WATCH CORPORATION
April 2017	Chairman & CEO of SEIKO WATCH CORPORATION (to present)

- (5) Significant concurrent positions:

Chairman & CEO of SEIKO WATCH CORPORATION  
Outside Director of JAPAN POST INSURANCE Co., Ltd.

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Shinji Hattori as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having served as President of the Company and its group companies; and (ii) currently being engaged in strategic planning and management direction for the entire Company Group from a medium- to long-term, and global perspective as Chairman & Group CEO of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Shinji Hattori.

2. Yoshinobu Nakamura (Date of Birth: October 21, 1949) (Reappointed)



- (1) Number of shares of the Company held: 18,200
- (2) Length of service as a Director: 11 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1972	Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)
June 2001	Director of Seiko Precision Inc.
June 2003	Director of the Company
June 2004	Executive Director & CFO of SEIKO WATCH CORPORATION
March 2008	President of Seiko Clock Inc.
June 2008	Director of the Company
December 2008	Senior Executive Director of the Company
May 2010	Senior Executive Director (Representative Director) of the Company
October 2012	President of the Company (to present)
April 2018	Chairman of Seiko Instruments Inc. (to present)

- (5) Significant concurrent positions:

Chairman of Seiko Instruments Inc.

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Yoshinobu Nakamura as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having directed the Company Group's management as President of the Company for many years; and (ii) mainly having promoted the business portfolio restructuring to improve financial standing and maximize business income.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Yoshinobu Nakamura.

3. Akihiro Okuma (Date of Birth: September 9, 1960) (Reappointed)



- (1) Number of shares of the Company held: 4,800
- (2) Length of service as a Director: 6 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1984	Joined the Company
May 2010	Director of Seiko Clock Inc.
June 2013	Director of the Company
January 2015	Director and Managing Executive Officer of SEIKO Solutions Inc.
June 2016	Executive Director of the Company (to present)
January 2017	Outside Director of OHARA INC. (to present)
April 2017	Director and Executive Vice President of SEIKO Solutions Inc. (to present)
April 2018	Executive Director in charge of Secretariat, Human Resources, General Affairs, and IT Planning of the Company (to present)
April 2018	Director, Executive Vice President of Seiko Instruments Inc. (to present)

- (5) Significant concurrent positions:

Director, Executive Vice President of Seiko Instruments Inc.  
Director and Executive Vice President of SEIKO Solutions Inc.  
Outside Director of OHARA INC.

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Akihiro Okuma as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in human resource and general affairs as a member of the Company Group since joining the Company; and (ii) currently being in charge of the secretariat, human resources, general affairs, and IT planning as Executive Director of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Akihiro Okuma.



4. Hiromi Kanagawa (Date of Birth: September 30, 1962) (Reappointed)



- (1) Number of shares of the Company held: 2,400
- (2) Length of service as a Director: 3 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1985	Joined the Company
April 2012	General Manager, Sales & Marketing Department I, Sales & Marketing Division II, SEIKO WATCH CORPORATION
April 2014	Senior Vice President of SEIKO WATCH CORPORATION
June 2016	Director of the Company (to present)
April 2017	Director in charge of Public Relations, Sports Branding, and Corporate Culture of the Company (to present)
January 2018	General Manager, Corporate Culture Department of the Company (to present)
April 2019	Executive Director of SEIKO Time System Inc. (to present)

- (5) Significant concurrent positions:

Executive Director of SEIKO Time System Inc.

- (6) Reasons for nomination as candidate for director:

The Company nominates Ms. Hiromi Kanagawa as a candidate for Director, expecting her to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing her wealth of experience and achievement, including the following: (i) having been engaged mainly in marketing as a member of the Company Group since joining the Company; and (ii) currently being in charge of public relations, sports branding and corporate culture as Director of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Ms. Hiromi Kanagawa.

5. Shimesu Takizawa (Date of Birth: July 2, 1963) (Reappointed)



- (1) Number of shares of the Company held: 1,100
- (2) Length of service as a Director: 3 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1987	Joined the Company
August 1993	Seconded to SEIKO U.K. Limited
June 2010	General Manager, Finance & Accounting Department of the Company
June 2016	Director of the Company (to present)
March 2017	General Manager, Corporate Strategy & Planning Department (currently Finance & Corporate Strategy Planning Department) of the Company (to present)
April 2017	Director, Executive Vice President of Seiko Instruments Inc. (to present)
June 2018	Director in charge of Finance & Corporate Strategy Planning and Long-Term Management & Technology Strategy of the Company (to present)
June 2018	Outside Director of Jedat Inc. (to present)

- (5) Significant concurrent positions:

Director, Executive Vice President of Seiko Instruments Inc.  
Outside Director of Jedat Inc.

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Shimesu Takizawa as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in finance & accounting, and corporate strategy planning as a member of the Company Group since joining the Company; and (ii) currently being in charge of finance & corporate strategy planning and long-term management & technology Strategy as Director of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Shimesu Takizawa.

6. Kazuhiko Sakamoto (Date of Birth: November 6, 1965) (Reappointed)



- (1) Number of shares of the Company held: 200
- (2) Length of service as a Director: 1 year
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 10 out of 10 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1988	Joined the Company
June 1994	Seconded to SEIKO Hong Kong Ltd.
April 2007	General Manager, Finance & Accounting Department of WAKO Co., Ltd.
June 2010	General Manager, Corporate Strategy & Planning Department of WAKO Co., Ltd.
July 2012	Senior Vice President of WAKO Co., Ltd.
June 2015	General Manager, Corporate Strategy & Planning Department of the Company
March 2017	General Manager, Finance & Accounting Department (currently Accounting Department) of the Company (to present)
June 2018	Director in charge of Accounting of the Company (to present)
July 2018	Director, Senior Vice President of Seiko Instruments Inc. (to present)
April 2019	Director, Executive Vice President of WAKO Co., Ltd. (to present)

- (5) Significant concurrent positions:

Director, Senior Vice President of Seiko Instruments Inc.  
Director, Executive Vice President of WAKO Co., Ltd.

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Kazuhiko Sakamoto as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in finance & accounting, and corporate strategy planning as a member of the Company Group since joining the Company; and (ii) currently being in charge of accounting as Director of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Kazuhiko Sakamoto.

7. Makoto Ichimura (Date of Birth: May 12, 1967) (Newly Appointed)



- (1) Number of shares of the Company held: 100
- (2) Length of service as a Director: —
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: —
- (4) Career, positions, and responsibilities

April 1991	Joined the Company
April 2010	General Manager, General Affairs Department of WAKO Co., Ltd.
May 2013	General Manager, Secretaries Office of the Company
February 2015	General Manager, Public Relations & Secretaries Department of the Company
June 2016	General Manager, Secretaries Office, and General Manager, Corporate Strategy & Planning Department (currently Finance & Corporate Strategy Planning Department) (in charge of Planning) of the Company (to present)
April 2017	General Manager, Long-Term Management & Technology Strategy Department of the Company (to present)
June 2018	Senior General Manager, Secretaries Office and General Affairs Department of the Company (to present)

- (5) Significant concurrent positions:

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- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Makoto Ichimura as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in secretariat, public relations, and corporate strategy planning as a member of the Company Group since joining the Company; and (ii) currently serving as Senior General Manager, Secretaries Office and General Affairs Department of the Company and being involved in management of its group companies.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Makoto Ichimura.

8. Shuji Takahashi (Date of Birth: August 29, 1957) (Reappointed)



- (1) Number of shares of the Company held: 3,200
- (2) Length of service as a Director: 6 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1980	Joined the Company
April 2004	General Manager, Merchandising Department II of SEIKO WATCH CORPORATION
February 2011	Senior Vice President of SEIKO WATCH CORPORATION
June 2012	Director, Senior Vice President of SEIKO WATCH CORPORATION
June 2013	Director of the Company
April 2014	Director, Executive Vice President of SEIKO WATCH CORPORATION
June 2015	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION
June 2016	Executive Director of the Company
April 2017	Director in charge of Watches Business of the Company (to present)
April 2017	President & COO & CMO of SEIKO WATCH CORPORATION (to present)

- (5) Significant concurrent positions:

President & COO & CMO of SEIKO WATCH CORPORATION

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Shuji Takahashi as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in public relations and promotion, marketing, and merchandising as a member of the Company Group since joining the Company; and (ii) currently being engaged in management direction as President & COO & CMO of SEIKO WATCH CORPORATION.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Shuji Takahashi.

