

[Translation]

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(Stock Exchange Code 8050)

June 9, 2021

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 160TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

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

Please be informed that we will hold the 160th Ordinary General Meeting of Shareholders of SEIKO HOLDINGS CORPORATION (the “Company”). The meeting will be held for the purposes described below.

From the perspective of preventing the spread of the novel coronavirus, we request that shareholders exercise their voting rights in advance in writing, or via the Internet as much as possible.

**Regardless of the condition of your health, we request that you refrain from visiting the venue on the day of the meeting.** In order for shareholders to be able to view the proceedings of the Meeting, live streaming of the meeting will be made available via the Internet (for details, please refer to the “Notice of Live Streaming of the General Meeting of Shareholders” (page 3) below).

Please review the attached Reference Documents for the General Meeting of Shareholders (pages 6 through 21), and exercise your voting rights in accordance with the “Notice regarding Exercise of Voting Rights” (pages 4 through 5) by 6 p.m. on Monday, June 28, 2021, Japan time.

**1. Date and Time:** Tuesday, June 29, 2021, 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

This year, the number of seats that we are able to provide will decrease considerably compared with usual years, as the spacing between seats will be expanded to prevent the spread of the novel coronavirus infection. Accordingly, we may have to refuse admission of shareholders to the venue on the day.

### 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, 2021 (from April 1, 2020 to March 31, 2021)

**Proposals to be resolved:** **Proposal 1:** Distribution of Surplus  
**Proposal 2:** Partial Amendment to the Articles of Incorporation  
**Proposal 3:** Election of Eleven (11) Directors

### 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 (3) days prior to the date of the General Meeting of Shareholders.

<Request to Our Shareholders>

- In order to prevent the spread of the novel coronavirus, we request that shareholders exercise their voting rights in advance in writing, or via the Internet as much as possible, and that they refrain from visiting the venue on the day of the meeting. Please review the "Notice regarding Exercise of Voting Rights" (pages 4 through 5) below for details on exercise of voting rights in advance.
- In order for shareholders who are unable to attend to be able to view the proceedings of the Meeting, live streaming of the meeting will be made available via the Internet on the day of the meeting. For details, please refer to the "Notice of Live Streaming of the General Meeting of Shareholders" (page 3) below.

- The measures described above may be updated according to the status of the spread of the novel coronavirus infection, announcements from the government, etc. in the days leading up to the meeting. In addition, the venue and starting time are subject to change, as necessary. Any changes to the operation of the meeting will be published on the Company's website (<https://www.seiko.co.jp/ir/>).
- Body temperature measurements will be taken near the entrance to the venue, and persons who have a fever or appear to be in ill health may be refused admission and asked to leave, in order to prevent the spread of the novel coronavirus.
- Shareholders attending the meeting should wear a mask. Shareholders who do not wear a mask may be refused admission and asked to leave.

### Notice regarding the distribution of the Business Report video

In order to shorten the time for the proceedings of the General Meeting of Shareholders on the day of the meeting, a video regarding the Business Report will be distributed, prior to the meeting.

Distribution period (scheduled): Monday, June 21, 2021 to Thursday, September 30, 2021

Distribution URL: [https://v.srdb.jp/8050/2021soukai\\_visual/](https://v.srdb.jp/8050/2021soukai_visual/)

## Notice of Live Streaming of the General Meeting of Shareholders

The proceedings of the General Meeting of Shareholders will be streamed live via the Internet.

1. Please access the following website designated by the Company.

Distribution date and time	Tuesday, June 29, 2021, from 10 a.m. Japan time to the end of the meeting * The distribution website can be accessed approximately 60 minutes prior to the start of the General Meeting of Shareholders (9 a.m. Japan time).
Distribution URL	<a href="https://v.srdb.jp/8050/2021soukai/">https://v.srdb.jp/8050/2021soukai/</a>

2. When the screen for entering your ID and password appears, please enter your ID and password as shown below.

ID	
Password	

### Notes:

- Please note that you may not be able to view the live streaming, depending on your computer or other devices, your Internet connection environment, or your connection conditions.
- Shareholders will be responsible for communication charges and other costs associated with viewing the live streaming.
- Shareholders who view the live streaming will not be able to participate in the resolutions on the day of the General Meeting of Shareholders. Please exercise your voting rights in advance, using any of the methods described on pages 4 through 5 below, prior to viewing the live streaming.
- We will not be able to accept questions or comments from shareholders who are viewing the live streaming.
- In consideration of the privacy of the shareholders who attend the meeting, the live streaming will be limited to the vicinity of the Chairman's and officers' seats. However, please note that there may be cases where shareholders are unavoidably visible.
- The live streaming may be unavoidably interrupted or cancelled due to the Internet environment, equipment trouble, or other circumstances.
- Please refrain from recording, photographing, or saving the live streaming. Please do not disclose your ID or password to the public.