9. Tetsu Kobayashi (Date of Birth: January 17, 1960) (Reappointed)



- (1) Number of shares of the Company held: 4,400
- (2) Length of service as a Director: 1 year
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: 10 out of 10 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1982	Joined Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)
March 2005	Executive General Manager, Corporate Strategy Division of Seiko Instruments Inc.
June 2007	General Manager, Watch Movement Division of Seiko Instruments Inc.
March 2008	Senior Vice President of Seiko Instruments Inc.
July 2009	Executive General Manager, Watches Business Headquarters of Seiko Instruments Inc.
October 2010	Director of Seiko Instruments Inc.
October 2014	President of Seiko Precision Inc.
February 2018	Chief Executive Vice President of Seiko Instruments Inc.
April 2018	President of Seiko Instruments Inc. (to present)
June 2018	Director of the Company (to present)

- (5) Significant concurrent positions:

President of Seiko Instruments Inc.

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Kobayashi as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged in planning, development, production, and sales in the Watches Business and the Electronic Devices Business of Seiko Instruments Inc. as a member of the Company Group since joining the Company and having a broad range of knowledge and experience regarding its businesses; and (ii) currently being engaged in management direction as President of Seiko Instruments Inc.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Tetsu Kobayashi.

10. Tsuyoshi Nagano (Date of Birth: November 9, 1952)  
(Newly Appointed) (Outside Director) (Independent Director)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Director: —
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: —

(4) Career, positions, and responsibilities

April 1975	Joined Tokio Marine & Fire Insurance Co., Ltd.
June 2003	Executive Officer and General Manager of Nagoya Production Dept. III, Tokai Division of Tokio Marine & Fire Insurance Co., Ltd.
October 2004	Executive Officer and General Manager of Nagoya Production Dept. III of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2006	Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2008	Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2008	Director of Tokio Marine Holdings, Inc.
June 2010	Senior Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2011	Senior Managing Director of Tokio Marine Holdings, Inc.
June 2012	Executive Vice President of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2012	Executive Vice President of Tokio Marine Holdings, Inc.
June 2013	President & Chief Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2013	President & Chief Executive Officer of Tokio Marine Holdings, Inc. (to present)
April 2016	Chairman of the Board Tokio Marine & Nichido Fire Insurance Co., Ltd. (to present)

(5) Significant concurrent positions:

President & Chief Executive Officer of Tokio Marine Holdings, Inc. (scheduled to assume the office of Chairman of the Board in June 2019)  
Chairman of the Board Tokio Marine & Nichido Fire Insurance Co., Ltd. (scheduled to retire in June 2019)

(6) Reasons for nomination as candidate for Outside Director:

The Company nominates Mr. Tsuyoshi Nagano as a candidate for 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.

- (7) Special relationship of interest between the Company and the candidate for Outside Director and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Mr. Tsuyoshi Nagano.

Mr. Nagano is currently serving as President & Chief Executive Officer of Tokio Marine Holdings, Inc. (scheduled to assume the office of Chairman of the Board in June 2019). The Tokio Marine Group and the Company 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 Company 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.

Mr. Tsuyoshi Nagano satisfies the requirements of an independent director under the rules of the Tokyo Stock Exchange, and will be reported thereto as an independent director if his appointment is approved at this Ordinary General Meeting of Shareholders.

- Note: If the election of Mr. Tsuyoshi Nagano is approved at this Ordinary General Meeting of Shareholders, the Company plans to execute an agreement with him that limits his liability for damages under Article 427, paragraph 1 of the Companies Act. The limit on the liability for damages under the said agreement will be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act.



11. Yasuko Teraura (Date of Birth: October 16, 1970)  
(Newly Appointed) (Outside Director) (Independent Director)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Director: —
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: —

(4) Career, positions, and responsibilities

April 2000	Registered as an attorney
October 2006	Certified as a New York State attorney
March 2010	Established Endeavour Law Office, Partner Attorney of Endeavour Law Office (to present)
June 2014	Outside Director of Neturen Co., Ltd. (to present)
June 2018	Outside Director of Japan Asset Marketing Co., Ltd. (to present)

(5) Significant concurrent positions:

Partner Attorney of Endeavour Law Office  
Outside Director of Neturen Co., Ltd.  
Outside Director of Japan Asset Marketing Co., Ltd. (scheduled to retire in June 2019)

(6) Reasons for nomination as candidate for Outside Director:

The Company nominates Ms. Yasuko Teraura as a candidate for 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. Although Ms. Teraura does not have any previous experience of being involved in corporate management other than through serving as an Outside Director, the Company has determined that she is capable of appropriately performing the duties of an Outside Director based on the aforementioned reasons.

(7) Special relationship of interest between the Company and the candidate for Outside Director and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Ms. Yasuko Teraura.

Ms. Yasuko Teraura satisfies the requirements of an independent director under the rules of the Tokyo Stock Exchange, and will be reported thereto as an independent director if her appointment is approved at this Ordinary General Meeting of Shareholders.

Note: If the election of Ms. Yasuko Teraura is approved at this Ordinary General Meeting of Shareholders, the Company plans to execute an agreement with her that limits her liability for damages under Article 427, paragraph 1 of the Companies Act. The limit on the liability for damages under the said agreement will be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act.

### Proposal 3: Election of Two (2) Corporate Auditors

The Company proposes the election of two (2) Corporate Auditors, as the terms of office of two (2) Corporate Auditors, Mr. Yoshiaki Yamauchi and Mr. Yoshiro Aoki, will expire at the closing of this General Meeting of Shareholders.

The Company has obtained consent from the Board of Corporate Auditors with regard to this proposal. The candidates for Corporate Auditors are as follows.

1. Hideki Amano (Date of Birth: November 26, 1953)  
(Newly Appointed) (Outside Corporate Auditor) (Independent Auditor)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Corporate Auditor: —
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: —  
Attendance at the Board of Corporate Auditors meetings during the fiscal year ended March 31, 2019: —
- (4) Career and positions

April 1976	Joined Arthur Andersen (currently KPMG AZSA LLC)
September 1980	Registered as a certified public accountant
September 1992	Representative Partner of Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC)
September 2011	Vice President (Audit Division) of KPMG AZSA LLC
July 2015	Executive Senior Partner of KPMG AZSA LLC (retired in June 2016)
July 2016	Outside Director of TOPPAN FORMS CO., LTD. (to present)
March 2017	Outside Audit & Supervisory Board Member of Kao Corporation (to present)
June 2018	Audit & Supervisory Board Members (External) of Ajinomoto Co., Inc. (to present)

- (5) Significant concurrent positions:

Certified public accountant  
Outside Director of TOPPAN FORMS CO., LTD.  
Outside Audit & Supervisory Board Member of Kao Corporation  
Audit & Supervisory Board Members (External) of Ajinomoto Co., Inc.

- (6) Reasons for nomination as candidate for Outside Corporate Auditor:

The Company nominates Mr. Hideki Amano as a candidate for Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his many years of experience and insight as a certified public accountant.

Although Mr. Amano does not have any previous experience of being involved in corporate management other than through serving as an Outside Director or an Outside Corporate Auditor, the Company has determined that he is capable of appropriately performing the duties of an Outside Corporate Auditor based on the aforementioned reasons.

- (7) Special relationship of interest between the Company and the candidate for Outside Corporate Auditor and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Mr. Hideki Amano.

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.

Mr. Hideki Amano satisfies the requirements of an independent auditor under the rules of the Tokyo Stock Exchange, and will be reported thereto as an independent auditor if his appointment is approved at this Ordinary General Meeting of Shareholders.

Note: If the election of Mr. Hideki Amano is approved at this Ordinary General Meeting of Shareholders, the Company plans to execute an agreement with him that limits his liability for damages under Article 427, paragraph 1 of the Companies Act. The limit on the liability for damages under the said agreement will be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act.

2. Masatoshi Yano (Date of Birth: August 3, 1956)  
(Newly Appointed) (Outside Corporate Auditor) (Independent Auditor)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Corporate Auditor: —
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2019: —  
Attendance at the Board of Corporate Auditors meetings during the fiscal year ended March 31, 2019: —

(4) Career and positions

April 1980	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)
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)

(5) Significant concurrent positions:

President of Seiwa Sogo Tatemono Co., Ltd.

(6) Reasons for nomination as candidate for Outside Corporate Auditor:

The Company nominates Mr. Masatoshi Yano as a candidate for 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.

(7) Special relationship of interest between the Company and the candidate for Outside Corporate Auditor and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Mr. Masatoshi Yano.

Mr. Yano currently serves as President of Seiwa Sogo Tatemono Co., Ltd. Seiwa Sogo Tatemono Co., Ltd. and the Company 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.

Mr. Masatoshi Yano satisfies the requirements of an independent auditor under the rules of the Tokyo Stock Exchange, and will be reported thereto as an independent

auditor if his appointment is approved at this Ordinary General Meeting of Shareholders.

Note: If the election of Mr. Masatoshi Yano is approved at this Ordinary General Meeting of Shareholders, the Company plans to execute an agreement with him that limits his liability for damages under Article 427, paragraph 1 of the Companies Act. The limit on the liability for damages under the said agreement will be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act.

[For reference]

<Decision process of the nomination of the Director and Corporate Auditor candidates>

In order to procure the objectivity and transparency of the process to nominate officer candidates and to determine compensation for officers, the Company established the Corporate Governance Committee, a majority of the members of which are outside officers, as an advisory body for the Board of Directors.

The nomination of the Director candidates listed in Proposal 2 and the nomination of the Corporate Auditor candidates listed in Proposal 3 were determined by the Board of Directors after being deliberated on by that committee.

[Translation][Attached Documents]

**Business Report for the Fiscal Year Ended March 2019 (From April 1, 2018 To March 31, 2019)**

1. Matters related to current status of the Corporate Group

(1) Business developments and results

During the fiscal year ended March 31, 2019, in the world economy, the U.S. economy expanded gradually, supported by steady growth in employment and personal consumption. In the second half of the fiscal year, exports were stagnant in Europe, due to growing destabilizing factors on the political and economic fronts. In addition, uncertainty intensified in the global economy, due to various factors including signs of a slowdown in the Chinese economy, which had seen continued stable growth, stemming from increasingly serious trade friction with the U.S.

The Japanese economy continued on a gradual recovery track backed by improvement in the employment environment and growth in personal consumption. However, uncertainty in the economic outlook is increasing due to the impact of changes in the global economy since roughly December 2018.

For the fiscal year ended March 31, 2019, the Company reported consolidated net sales of 247.2 billion yen, a year-on-year decrease of only 21.2 billion yen, or 7.9%, despite a decline in sales under the Electronic Devices Business of approximately 25.0 billion yen, due to the impact of the exclusion of the semiconductor business from the scope of consolidation. On a per-segment basis, sales under the Watches Business, the Systems Solutions Business and Others grew compared to the previous fiscal year. On an overall consolidated basis, domestic net sales came to 139.9 billion yen (a year-on-year decrease of 2.1%), and overseas net sales were 107.2 billion yen (a year-on-year decrease of 14.5%). Overseas net sales comprised 43.4% of net sales overall.

In terms of income as well, operating profit decreased only 1.4 billion yen compared to the previous fiscal year to 9.3 billion yen (a year-on-year decrease of 13.3%), despite a decline in operating profit under the Electronic Devices Business of approximately 5.0 billion yen due to the impact of the exclusion of the semiconductor business from the scope of consolidation. In addition, ordinary profit increased by 0.4 billion yen compared to the previous fiscal year to become 11.4 billion yen (a year-on-year increase of 4.6%), as a result of improvement in non-operating income and expenses mainly owing to an improved share of profit and loss of entities accounted for using equity method and a decrease in interest expenses. Extraordinary income of 0.3 billion yen was posted, and, as a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests was 9.2 billion yen (a year-on-year decrease of 19.9%).

Results for each segment are as follows.

a. Watches Business

Net sales under the Watches Business came to 141.7 billion yen, a year-on-year increase of 1.6 billion yen, or 1.2%. Net sales of watches in Japan grew steadily for Grand Seiko. The Grand Seiko Boutique GINZA was opened, which was the first Grand Seiko Boutique in Japan, and a women's model featuring a new movement was released, strengthening the lineup of watches for women. Prospex also continued to perform favorably, mainly in diver's watches. On a distribution channel basis, sales to department stores, independent stores and outlets rose compared to the previous fiscal year. On the overseas front, in the U.S., Grand Seiko grew significantly, and Prospex also performed favorably. Meanwhile, net sales remained at the same level as the previous year, due to a decline in sales of watches in the affordable price range. In Europe, although sales of watches in the affordable price range were stagnant in the U.K., sales grew in Germany and other countries, mainly for Prospex. Sales of Prospex expanded steadily in Asia, as well. Net sales of watch movements declined year on year owing to stagnation in the market for watches in the affordable price range.

Operating profit was 10.3 billion yen, an increase of 31.5%, due to an increase in net sales of watches as well as the effects of cost-reduction efforts carried out since the previous year.

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 55.5 billion yen, a year-on-year decrease of 26.3 billion yen, or 32.1%. Operating profit was 1.4 billion yen, a year-on-year decrease of 4.3 billion yen, or 75.6%. Net sales and operating profit declined due to the exclusion of the semiconductor business from the scope of consolidation in January 2018. However, excluding that impact, earnings were up due to the favorable performance of products including thermal mini printer mechanisms and precision components.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 30.8 billion yen, a year-on-year increase of 12.4%. Operating profit was 2.4 billion yen, a year-on-year increase of 49.6%, marking significant growth in both net sales and profit. Results were favorable due to factors including growth in demand for development of new systems for the financial industry.

d. Others

Net sales under Others amounted to 28.3 billion yen, a year-on-year increase of 1.8%. Operating profit was 0.6 billion yen, a year-on-year increase of 26.6%. Among segments included in Others, net sales grew year-on-year for the Wako Business and the Time Systems Business, while those for the Clock Business were down from the previous fiscal year.

(2) Issues that need to be addressed by the Corporate Group

1) Sixth Mid-Term Management Plan (from the fiscal year ended March 31, 2017 through the fiscal year ended March 31, 2019)

The fiscal year ended March 31, 2019 is the final year of the Company's Sixth Mid-Term Management Plan, which began in the fiscal year ended March 31, 2017. The plan and its achievement status are as described below.

1. Long-term vision

The Seiko Holdings Group has established its long-term vision of what the Group aims to be 10 years in the future, 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.
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2. Basic policy

The Company will "reinforce profitability and investment for growth," and "reinforce the management foundation" to become a highly profitable group centered on the Watches Business.