### For inquiries on how to view the live streaming and network on the day of the meeting:

TAKARA PRINTING CO., LTD. (Live streaming support company)	Contact time Tuesday, June 29, 2021, from 9 a.m. to 12 p.m. Japan time
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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) "Overview of the system to ensure proper operations and the implementation status thereof" for the Business Report
  - (ii) "Consolidated Statements of Changes in Equity" and "Notes to Consolidated Financial Statements" for Consolidated Financial Statements
  - (iii) "Non-Consolidated Statements of Changes in Equity" and "Notes to Non-Consolidated Financial Statements" for Non-Consolidated Financial Statements
- ◎ The Accounting Auditor and Corporate Auditors have audited each document subject to auditing, including the above Internet disclosure items.
- ◎ Corrections, if any, to the Reference Documents for the meeting or the attachments will be posted on the Company's website.

<The Company's Website>  
<https://www.seiko.co.jp/ir/>

**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.

<b>Shareholders attending the meeting in person</b>		
Date and time of the meeting: Tuesday, June 29, 2021, 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.		
<b>Shareholders not attending the meeting in person</b>		
<u>Exercise of voting rights in writing</u>	<u>Exercise of voting rights via "Smart Exercise"</u>	<u>Exercise of voting rights via the Internet</u>
Deadline: Must reach the Company by 6 p.m. on Monday, June 28, 2021, 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.	Deadline: By 6 p.m. on Monday, June 28, 2021, Japan time Please scan the "Smart Exercise" QR code displayed on the bottom right of the enclosed Voting Rights Exercise Form via a smartphone or tablet device, and enter your votes for or against the proposals. * Please refer to page 5 for details.	Deadline: By 6 p.m. on Monday, June 28, 2021, Japan time Access the Company's designated voting website, and enter your votes for or against the proposals in accordance with the screen instructions. * Please refer to page 5 for details.

## **Exercise of Voting Rights via “Smart Exercise” Using the QR Code**

Procedures for exercising voting rights

1. Scan the QR code and access the website

Scan the “Smart Exercise” QR code on the bottom right of the enclosed Voting Rights Exercise Form using a smartphone or tablet device.

\* An application or function that can scan QR codes is required. (QR code is a registered trademark of DENSO WAVE INCORPORATED.)

2. Select the voting method

There are two ways to exercise your voting rights.

3. When instructing each proposal individually, enter your votes for or against the proposals in accordance with the screen instructions.

4. If there is no problem on the confirmation screen, click the “exercise with this content” button to complete the exercise.

! If you wish to change your exercise content after exercising your voting rights, you will need to scan the QR code again, and enter your “voting rights exercise code” and “password” displayed on the Voting Rights Exercise Form.

## **Exercise of Voting Rights via the Internet**

Please access the voting website (<https://soukai.mizuho-tb.co.jp/>), and exercise your voting rights in accordance with the screen instructions.

< Contact information regarding “Smart Exercise” and exercise via the Internet >

Stock Transfer Agent Department, Mizuho Trust & Banking Co., Ltd.

Phone number: 0120-768-524 (toll free, accessible only in Japan)

(Usage time: 9 a.m. to 9 p.m. (excluding Saturdays, Sundays, and public holidays))

(For reference)

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

If duplicate votes are exercised

- \* If you exercise a voting right both in writing and via the Internet (including “Smart Exercise”), the vote exercised via the Internet will be taken as the valid vote.
- \* If you exercise a voting right multiple times via the Internet (including “Smart Exercise”), the vote last exercised will be taken as the valid vote.

[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 fiscal 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: 25 yen

Total amount of dividends: 1,033,600,900 yen

Note: As the Company has already paid an interim dividend of 12.5 yen per share, the annual dividend for the 160th fiscal year will be 37.5 yen per share.

(3) Effective date of distribution of surplus

June 30, 2021

**Proposal 2: Partial amendment to the Articles of Incorporation**

Reason for proposal

- (1) In order to establish a management structure capable of flexibly responding to changes in the management environment, as well as to clarify the management responsibility of Directors and increase opportunities to gain the confidence of the shareholders, the Company proposes to shorten the term of office of Directors, set forth in Article 22 of the Articles of Incorporation, from two (2) years to one (1) year, and delete paragraph 2 of the same Article related to the adjustment of the term of office.
- (2) In order to further strengthen and enhance the management base, the Company proposes to make an addition that will enable the appointment of a Vice Chairman, as a Director with a title, as set forth in Article 24 of the Articles of Incorporation.

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
<p style="text-align: center;">CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Term of Office) Article 22 1. The term of office of Directors shall expire at the closing of the ordinary general meeting of shareholders concerning the last business year ending within <u>two (2) years</u> after their election. <u>2. The term of office of a Director who has been elected to increase the number of Directors or to fill a vacancy shall expire when the term of office of the other incumbent Directors will expire.</u></p> <p>(Directors with Titles) Article 24 The Board of Directors may, by its resolutions, appoint one Chairman, one President, and a small number each of Executive Vice Presidents, Senior Executive Directors, and Executive Directors.</p>	<p style="text-align: center;">CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Term of Office) Article 22 1. The term of office of Directors shall expire at the closing of the ordinary general meeting of shareholders concerning the last business year ending within <u>one (1) year</u> after their election.</p> <p style="text-align: center;">(Deleted)</p> <p>(Directors with Titles) Article 24 The Board of Directors may, by its resolutions, appoint one Chairman, <u>one Vice Chairman</u>, one President, and a small number each of Executive Vice Presidents, Senior Executive Directors, and Executive Directors.</p>

### Proposal 3: 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	Gender	Positions and responsibilities at the Company	Attendance at the Board of Directors meetings
1	Reappointed	<b>Shinji Hattori</b>	Male	Chairman & Group CEO Group Chief Culture Officer (Group CCO)	11 out of 11 meetings (100.0%)
2	Reappointed	<b>Yoshinobu Nakamura</b>	Male	President	11 out of 11 meetings (100.0%)
3	Reappointed	<b>Shuji Takahashi</b>	Male	Director in charge of Watches Business and DX Promoting	11 out of 11 meetings (100.0%)
4	Reappointed	<b>Shimesu Takizawa</b>	Male	Executive Director in charge of Finance & Corporate Strategy Planning, ESG & SDGs Promoting, Accounting, and Procurement Planning General Manager of the Finance & Corporate Strategy Planning Department General Manager of the Accounting Department	11 out of 11 meetings (100.0%)
5	Reappointed	<b>Kiyoko Niwasaki</b>	Female	Executive Director in charge of Corporate Branding	10 out of 10 meetings (100.0%)
6	Reappointed	<b>Kazuhiko Sakamoto</b>	Male	Director in charge of Legal and Real Estate Management General Manager of the Real Estate Management Department	11 out of 11 meetings (100.0%)
7	Reappointed	<b>Makoto Ichimura</b>	Male	Director in charge of Secretariat and General Affairs Senior General Manager of the Business Incubation Center General Manager of the Secretaries Office	11 out of 11 meetings (100.0%)
8	Reappointed	<b>Tetsu Kobayashi</b>	Male	Director in charge of Business Incubation, Research & Development and Production Engineering	11 out of 11 meetings (100.0%)
9	Newly Appointed	<b>Jun Sekine</b>	Male	—	—
10	Reappointed	<b>Tsuyoshi Nagano</b>	Male	Outside Director Independent Director	11 out of 11 meetings (100.0%)
11	Reappointed	<b>Yasuko Teraura</b>	Female	Outside Director Independent Director	11 out of 11 meetings (100.0%)

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: 14 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1975	Joined Mitsubishi Corporation
July 1984	Joined Seikosha Co., Ltd.
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 2015	President & CEO of SEIKO WATCH CORPORATION
April 2017	Chairman & CEO of SEIKO WATCH CORPORATION
June 2020	Chairman of WAKO Co., Ltd. (to present)
June 2020	Group Chief Culture Officer (Group CCO) of the Company (to present)
April 2021	Chairman of SEIKO WATCH CORPORATION (to present)

- (5) Significant concurrent positions:

Chairman of SEIKO WATCH CORPORATION  
Chairman of WAKO 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: 20,800
- (2) Length of service as a Director: 13 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1972	Joined Seikosha Co., Ltd.
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. (currently SEIKO Time Creation 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. Shuji Takahashi (Date of Birth: August 29, 1957) (Reappointed)



- (1) Number of shares of the Company held: 4,500
- (2) Length of service as a Director: 8 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 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 of the Company (to present)
April 2017	President & COO & CMO of SEIKO WATCH CORPORATION
June 2020	In charge of Watches Business and DX Promoting 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. 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) having 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.

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



- (1) Number of shares of the Company held: 2,800
- (2) Length of service as a Director: 5 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 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
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	Outside Director of Jedat Inc. (to present)
June 2019	Executive Director of the Company (to present)
June 2019	General Manager, Accounting Department of the Company (to present)
June 2020	In charge of Finance & Corporate Strategy Planning, ESG & SDGs Promoting, Accounting, and Procurement Planning of the Company (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, ESG & SDGs promoting, accounting, and procurement 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. Shimesu Takizawa.