3. Reinforcing profitability and investment for growth

- (i) The Watches Business will be steered toward further growth as the Group's core business (profit expansion)
- (ii) The Electronic Devices Business will generate profits by focusing management resources on core business sectors (profitability improvement)
- (iii) The Systems Solutions Business will reinforce its business foundation as a third mainstay business (profitability reinforcement)
- (iv) Other businesses will maintain their stable profit constitution (stabilization of profitability)

4. Reinforcing the management foundation

- (i) Reinforcing corporate communication
- (ii) Continuing the basic policy for capital and financial measures
- (iii) Reinforcing corporate governance
- (iv) Reinforcing organizational and group functions, and continuing the basic policy for personnel measures



5. Target figures under the Sixth Mid-Term Management Plan

(i) Consolidated income forecast

(Billions of yen)

	Mid-Term Management Plan FY2018	Actual FY2018	Comparison vs. Plan
Net sales	310.0	247.2	-62.7
Operating profit	17.0	9.3	-7.6
Ordinary income	18.0	11.4	-6.5
Net income attributable to owners of parent	12.5	9.2	-3.2

(ii) Net sales by segment

(Billions of yen)

	Mid-Term Management Plan FY2018	Actual FY2018	Comparison vs. Plan
Watches Business	190.0	141.7	-48.2
Electronic Devices Business	75.0	55.5	-19.4
Systems Solutions Business	25.0	30.8	5.8
Others	30.0	28.3	-1.6
Consolidated total	310.0	247.2	-62.7

(iii) Operating profit by segment

(Billions of yen)

	Mid-Term Management Plan FY2018	Actual FY2018	Comparison vs. Plan
Watches Business	17.0	10.3	-6.6
Electronic Devices Business	2.5	1.4	-1.0
Systems Solutions Business	1.5	2.4	0.9
Others	1.0	0.6	-0.3
Consolidated total	17.0	9.3	-7.6

(iv) Balance sheet items	(Billions of yen)		
	Mid-Term Management Plan FY2018	Actual FY2018	Comparison vs. Plan
Total assets	340.0	303.0	-36.9
Net assets	120.0	110.4	-9.5
Equity capital ratio	35.0%	36.0%	+1.0%
Net interest-bearing liabilities	75.0	72.1	-2.8

6. Looking Back on the Sixth Mid-Term Management Plan

(i) Reinforcing profitability and investment for growth

In the Watches Business, the Company worked to increase profit aiming for further growth as a core business of the Group. In the first year of the Sixth Mid-Term Management Plan, the Company shifted to a marketing strategy to strengthen watches in the mid- to high-end range and launched a global brand strategy focused on Grand Seiko and Prospex. The mainstay Grand Seiko was made an independent brand in 2017, and was exhibited for the first time as Grand Seiko last year at Milan Design Week, the world's largest design festival. Furthermore, Grand Seiko Boutiques were opened in Japan, the U.S. and other countries. Sales expanded steadily as a result of various efforts in global markets, including the establishment of Grand Seiko Corporation of America in 2018 in the U.S., the first time the name "Grand Seiko" has been included in a company name. Prospex won the top prize in the sports watch category at the Grand Prix d'Horlogerie de Genève in 2018, steadily raising awareness of the brand in Japan and overseas and resulting in substantial sales growth.

Although net sales and income deviated from forecasts in the last year of the Mid-Term Management Plan due to major changes in the market environment that occurred in the first year of the plan, profitability improved from the previous fiscal year as a result of reinforcing watches in the mid- to high-end range and continued efforts to shrink costs.

In addition, with the aim of further growing the brand, the Company continued to make investments for growth, including opening the Seiko Dream Square in Ginza as a center for directly communicating the SEIKO brand to the world.

In the Electronic Devices Business, the Company sought to improve profitability amid stagnation in the ink-jet printer head business by reinforcing other areas in which the Company has strengths. In the first half of the last year of the plan, performance was favorable mainly for high

performance metal products for semiconductor manufacturing facilities, thermal mini printer mechanisms and precision components. However, net sales and operating profit both fell below the targets of the Mid-Term Management Plan due to sudden changes in the global market at the beginning of the second half.

In the Systems Solutions Business, the Company reinforced the business foundation as the third core business and made efforts to reinforce profitability. Sales in new areas increased and the stock-type business continued to expand, and net sales and operating profit were both well above the targets of the Mid-Term Management Plan.

In the businesses included in Others, the Company made efforts to ensure stable profitability in order to continue stable corporate earnings. Although the Company worked steadily to stabilize profitability, operating profit did not meet the target figures for the last year of the Mid-Term Management Plan.

(ii) Reinforcing the management foundation

In order to reinforce corporate communication, the Company continuously engaged in PR and social contribution activities through sports and music under the Group slogan “SEIKO Moving Ahead, Touching Hearts”. The Company worked to intensify IR activities and made proactive efforts to improve the quality of dialogue with its shareholders and investors.

Regarding the policy for capital measures, the Company plans to distribute an annual dividend of 75 yen per share for the fiscal year ended March 31, 2019, aiming for continuous and stable dividends, which is a basic policy. In addition, the capital adequacy ratio improved to 36.0%, achieving the target of the Mid-Term Management Plan. Regarding the policy for financial measures, the Company made efforts to reduce interest-bearing liabilities, and as a result, net interest-bearing liabilities were 72.1 billion yen, achieving the Mid-Term Management Plan target by a wide margin.

In order to reinforce corporate governance, the Company continued striving to reinforce its effective corporate governance system, and is implementing flexible risk management according to changes in the business and environment.

In order to reinforce organizational and group functions, the Company integrated functions and made organizational changes within the Group with the aim of expediting decision-making and increasing operational efficiency. In order to develop diverse human resources, which is a basic personnel policy, the Company raised global human resources and executive candidates who will lead the next generation, and made efforts to further all employees' active participation and provided a working environment that enables employees to work in very diverse ways.

2) Seventh Mid-Term Management Plan (from the fiscal year ending March 31, 2020 through the fiscal year ending March 31, 2022)

The Company formulated the Seventh Mid-Term Management Plan beginning in the fiscal year ending March 31, 2020, as described below.

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. Positioning of plan

The Sixth Mid-Term Management Plan was positioned as “continuing organization reform to take on the aggressive approach,” and the Seventh Mid-Term Management Plan that will follow is positioned as “aggressive approach.” The Company aims to win by stepping up investment for further growth.

5. Target figures under the Seventh Mid-Term Management Plan

(i) Consolidated income forecast

(Billions of yen)

	Actual FY2018	Mid-Term Management Plan FY2021	Budgets (for reference) FY2019
Net sales	247.2	285.0	255.0
Operating profit	9.3	14.2	9.5
Ordinary income	11.4	16.0	11.5
Net income attributable to owners of parent	9.2	12.5	9.5

(ii) Net sales by segment

(Billions of yen)

	Actual FY2018	Mid-Term Management Plan FY2021	Budgets (for reference) FY2019
Watches Business	141.7	165.0	148.0
Electronic Devices Business	55.5	63.0	55.0
Systems Solutions Business	30.8	35.0	32.0
Others	28.3	31.0	29.0
Consolidated total	247.2	285.0	255.0

(iii) Operating profit by segment

(Billions of yen)

	Actual FY2018	Mid-Term Management Plan FY2021	Budgets (for reference) FY2019
Watches Business	10.3	14.5	11.5
Electronic Devices Business	1.4	3.0	2.5
Systems Solutions Business	2.4	3.0	2.5
Others	0.6	1.0	0.8
Consolidated total	9.3	14.2	9.5

(iv) Others	(Billions of yen)	
	Actual FY2018	Mid-Term Management Plan FY2021
Equity capital ratio	36.0%	40.0%
Net interest-bearing liabilities	72.1	Roughly the same as the current level

(3) Financing

There are no matters of special note.

(4) Capital expenditures

The Company invested 1,029 million yen in the Watches Business and 2,982 million yen in the Electronic Devices Business primarily to reinforce and renew manufacturing and other facilities, and 1,018 million yen in the Systems Solutions Business primarily to acquire software for marketing purposes, respectively.

(5) Trends in assets and profit/loss

The operating results and assets in the fiscal year ended March 31, 2019 and the past three years are as follows.

(i) Consolidated	(Millions of yen)			
Item	FY2015	FY2016	FY2017	FY2018
Net sales	296,705	257,115	268,529	247,293
Ordinary income	11,879	6,671	10,911	11,410
Net income attributable to owners of parent	12,142	5,392	11,541	9,249
Net income per share (Yen)	59	26	280	224
Total assets	329,115	328,857	305,297	303,036
Net assets	102,692	107,161	105,170	110,415
Net assets per share (Yen)	457	476	2,524	2,650

(ii) Non-consolidated		(Millions of yen)			
Item	FY2015	FY2016	FY2017	FY2018	
Operating revenue	11,984	10,361	11,237	11,301	
Ordinary income	4,393	2,324	3,308	2,691	
Net income	3,370	3,271	3,763	3,719	
Net income per share (Yen)	16	16	91	90	
Total assets	147,145	161,853	179,269	176,640	
Net assets	54,964	59,346	56,036	55,029	
Net assets per share (Yen)	266	288	1,359	1,334	

Note 1 Net income per share is calculated on the basis of the average number of shares during the fiscal year.