5. Kiyoko Niwasaki (Date of Birth: January 20, 1964) (Reappointed)



(1) Number of shares of the Company held: 2,700

(2) Length of service as a Director: 1 year

(3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 10 out of 10 meetings (100.0%)

(4) Career, positions, and responsibilities

April 1986	Joined the Company
April 2013	Senior Vice President and General Manager, Public Relations Department of SEIKO WATCH CORPORATION
June 2015	Director, Senior Vice President of SEIKO WATCH CORPORATION
June 2018	Director, Executive Vice President of SEIKO WATCH CORPORATION
June 2020	Executive Director in charge of Corporate Branding of the Company (to present)
April 2021	Director, Executive Vice President of WAKO Co., Ltd. (to present)

(5) Significant concurrent positions:

Director, Executive Vice President of WAKO Co., Ltd.

(6) Reasons for nomination as candidate for director:

The Company nominates Ms. Kiyoko Niwasaki 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 duties by utilizing her wealth of experience and achievement, including the following: (i) having been engaged mainly in public relations and marketing as a member of the Company Group since joining the Company; and (ii) currently being in charge of corporate branding 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 Ms. Kiyoko Niwasaki.

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



- (1) Number of shares of the Company held: 900
- (2) Length of service as a Director: 3 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 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
June 2018	Director of the Company (to present)
April 2019	Director, Executive Vice President of WAKO Co., Ltd.
June 2019	In charge of Legal & Intellectual Property (currently Legal) and Real Estate Management, and General Manager, Real Estate Management Department of the Company (to present)
April 2021	Director, Senior Executive Vice President of WAKO Co., Ltd. (to present)

- (5) Significant concurrent positions:

Director, Senior 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 legal and real estate management 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) (Reappointed)



- (1) Number of shares of the Company held: 1,200
- (2) Length of service as a Director: 2 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 meetings (100.0%)
- (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 of the Company (to present)
June 2019	Director in charge of Secretariat and General Affairs of the Company (to present)
January 2020	Outside Director of OHARA INC. (to present)
April 2020	Director, Executive Vice President of SEIKO Solutions Inc. (to present)
December 2020	Senior General Manager, Business Incubation Center of the Company (to present)

- (5) Significant concurrent positions:

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

- (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 in charge of secretariat and general affairs 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. Makoto Ichimura.

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



- (1) Number of shares of the Company held: 5,700
- (2) Length of service as a Director: 3 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 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)
December 2020	In charge of Business Incubation, Research & Development and Production Engineering 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 business planning, development, production, and sales 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., and in charge of business incubation, research & development and production engineering 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. Tetsu Kobayashi.

9. Jun Sekine (Date of Birth: October 1, 1959) (Newly Appointed)



- (1) Number of shares of the Company held: 1,500
- (2) Length of service as a Director: —
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: —
- (4) Career, positions, and responsibilities

April 1984	Joined IBM Japan, Ltd.
April 1998	Sales Manager, Insurance of IBM Japan, Ltd.
June 2002	General Manager, Insurance of IBM Japan, Ltd.
January 2006	Managing Director of IBM Japan, Ltd.
July 2012	President and Director of ESCCO JAPAN K.K.
January 2013	Vice President and General Manager, Strategic Business Division of SAP Japan Co., Ltd.
July 2015	Vice President and Chief Customer Officer of SAP Japan Co., Ltd.
December 2015	Director and Executive Vice President of SEIKO Solutions Inc.
April 2017	President of SEIKO Solutions Inc. (to present)

- (5) Significant concurrent positions:

President of SEIKO Solutions Inc.

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

The Company nominates Mr. Jun Sekine 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 extensive knowledge and a wide-ranging network in the IT industry from having served as a management member of foreign-affiliated IT corporations; and (ii) currently being engaged in management direction as President of SEIKO Solutions Inc., after taking office as Director and Executive Vice President of SEIKO Solutions Inc. in December 2015.

- (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. Jun Sekine.

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



- (1) Number of shares of the Company held: 5,700
- (2) Length of service as a Director: 2 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 meetings (100.0%)
- (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.
April 2016	Chairman of the Board Tokio Marine & Nichido Fire Insurance Co., Ltd. (retired in June 2019)
June 2019	Chairman of the Board of Tokio Marine Holdings, Inc. (to present)
June 2019	Outside Director of the Company (to present)

- (5) Significant concurrent positions:

Chairman of the Board of Tokio Marine Holdings, Inc.

- (6) Reasons for nomination as candidate for Outside Director and the overview of expected roles:

The Company nominates Mr. Tsuyoshi Nagano as a candidate for Outside Director, expecting him to contribute to strengthening supervisory functions over the execution of business and provide advice from a wide-ranging management perspective based on his extensive experience and high insight cultivated in his career as a management member of corporations over many years.

- (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 Chairman of the Board of Tokio Marine Holdings, Inc. 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.

Mr. Tsuyoshi Nagano satisfies the requirements of an independent director under the rules of the Tokyo Stock Exchange, and has been reported thereto as an independent director. If his appointment is approved at this Ordinary General Meeting of Shareholders, he will continue to serve as an independent director.

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



- (1) Number of shares of the Company held: 200
- (2) Length of service as a Director: 2 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2021: 11 out of 11 meetings (100.0%)
- (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 2019	Outside Director of the Company (to present)

- (5) Significant concurrent positions:

Partner Attorney of Endeavour Law Office  
Outside Director of Neturen Co., Ltd.

- (6) Reasons for nomination as candidate for Outside Director and the overview of expected roles:

The Company nominates Ms. Yasuko Teraura as a candidate for Outside Director, expecting her to contribute to strengthening supervisory functions over the execution of business and provide advice by leveraging her legal expertise based on her extensive knowledge and experience cultivated over many years as an attorney. 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. If her appointment is approved at this Ordinary General Meeting of Shareholders, she will continue to serve as an independent director.

Note 1: The Company entered into an agreement with Mr. Tsuyoshi Nagano and Ms. Yasuko Teraura to limit liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to Article 427, paragraph 1 thereof. 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. If their appointment is approved, the Company will continue the aforementioned liability limitation agreement with them.

Note 2: The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company, with all Directors of the Company as the insured. The details of the insurance policy are as described in the Business Report (pages through 41 to 42). If the appointment of the candidates is approved, each candidate will be included as an insured under the insurance policy. The Company plans to renew the insurance policy with the same conditions during the term of office of each candidate.

[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 3 were determined by the Board of Directors after being deliberated on by that committee.

[For reference]

## **Basic Principle of Corporate Governance**

Based on the principle "being a company that is trusted by society", Seiko Holdings Corporation considers "compliance with relevant laws and regulations", "implementation of management transparency and fairness", and "honoring social ethics" as core business goals. In order to achieve these goals, we will strengthen and promote our corporate governance framework and strive to achieve our group's sustainable growth and increase corporate value.

### **Basic Policy**

#### **(1) Securing the Rights and Equal Treatment of Shareholders**

We strive to develop a necessary environment that effectively ensures the rights of shareholders including voting rights at the general meeting of shareholders, and provide them with necessary information accurately so that they can exercise their rights appropriately. We are also committed to securing equality among shareholders, such as minority shareholders and foreign shareholders.

#### **(2) Appropriate Cooperation with Stakeholders other than Shareholders**

We recognize that our social responsibility is to contribute to the realization of a sustainable society through implementation of our group's basic principle "being a company that is trusted by society". Under such recognition, we strive to cooperate appropriately with our various stakeholders, including our shareholders, customers, business partners, members of local communities and employees.

#### **(3) Ensuring Appropriate Information Disclosure and Transparency**

In order to obtain appropriate evaluation from our various stakeholders including our shareholders, and to engage in a constructive dialogue with shareholders, we strive not only to disclose appropriate information in compliance with relevant laws and regulations, but also to disclose other information in a timely and appropriate manner so that such information would be clear and useful for the people who use it.