Note 2 Treasury shares are indicated as a deduction item on net assets, and the values of net income per share and of net assets are calculated by deducting the number of treasury shares from the average number of shares during the fiscal year and the total number of issued shares, respectively.

Note 3 The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net income per share and net assets per share for FY2017 are calculated as if said share consolidation was performed at the beginning of the current fiscal year.

Note 4 The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and relevant guidance from the beginning of the current fiscal year. Accordingly, the figure for total assets for FY2017 has been retrospectively adjusted to reflect the application of said accounting standard and relevant guidance.

(6) Status of major parent companies and subsidiaries

(i) Relationship with parent companies

Not applicable.

(ii) Status of major subsidiaries

Company Name	Paid-in Capital	Capital Contribution Ratio	Details of Major Business Activities
SEIKO WATCH CORPORATION	5,000 million yen	100.0%	Sales of watches
CRONOS INC.	200 million yen	100.0% (*)	Sales of watches and other products
Grand Seiko Corporation of America	US\$2,000	100.0% (*)	Sales of watches and other products
Seiko Watch of America LLC	US\$112,000	100.0% (*)	Sales of watches and other products
SEIKO Hong Kong Ltd.	HK\$129,300,000	100.0% (*)	Sales of watches and other products
Seiko Instruments Inc.	9,756 million yen	100.0%	Manufacturing and sales of precision instruments, electronic devices, and other products
Morioka Seiko Instruments Inc.	1,000 million yen	100.0% (*)	Manufacturing watches
Seiko Instruments (H.K.) Ltd.	HK\$128,700,000	100.0% (*)	Manufacturing and sales of precision instruments, electronic devices, and other products
Seiko Instruments Singapore Pte. Ltd.	S\$32,288,000	100.0% (*)	Manufacturing and sales of precision instruments, electronic devices, and other products
SEIKO Solutions Inc.	500 million yen	100.0%	Development, sales, etc. of information and telecommunication systems, etc.

Note: Asterisked ratios in the “Capital Contribution Ratio” column include indirect holdings.



(7) Major business segments of the Corporate Group

The Company is a holding company. The details of business activities, main merchandise and finished goods of each business are as follows:

Business Segment	Details of Business Activities	Main merchandise and products
Watches Business	Manufacturing and sales	Watches, watch movements
Electronic Devices Business	Manufacturing and sales	Quartz crystals, micro batteries and materials, printers, hard disk drive components
Systems Solutions Business	Manufacturing and sales	Wireless communication equipment, information network systems, data services, computer-performance management software
Others	Manufacturing, sales and other activities	Clocks, high-end jewelry, apparel, fashion accessories, systems clocks, others

(8) Major business locations of the Corporate Group

The Company has its headquarters in Chuo-ku, Tokyo, and the major location of each business is as follows:

Business Segment	Location
Watches Business	Chuo-ku, Tokyo
Electronic Devices Business	Mihama-ku, Chiba-shi, Chiba
Systems Solutions Business	Mihama-ku, Chiba-shi, Chiba
Others	Chuo-ku, Tokyo

(9) Status of employees of the Corporate Group

The number of employees of the Company and its consolidated subsidiaries is 12,020 (a decrease of 13 from the previous fiscal year-end).

(10) Major lenders and amounts borrowed

Lenders	Outstanding Balance of Loans
	(Millions of yen)
Mizuho Bank, Ltd.	35,824
Sumitomo Mitsui Banking Corporation	19,662
Aozora Bank, Ltd.	12,060

2. Matters related to the Company shares

- (1) Total number of shares authorized to be issued 149,200,000 shares
- (2) Total number of shares issued and outstanding (including 59,563 treasury shares) 41,404,261 shares
- (3) Number of shareholders at the end of the fiscal year ended March 31, 2019 11,575

(4) Major shareholders (top 10)

Name	Number of shares held	Percentage of shares held
	shares	%
Sanko Kigyo K.K.	4,436,500	10.7
Etsuko Hattori	3,613,908	8.7
Shinji Hattori	2,279,289	5.5
The Dai-ichi Life Insurance Company, Limited	1,800,000	4.4
Hideo Hattori	1,620,855	3.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,179,200	2.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,037,400	2.5
GOLDMAN SACHS INTERNATIONAL	983,266	2.4
Japan Trustee Services Bank, Ltd. (Trust Account)	850,000	2.1
SHIMIZU CORPORATION	744,200	1.8

Note 1: Percentages of shares held have been calculated with treasury shares excluded and rounded to one decimal place.

Note 2: The foregoing was stated based on the shareholders' registry as of March 31, 2019.

The following Large Shareholding Report is available for public inspection; however, the Company has not yet confirmed the number of shares substantially held by them as of March 31, 2019 and did not include them in the above.

Filer: Mizuho Bank, Ltd. and three joint holders

Filing date: March 25, 2019

Number of share certificates held: 2,254,527 shares

Percentage of share certificates held: 5.45%

3. Matters related to stock acquisition rights issued by the Company

Not applicable.

4. Matters related to officers

(1) Name, etc. of Directors and Corporate Auditors (as of March 31, 2019)

Name	Position and responsibility at the Company	Significant concurrent positions at other entities
Shinji Hattori	Chairman & Group CEO	Chairman & CEO of SEIKO WATCH CORPORATION Outside Director of JAPAN POST INSURANCE Co., Ltd.
Yoshinobu Nakamura	President	Chairman of Seiko Instruments Inc.
Akihiro Okuma	Executive Director in charge of Secretariat, Human Resources, General Affairs, and IT Planning	Director, Executive Vice President of Seiko Instruments Inc. Director, Senior Executive Vice President of SEIKO Solutions Inc. Outside Director of OHARA INC.
Shuntaro Ishii	Executive Director in charge of Legal & Intellectual Property	President of SEIKO Time System Inc.
Hiromi Kanagawa	Director in charge of Public Relations, Sports Branding, and Corporate Culture General Manager of the Corporate Culture Department	
Shimesu Takizawa	Director in charge of Finance & Corporate Strategy Planning and Long-Term Management & Technology Strategy General Manager of the Finance & Corporate Strategy Planning Department	Director, Executive Vice President of Seiko Instruments Inc. Outside Director of Jedat Inc.
Kazuhiko Sakamoto	Director in charge of Accounting General Manager of the Accounting Department	Director, Senior Vice President of Seiko Instruments Inc.
Shuji Takahashi	Director in charge of Watches Business	President & COO & CMO of SEIKO WATCH CORPORATION
Tetsu Kobayashi	Director	President of Seiko Instruments Inc.

Carsten Fischer	Director	
Nobuhiro Endo	Director	Chairman of the Board (Representative Director) of NEC Corporation Outside Director of Japan Exchange Group, Inc.
Seiichi Mikami	Standing Corporate Auditor	Outside Corporate Auditor of OHARA INC.
Haruhiko Takagi	Standing Corporate Auditor	
Yoshiaki Yamauchi	Corporate Auditor	Certified public accountant Outside Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD.
Yoshiro Aoki	Corporate Auditor	
Tomoyasu Asano	Corporate Auditor	President of the Cardiovascular Institute Outside Auditor of Tokyu Fudosan Holdings Corporation

Note 1: Mr. Carsten Fischer and Mr. Nobuhiro Endo, Directors, are outside directors set forth in Article 2, item 15 of the Companies Act.

Note 2: Mr. Yoshiaki Yamauchi, Mr. Yoshiro Aoki, and Mr. Tomoyasu Asano, Corporate Auditors, are outside company auditors set forth in Article 2, item 16 of the Companies Act.

Note 3: The Company has reported to the Tokyo Stock Exchange Mr. Carsten Fischer and Mr. Nobuhiro Endo, Directors, and Mr. Yoshiaki Yamauchi, Corporate Auditor, as independent directors/auditors.