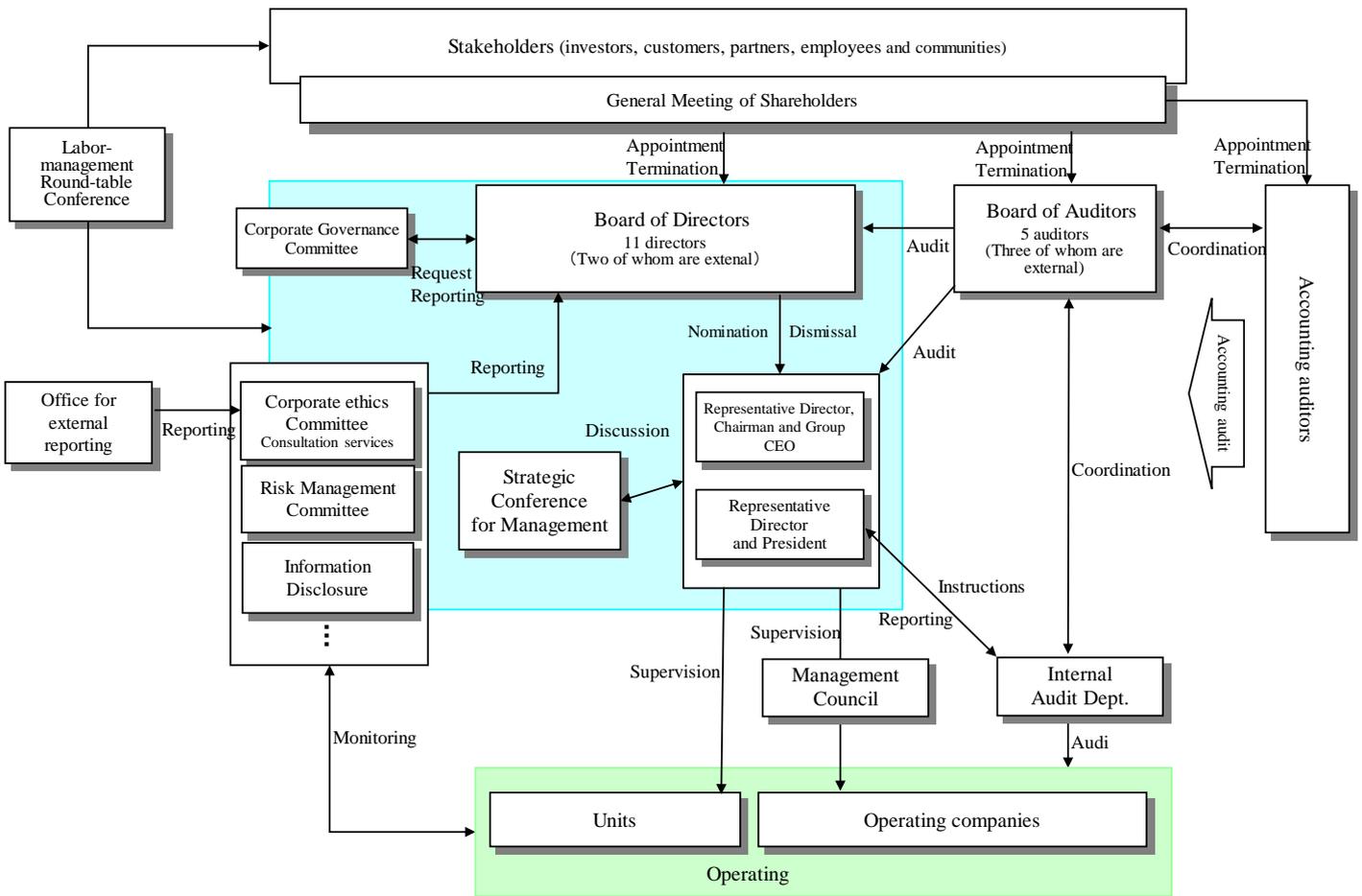
#### **(4) Responsibilities of the Board of Directors**

Our Board of Directors will engage in free and constructive discussions and exchanges of opinions, and will appropriately fulfill its roles and responsibilities for the sustainable growth of company and the enhancement of corporate value over the medium to long-term, including making decisions on important management matters such as business strategies, establishing an environment that supports swift and decisive decision-making by the senior management, and enhancing management supervision.

#### **(5) Dialogue with Shareholders**

We will promote constructive dialogue with our shareholders to contribute sustainable growth and enhancement of corporate value over the medium to long-term based on "Basic Policy on Constructive Dialogue with Shareholders".

### Corporate Governance Structure



[Translation][Attached Documents]

**Business Report for the Fiscal Year Ended March 2021 (From April 1, 2020 To March 31, 2021)**

1. Matters related to current status of the Corporate Group

(1) Business developments and results

During the fiscal year ended March 31, 2021, while the world economy deteriorated significantly due to restrictions on economic activities as a result of the spread of the novel coronavirus, it has recovered gradually from June onward. Subsequently, in the U.S., while the economic recovery slowed temporarily due to the resurgence of infections in the third quarter of the fiscal year ended March 31, 2021, it picked up in the fourth quarter with the start of vaccinations. In Europe, the economic recovery has stagnated from the third quarter onward, mainly due to a resurgence of infections and the spread of mutant strains. In China, the trend toward economic recovery that began at the beginning of the fiscal year was maintained throughout the fiscal year, despite self-restraint from traveling in some areas in the fourth quarter. Other countries, such as Taiwan, with its favorable semiconductor exports, and Australia, with its strong housing market, also continued to experience an economic recovery.

The Japanese economy also shrunk rapidly due to the closure of most of the commercial facilities such as department stores and retail stores following the government's declaration of a state of emergency in April. After the state of emergency was lifted, the economy gradually began to recover. Following the reimposition and extension of the declaration of a state of emergency in January of this year, the economy stagnated temporarily, particularly in terms of personal consumption. However, with the lifting of the declaration of a state of emergency, there have been signs that the economy is beginning to pick up.

Amid these circumstances, the Company focused its efforts on addressing the coronavirus pandemic, while promoting the policies of the Seventh Mid-Term Management Plan, looking toward what the Seiko Holdings Group aims to be in FY2025. In the Watches Business, the Company launched new products, which are equipped with new high-end movements and cases made of new materials, restructured the organization, and invested in branding in order to accelerate the expansion of its overseas business. In the Systems Solutions Business, the Company made COSMO CO., LTD. a subsidiary as of April 1, 2020, in order to further diversify its business. In response to changes in the external environment, the Group as a whole has also worked to digitalize its business and create a variety of work styles.

As a result, although business results began to recover from the end of the first quarter of the fiscal year ended March 31, 2021, repeated restrictions on economic activities led to the Company reporting consolidated net sales of 202.6 billion yen, a year-on-year decrease of 36.4 billion yen, or 15.3%. On a per-segment basis, while net sales under the Watches Business and Electronic Devices Business declined year on year, sales under the Systems Solutions Business increased year on year as a result of successful efforts to diversify business and expand the

stock business. On an overall consolidated basis, domestic net sales came to 113.1 billion yen (a year-on-year decrease of 17.7%), and overseas net sales were 89.5 billion yen (a year-on-year decrease of 11.9%). Overseas net sales comprised 44.2% of net sales overall.

In line with changes in the external environment, advertising and promotion expenses were reduced by approximately 20% compared with the previous fiscal year. Other operating expenses also decreased mainly due to reductions resulting from lower net sales and a transfer of fixed costs during closures, which occurred mainly in the first quarter of the fiscal year ended March 31, 2021, to extraordinary losses. For the fiscal year ended March 31, 2021, the Company reported operating profit of 2.1 billion yen (a year-on-year decrease of 64.2%), as operating profit improved steadily each quarter from an operating loss of 2.1 billion yen in the first quarter. With regard to non-operating income and expenses, ordinary profit decreased by 6.3 billion yen year on year to 0.6 billion yen (a year-on-year decrease of 91.0%), primarily as a result of a deterioration in share of profit of entities accounted for using equity method due to the transfer of shares of a semiconductor company that was an affiliated company accounted for using equity method, as well as a deterioration in the business results of an affiliated company accounted for using equity method. A gain on transfer of shares of the semiconductor company of 7.6 billion yen, a gain on sales of non-current assets of 1.0 billion yen, and subsidy income of 0.6 billion yen were posted as extraordinary income. A loss of 3.6 billion yen relating to the novel coronavirus was posted as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests were 3.4 billion yen (a year-on-year increase of 2.4%).

The average exchange rates for the current fiscal year were 106.1 yen to 1 US dollar and 123.8 yen to 1 euro.

Results for each segment are as follows.

a. Watches Business

Net sales under the Watches Business came to 105.0 billion yen, a year-on-year decrease of 30.4 billion yen, or 22.5%.

Net sales of completed watches in Japan fell substantially for two months in April and May, mainly due to the closure of retail stores and commercial facilities following the government's declaration of a state of emergency. From June onward, when the state of emergency was lifted, net sales gradually recovered thanks to favorable sales of commemorative models of Grand Seiko, which commemorates the 60th Anniversary of the brand, and of Seiko Prospex, which commemorates the 55th Anniversary of Seiko's diver's watch, as well as models equipped with new calibers. From November onward, the impact of a third wave of the novel coronavirus infection brought the recovery to a temporary standstill. However, after the second declaration of a state of emergency was lifted, recovery began again. Net sales of Grand Seiko and Seiko Prospex in March exceeded not only those of the same month of the previous fiscal year, which were affected by the pandemic, but also those of the same month two

years prior. On a distribution channel basis, while sales of stores at mass retailers suffered throughout the fiscal year, e-commerce performed steadily.

Net sales of completed watches overseas have also recovered in many countries and regions since July, when lockdowns were lifted in many areas. In the three months of the third quarter of the fiscal year ended March 31, 2021, net sales increased year on year in all regions. In terms of individual brands, sales of Grand Seiko and Seiko Prospex grew steadily around the world. In the U.S., net sales recovered steadily, driven by Grand Seiko, partly as a result of the expansion of mid- to high-end stores and a strengthening of online sales promotions. In Europe, the second wave of the novel coronavirus infection as well as outbreak of mutant variants of the virus resulted in additional lockdowns from around November, which led to stagnant sales in the fourth quarter. However, in many countries, including the U.K., Germany, the Netherlands, France, and Italy, net sales of Global Brands for the current fiscal year grew year on year. In China, net sales for the current fiscal year were significantly higher year on year due to favorable performance in e-commerce and increased sales of Grand Seiko in physical stores, including Grand Seiko Boutiques. In Thailand and Australia, net sales of Grand Seiko and Seiko Prospex for the current fiscal year grew and increased year on year, mainly due to the enhancement of digital measures. In Taiwan, where a Grand Seiko Boutique opened in Taipei in September, the new Boutique has driven sales of Grand Seiko from September onward, with second-half net sales in Taiwan higher year on year.

The watch movements business saw net sales fall significantly due to partial restrictions of overseas manufacturing activities based on government requests to prevent the spread of the novel coronavirus in the first quarter of the fiscal year ended March 31, 2021. While sales recovered from the second quarter onward, the recovery was insufficient to offset the decline in the first quarter.