Note 4: Mr. Seiichi Mikami and Mr. Haruhiko Takagi, Standing Corporate Auditors, have experience as officers in charge of Finance & Accounting in the Company or its subsidiaries and have reasonable-degrees of knowledge about finance and accounting. Mr. Yoshiaki Yamauchi, Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge about finance and accounting.

Note 5: Changes in Directors and Corporate Auditors of the Company during this fiscal year are as follows:

- (1) Mr. Kazuhiko Sakamoto and Mr. Tetsu Kobayashi were newly appointed as Directors and assumed office at the 157th Ordinary General Meeting of Shareholders held on June 28, 2018.
- (2) Mr. Akio Naito, Director, resigned from office of Director at the close of the 157th Ordinary General Meeting of Shareholders held on June 28, 2018.

Note 6: Changes in significant concurrent positions at other entities of Directors and Corporate Auditors of the Company during and after this fiscal year are as follows:

- (1) Mr. Shuntaro Ishii, Executive Director, retired from office of President of SEIKO Time System Inc. and assumed office of President of WAKO Co., Ltd. as of April 1, 2019.

- (2) Ms. Hiromi Kanagawa, Director, assumed office of Executive Director of SEIKO Time System Inc. as of April 1, 2019.
- (3) Mr. Kazuhiko Sakamoto, Director, assumed office of Director, Executive Vice President of WAKO Co., Ltd. as of April 1, 2019.
- (4) Mr. Nobuhiro Endo, Director, retired from office of Outside Director of JAPAN POST INSURANCE Co., Ltd. as of June 18, 2018 and assumed office of Outside Director of Japan Exchange Group, Inc. as of June 20, 2018.

Note 7: The Company has a relationship (product transactions) with NEC Corporation at which Mr. Nobuhiro Endo, Outside Director, has a concurrent position. The scale of such transactions is extremely small compared with the business scale of both companies.

There is no other special relationship of interest between the Company and the entities at which Outside Directors or Outside Corporate Auditors hold concurrent positions.

(2) Overview of agreements limiting liability

The Company entered into an agreement with each of Mr. Carsten Fischer and Mr. Nobuhiro Endo, Outside Directors, and Mr. Yoshiaki Yamauchi, Mr. Yoshiro Aoki, and Mr. Tomoyasu Asano, Outside Corporate Auditors, to limit liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to Article 427, paragraph 1 thereof. The upper limit of liability for damages under the agreement shall be that stipulated by laws. The limitation on liability is permitted only when such Outside Directors or Outside Corporate Auditors have acted in good faith and without gross negligence in performing their duties that caused the liability.

(3) Amount of compensation, etc. for Directors and Corporate Auditors

Classification	Aggregate amount of compensation, etc. (Millions of yen)	Aggregate amount by type of compensation, etc. (Millions of yen)			Number of eligible officers
		Basic compensation	Bonuses	Stock compensation	
Director [Of which, Outside Directors]	330 [19]	261 [19]	52 [-]	16 [-]	12 [2]
Corporate Auditor [Of which, Outside Corporate Auditors]	68 [28]	68 [28]	- [-]	- [-]	5 [3]
Total [Of which, outside officers]	398 [48]	329 [48]	52 [-]	16 [-]	17 [5]

Note 1: The forgoing includes one Director who retired from his office at the close of the 157th Ordinary General Meeting of Shareholders held on June 28, 2018.

Note 2: Bonuses and stock compensation above are performance-based compensation (eligible recipients: 8 Executive Directors), and the amount shown in the above table is the amount of expense recognized for the current fiscal year.

Note 3: The amount of compensation, etc. for Directors for which the amount received or the estimated amount to be received in the current fiscal year has become evident, excluding the amount of compensation, etc. for Directors shown in the above table and the amount of compensation, etc. reported in the corresponding section in the previous fiscal year, is as follows:

(1) The amount of bonuses paid

Six Executive Directors: 5 million yen

(2) The amount of stock compensation expense recognized

Six Executive Directors: 0 million yen

Note 4: Other than the above, one Outside Director is paid 4 million yen as advisory fee from the Company's subsidiary.

(4) Matters related to outside officers

Main activities of outside officers

Classification	Name	Main activities
Director	Carsten Fischer	He attended all of the 13 Board of Directors meetings held during the fiscal year ended March 31, 2019, and made necessary remarks on discussion items and deliberation items, mainly based on his broad experience through managing global companies and as a marketing expert.
Director	Nobuhiro Endo	He attended 12 of the 13 Board of Directors meetings held during the fiscal year ended March 31, 2019, and made necessary remarks on discussion items and deliberation items, mainly based on his broad experience through managing companies.
Corporate Auditor	Yoshiaki Yamauchi	He attended 11 of the 13 Board of Directors meetings and all of the 9 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2019, and made remarks, as necessary, mainly from the expert viewpoint of a certified public accountant.
Corporate Auditor	Yoshiro Aoki	He attended all of the 13 Board of Directors meetings and 8 of the 9 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2019, and made remarks, as necessary, mainly based on his broad experience through managing companies.

Corporate Auditor	Tomoyasu Asano	He attended all of the 13 Board of Directors meetings and all of the 9 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2019, and made remarks, as necessary, mainly based on his broad experience through managing insurance companies.
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5. Matters related to the Accounting Auditor

(1) Name of the accounting auditor

KPMG AZSA LLC

(2) Amount of compensation, etc. for the accounting auditor for the current fiscal year

- (i) Total amount of compensation, etc. for the services (auditing and attesting financial documents) set forth in Article 2, paragraph 1 of the “Certified Public Accountants Act (Act No. 103 of 1948)” payable by the Company and its subsidiaries to the accounting auditor: 202 million yen
- (ii) Amount of compensation, etc. (out of (i) above) payable by the Company to the accounting auditor:  
67 million yen
- (iii) Total amount of monies and other financial benefits payable by the Company and its subsidiaries to the accounting auditor: 206 million yen

Note 1: Under the audit contract with the accounting auditor, the amount of compensation, etc. for audits under the Companies Act and that for audits under the Financial Instruments and Exchange Act are not clearly separated, and those amounts cannot practically be separated; as such, the aggregate of those amounts is shown as the amount of compensation, etc. for the services.

Note 2: Among the Company’s major subsidiaries listed in “1. Matters related to current status of the Corporate Group, (6) Status of major parent companies and subsidiaries”, Grand Seiko Corporation of America, Seiko Watch of America LLC, SEIKO Hong Kong Ltd., Seiko Instruments (H.K.) Ltd., and Seiko Instruments Singapore Pte. Ltd. were audited by certified public accountants (or audit corporations) other than the Company’s accounting auditor.

(3) Reasons for the Board of Corporate Auditors’ agreement to the amount of compensation, etc. for the accounting auditor

The Board of Corporate Auditors evaluated audit records during the fiscal year ended March 31, 2018, and confirmed the content of the audit plan, the performance status of the auditing auditor, and rationale

of the estimate compensation during the fiscal year ended March 31, 2019; as a result, the Board of Corporate Auditors agreed to the amount of compensation, etc. for the accounting auditor as set forth in Article 399, paragraph 1 of the Companies Act.

(4) Non-audit operations

The Company and its subsidiaries entrusted to the accounting auditor, and paid compensation for, the agreed procedural service that was outside of the services set forth in Article 2, paragraph 1 of the Certified Public Accountants Act.

(5) Policy for determining dismissal or non-reappointment of the accounting auditor

Pursuant to laws and regulations, if any reasonable event occurs to the accounting auditor, the Board of Corporate Auditors shall dismiss the accounting auditor with unanimous consent of the Corporate Auditors; 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.

6. Systems and policies of the Company

I. Overview of a resolution to establish systems to ensure the proper operations of the Company

(1) 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:

- 1) 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.
- 2) 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.



- 3) 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.
  - 4) 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.
- (2) 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”.
  - (3) 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”.
  - (4) 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 Business Plan as the target to be shared by Directors and employees of the Company Group. It shall also review the progress of annual budgets 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 President of major 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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 Finance & Accounting Department and the 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.

## II. Overview of the implementation status of the system to ensure proper operations

### (1) System for compliance with corporate ethics and laws and regulations

- (i) The Company has established a Corporate Ethics Committee chaired by the President to discuss corporate ethical issues and the system for compliance with corporate ethics, including those relating to its subsidiaries, and reports the result of discussions to the Board of Directors. The Committee held two meetings during the fiscal year ended March 31, 2019.
- (ii) The Company has established a “Corporate Ethics Helpline” internally and at a law firm as a contact point to receive consultations or whistle-blowing from employees regarding violations of laws and regulations within the Company. The Company has made sure all employees are well informed about how to use these helplines by posting them on the internal intranet and distributing portable cards, etc.
- (iii) The Company regularly provides training sessions on corporate ethics to enhance awareness of compliance with corporate ethics and laws and regulations. During the fiscal year ended March 31, 2019, the Company provided training sessions titled “Prevention of Corporate Scandals” for standing officers and “Prevention of Harassment” for employees.

### (2) Risk management system

- (i) The Company has established the Risk Management Committee chaired by the President to discuss the Company Group’s risk management system and various risk issues. The Committee also reports the matters discussed thereat and important risks to be addressed horizontally within

groups to the Board of Directors. The Committee held four meetings during the fiscal year ended March 31, 2019.

Further, the Company has established the Group Risk Management Committee consisting of respective Representative Directors of the Company and its subsidiaries, and confirms and shares the risks and the counter-measures against them experienced by each group company. The Committee held two meetings during the fiscal year ended March 31, 2019.

- (ii) Regarding responses when risks occur, the “Crisis Management Manual” sets out for the Company’s basic policy therefor and measures to respond to respective risks, such as disasters.
- (3) System to ensure that the duties of Directors are efficiently executed
- (i) The Company has determined the assignment of duties for each Director upon a resolution of the Board of Directors, and the responsibility and authority of each division/department in accordance with the “Duty Assignment Rules”.
  - (ii) The Company has established a council called the “Strategic Conference for Management” where the President and Executive Directors exchange opinions and share information with other Directors, Corporate Auditors, or General Managers of divisions/departments when they decide on and execute important matters relating to execution of their duties. The Strategic Conference for Management held 46 meetings during the fiscal year ended March 31, 2019.
  - (iii) The Company has provided the “Consolidated Business Management Rules” for the execution of the operations of its subsidiaries in order to perform its management and support functions from the viewpoint of consolidated management.
- (4) System to ensure the proper operations of the Company Group
- (i) Pursuant to the “Consolidated Business Management Rules”, the Company properly discusses with its subsidiaries in advance regarding their business plan, annual budgets, and measures to respond to important corporate ethical issues, receives reports on material business matters from them, and dispatches its officers or employees to subsidiaries, as necessary, to supervise and audit them. As of the end of the fiscal year ended March 31, 2019, the Company has dispatched nine Directors, two Corporate Auditors, and two employees.

Furthermore, the President of each subsidiary reports the execution status of its operations to the Company’s Board of Directors as necessary; during the fiscal year ended March 31, 2019, six subsidiaries made such reports.

- (ii) Each division/department of the Company assists its subsidiaries to develop a system to comply with corporate ethics and laws and regulations, and a system to comply with business operation laws. During the fiscal year ended March 31, 2019, training sessions and briefings were held for officers and employees of the Company's subsidiaries to discuss topics such as "Prevention of Corporate Fraud", "Prevention of Harassment", and "Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors".
- (5) System to ensure that audits by Corporate Auditors are effectively conducted
- (i) The Internal Audit Department holds a regular meeting once a month with Standing Corporate Auditors and reports the performance status of internal audits.
  - (ii) Standing Corporate Auditors attend important meetings such as the Strategic Conference for Management, the Risk Management Committee, and the Corporate Ethics Committee, etc.
  - (iii) The President attends the Board of Corporate Auditors' meetings to exchange opinions and gather information relating to material business issues, etc.

[Translation]

**Consolidated Balance Sheet**

As of March 31, 2019

Millions of yen

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	(138,989)	Current liabilities:	(132,972)
Cash and deposits	33,844	Notes and accounts payable - trade	26,449
Notes and accounts receivable - trade	37,456	Electronically recorded obligations - operating	6,438
Merchandise and finished goods	38,119	Short-term loans payable	49,610
Work in process	11,448	Current portion of long-term loans payable	19,698
Raw materials and supplies	8,737	Accounts payable - other	12,402
Accounts receivable - other	3,116	Income taxes payable	1,281
Other	7,419	Provision for bonuses	3,644
Allowance for doubtful accounts	-1,153	Provision for goods warranties	440
		Provision for loss on lease contracts	348
		Other provision	444
		Other	12,213
Non-current assets:	(164,047)	Non-current liabilities:	(59,647)
Property, plant and equipment	(88,640)	Long-term loans payable	35,106
Buildings and structures	71,913	Deferred tax liabilities	2,451
Machinery, equipment and vehicles	81,388	Deferred tax liabilities for land revaluation	3,614
Tools, furniture and fixtures	31,772	Provision for loss on lease contracts	1,483
Other	1,820	Provision for environmental measures	349
Accumulated depreciation	-148,177	Provision for gift certificate exchange losses	155
Land	48,998	Provision for long-term goods warranties	82
Construction in progress	924	Provision for retirement benefits for directors (and other officers)	36
		Provision for loss on business withdrawal	32
		Other provision	97
		Retirement benefit liability	10,602
		Asset retirement obligations	888
		Other	4,748
Intangible assets	(17,247)	<b>Total liabilities</b>	<b>192,620</b>
Goodwill	8,289	(Net assets)	
Other	8,957	Shareholders' equity:	(91,034)
		Capital stock	10,000
		Capital surplus	7,245
		Retained earnings	74,124
		Treasury shares	-335
		Accumulated other comprehensive income:	(18,186)
		Valuation difference on available-for-sale securities	10,099
		Deferred gains or losses on hedges	-104
		Revaluation reserve for land	8,190
		Foreign currency translation adjustment	878
		Remeasurements of defined benefit plans	-876
		Non-controlling interests	(1,194)
		<b>Total net assets</b>	<b>110,415</b>
<b>Total assets</b>	<b>303,036</b>	<b>Total liabilities and net assets</b>	<b>303,036</b>

[Translation]

**Consolidated Statements of Income**

From April 1, 2018  
to March 31, 2019

Item	Millions of yen Amount
Net sales	247,293
Cost of sales	150,955
Gross profit	96,338
Selling, general and administrative expenses	86,943
Operating profit	9,394
Non-operating income	(4,794)
Interest income	188
Dividend income	774
Share of profit of entities accounted for using equity method	1,941
Other	1,889
Non-operating expenses	(2,777)
Interest expenses	985
Other	1,791
Ordinary profit	11,410
Extraordinary income	(363)
Gain on sales of non-current assets	257
Gain on sales of memberships	106
Profit before income taxes	11,774
Income taxes - current	2,409
Income taxes - deferred	35
Profit	9,329
Profit attributable to non-controlling interests	79
Profit attributable to owners of parent	9,249



[Translation]

**Non-Consolidated Balance Sheet**

As of March 31, 2019

Millions of yen

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	67,525	Current liabilities:	73,240
Cash and deposits	13,904	Short-term loans payable	47,811
Prepaid expenses	378	Current portion of long-term loans payable	19,082
Short-term loans receivable	45,472	Lease obligations (current)	1
Accounts receivable - other	7,044	Accounts payable - other	2,577
Other	725	Accrued expenses	443
		Income taxes payable	13
Non-current assets:	109,115	Deposits received	3,018
Property, plant and equipment	23,451	Unearned revenue	214
Buildings	4,171	Provision for bonuses	78
Tools, furniture and fixtures	811	Non-current liabilities:	48,370
Land	18,460	Long-term loans payable	34,740
Leased assets	8	Lease obligations (non-current)	6
		Deferred tax liabilities	2,912
Intangible assets	2,594	Deferred tax liabilities for land revaluation	3,614
Leasehold right	1,952	Provision for loss of subsidiaries and associates	2,479
Trademark right	10	Provision for environmental measures	143
Software	611	Provision for stock benefits	87
Other	20	Asset retirement obligations (non-current)	319
		Guarantee deposits	3,628
Investments and other assets	83,069	Other	437
Investment securities	20,670	<b>Total liabilities</b>	<b>121,610</b>
Shares of subsidiaries and associates	59,899	(Net assets)	
Investments in capital	0	Shareholders' equity:	38,109
Long-term loans receivable from subsidiaries and associates	10,071	Capital stock	10,000
Claims provable in bankruptcy, claims provable in rehabilitation and other	33	Capital surplus	6,625
Long-term prepaid expenses	12	Legal capital surplus	2,378
Guarantee deposits	2,298	Other capital surplus	4,246
Other	236	Retained earnings	21,793
Allowance for doubtful accounts	-10,153	Legal retained earnings	121
		Other retained earnings	
		Retained earnings brought forward	21,672
		Treasury shares	-309
		Valuation and translation adjustments:	16,920
		Valuation difference on available-for-sale securities	8,918
		Deferred gains or losses on hedges	-188
		Revaluation reserve for land	8,190
		<b>Total net assets</b>	<b>55,029</b>
<b>Total assets</b>	<b>176,640</b>	<b>Total liabilities and net assets</b>	<b>176,640</b>

[Translation]

**Non-Consolidated Statements of Income**

From April 1, 2018  
to March 31, 2019

Millions of yen

Item	Amount
Operating revenue	(11,301)
Dividend from subsidiaries and associates	6,420
Management fee income	2,078
Royalty income	2,802
Operating expenses	9,275
Operating profit	2,025
Non-operating income	(1,856)
Interest income	671
Dividend income	757
Other	427
Non-operating expenses	(1,190)
Interest expenses	884
Rental expenses on real estate	207
Other	97
Ordinary profit	2,691
Extraordinary income	(326)
Gain from forgiveness of consolidated tax payable	326
Extraordinary losses	(290)
Provision of allowance for investment loss of subsidiaries and affiliates	290
Profit before income taxes	2,727
Income taxes - current	-904
Income taxes - deferred	-88
Profit	3,719

[Translation]

Certified copy of audit report on the consolidated financial statements by the Accounting Auditor

**Independent Auditor's Report**

May 13, 2019

KPMG AZSA LLC

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

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

Osamu Takagi [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

The Board of Directors  
SEIKO HOLDINGS CORPORATION

We have audited the consolidated financial statements, comprising the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in shareholders' equity and the notes to the consolidated financial statements of SEIKO HOLDINGS CORPORATION for the consolidated fiscal year from April 1, 2018 to March 31, 2019 in accordance with Article 444, Paragraph 4 of the Companies Act.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with corporate accounting principles 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control

relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the application thereof, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the period covered by the aforementioned consolidated financial statements of the corporate group comprising Seiko Holdings Corporation and its consolidated subsidiaries in conformity with corporate accounting principles generally accepted in Japan.

*Conflicts of Interest*

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

[Translation]

Certified copy of audit report (on the non-consolidated financial statements) by the Accounting Auditor
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**Independent Auditor's Report**

May 13, 2019

KPMG AZSA LLC

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

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

Osamu Takagi [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

The Board of Directors  
SEIKO HOLDINGS CORPORATION

We have audited the financial statements, comprising the balance sheets, the statements of income, the statements of changes in shareholders' equity and the notes to the financial statements, and accompanying schedules thereto of SEIKO HOLDINGS CORPORATION for the 158th fiscal year from April 1, 2018 to March 31, 2019 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements and accompanying schedules thereto in accordance with corporate accounting principles 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 financial statements and accompanying schedules thereto that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements and accompanying schedules thereto based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements and accompanying schedules thereto are free from material misstatement.

An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the financial statements and accompanying schedules thereto. The procedures selected depend on the

auditors' judgment, including the assessment of risks of material misstatement of the financial statements and accompanying schedules thereto, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and accompanying schedules thereto in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the application thereof, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and accompanying schedules thereto.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and accompanying schedules thereto referred to above present fairly, in all material respects, the financial position and results of operations for the period covered by the aforementioned financial statements and accompanying schedules thereto in conformity with corporate accounting principles generally accepted in Japan.

*Conflicts of Interest*

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

[Translation]

Certified copy of audit report by the Board of Corporate Auditors

### **Audit Report**

The Board of Corporate Auditors has deliberated on, prepared and submitted this Audit Report as below, based on the audit reports made by the Corporate Auditors concerning the execution of duties by Directors for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019).

1. Methods and contents of the audit by Corporate Auditors and Board of Corporate Auditors
  - (1) The Board of Corporate Auditors established the audit policies and division of duties, received reports regarding the implementation of the audit and results thereof from the respective Corporate Auditors, as well as reports regarding the execution of duties from Directors and the Accounting Auditor, and requested explanations as necessary.
  - (2) In accordance with the audit policies and division of duties determined by the Board of Corporate Auditors, each Corporate Auditor made efforts to collect information and establish proper circumstances for the audit by communicating with the Directors, the internal audit department and other employees, and performed an audit using the following methods:
    - (i) Attending Board of Directors meetings and other important meetings to receive reports regarding the execution of duties from Directors and employees, and requested explanations as necessary. Each Corporate Auditor also inspected important decision-making documents and other materials, and examined the status of operations and the condition of the assets of the Company. With regard to subsidiaries, the Corporate Auditors communicated and exchanged information with directors and corporate auditors thereof, and received reports on business from those subsidiaries as necessary.
    - (ii) With regard to the resolutions by the Board of Directors, described in the business report, regarding the establishment of systems to ensure that the Directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company and those other systems which are provided for in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary to ensure proper business operations of a corporate group comprised of a stock company and its subsidiaries, as well as the systems (internal control system) established in accordance with the aforementioned resolutions of the Board of Directors, the Corporate Auditors also periodically received reports from Directors and employees regarding the development and operation thereof, requested explanations as necessary, and expressed opinions.
    - (iii) The 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. In addition, the Corporate Auditors were informed by the Accounting Auditor that a "system to ensure the duties are performed properly" (the matters stipulated in the respective items of Article 131 of Corporate Accounting Rules) had been implemented in accordance with the "quality management standards concerning audits" (Business Accounting Deliberation Council, October 28, 2005), and requested explanations as necessary.

In accordance with the aforementioned procedures, the Corporate Auditors reviewed the

business report and accompanying schedules thereto, and the financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in shareholders' equity, and notes to non-consolidated financial statements) and accompanying schedules thereto, and consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholders' equity, and notes to consolidated financial statements) for the fiscal year ended March 31, 2019.

2. Results of audits

(1) Results of the audit on business reports and related materials

- (i) The business report and accompanying schedules thereto fairly present the condition of the Company in accordance with the laws, regulations and the Articles of Incorporation of the Company.
- (ii) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company.
- (iii) The contents of resolutions by the Board of Directors with regard to the internal control system are reasonable. Additionally, regarding the descriptions of the relevant internal control system in the business report and the execution of duties by Directors under the relevant internal control system, there are no matters to be pointed out.

(2) Results of the audit of the non-consolidated financial statements and accompanying schedules thereto

The methods and results of the audit by KPMG AZSA LLC, Accounting Auditor, are fair and reasonable.

(3) Results of the audit of the consolidated financial statements

The methods and results of the audit by KPMG AZSA LLC, Accounting Auditor, are fair and reasonable.

May 14, 2019

Board of Corporate Auditors  
Seiko Holdings Corporation

Seiichi Mikami [seal]  
Standing Corporate Auditor

Haruhiko Takagi [seal]  
Standing Corporate Auditor

Yoshiaki Yamauchi [seal]  
Outside Corporate Auditor

Yoshiro Aoki [seal]  
Outside Corporate Auditor

Tomoyasu Asano [seal]  
Outside Corporate Auditor