Operating profit decreased by 4.5 billion yen year on year, resulting in operating profit of 5.6 billion yen (a year-on-year decrease of 44.9%). The decline was despite expenses falling year on year due to such factors as a review on investments in line with the external environment and a curtailment of expenses following lower net sales.

#### b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 50.2 billion yen, a year-on-year decrease of 3.0%. Operating profit was 1.3 billion yen, a year-on-year increase of 112.2%. In addition to precision turned parts for high-capacity servers and automobiles, sales were strong in high-performance metals for semiconductor production equipment, batteries for medical equipment, and quartz crystals. In the printer-related business in the first half of the fiscal year, the business was sluggish for the retail market due to the effects of the novel coronavirus. However, sales of industrial inkjet print heads recovered from October onward thanks to expanded sales of water-based inkjet print heads, which were launched last year. Net sales for the three months of the fourth quarter of the fiscal year ended March 31, 2021 were the highest quarterly net sales in the last three years.

#### c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 34.1 billion yen, a year-on-year increase of 1.2 billion yen, or 3.9%. Operating profit was 3.5 billion yen, a year-on-year increase of 0.5 billion yen, or 17.5%. Demand

for mobile products, as well as support systems and services for the food service industry declined due to the coronavirus pandemic. However, amid growing demand for digitalization, the Company achieved growth in both revenue and profits thanks to an expansion of new business utilizing AI and IoT, as well as growth in business such as network products and performance management services that support digitalization, in addition to contributions from the development of IoT equipment by COSMO CO., LTD., which was made into a subsidiary in April 2020.

d. Others

Net sales under Others amounted to 24.8 billion yen, a year-on-year decrease of 4.6 billion yen, or 15.9%.

Operating losses were 40 million yen (compared to operating profit of 0.3 billion yen in the previous fiscal year).

Net sales for the first quarter of the fiscal year ended March 31, 2021 fell significantly in the Wako Business, which closed its stores for about two months following the government's declaration of a state of emergency in Japan due to the spread of the novel coronavirus, as well as in the Clocks Business, with many of its distribution channels, such as department stores and mass retailers, having been shut down. Although the businesses began to recover since June, net sales were still down year on year due to the declaration of a state of emergency again, in the fourth quarter.

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

As the Company celebrates the 140th Anniversary of its foundation, the Company has clarified its purpose: “As a company trusted by society, we will constantly pursue innovation, inspiring people everywhere, and creating a future full of smiles.” This purpose is the starting point for all of the Company’s activities, which are based on its corporate philosophy of being “A Company that is Trusted by Society.” The Company has established an individual philosophy and a long-term vision and formulated various basic policies, etc., including its fundamental philosophy of corporate ethics, in addition to practicing risk management, founded on corporate governance. On this basis, the Company will engage in business activities with targets that are shared throughout the entire Group. The Company is actively working toward environmental considerations (E), contributing to solving social issues (S), and creating systems that maintain the trust of society (G), and is aiming to realize sustainable growth beyond the 150th Anniversary in 2031.

Looking toward what the Seiko Holdings Group aims to be in FY2025, the Company is promoting the Seventh Mid-Term Management Plan, which will end in the fiscal year ending March 31, 2022. The contents are as follows.

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

1. Long-term vision

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

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

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

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

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

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

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

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

4. Initiatives for the environment and issues surrounding business

Although economic activities in Japan and overseas were severely impacted by the spread of the novel coronavirus for the fiscal year ended March 31, 2021, the strategies set forth in the Seventh Mid-Term Management Plan, including the Global Brand strategy for the Watches Business, have been showing steady results. Accordingly, the Company will further accelerate the initiatives set forth in the plan in the fiscal year ending March 31, 2022. In addition, the Company will further strengthen its Digital Transformation (DX) and ESG initiatives, in order to respond to new needs arising from changes in the external environment and to solve social issues.

(i) Watches Business

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

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

(ii) Electronic Devices Business

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

portfolio to areas of strength and growth markets.

(iii) Systems Solutions Business

The Systems Solutions Business saw the addition of IIM Corporation, a company that deploys security solutions and performance management for IT systems, to its subsidiary, as well as steady growth during the previous mid-term management plan via increased sales in new fields of business and expansion in stock business. The Company will continue expansion of stock business while also aiming to expand business and build a business structure that is resilient to environmental changes, via diversification including the utilization of M&A. In addition, the Company will reform behavioral patterns and both power up and shape up its organization.

(iv) The Clocks/Wako/Time Systems Business

The Clocks/Wako/Time Systems Business has a long history of supporting the development of Seiko, and still retains links with many of its stakeholders, making it truly positioned as a legacy business. The integration of Seiko Clock Inc. and Seiko Time Systems, Inc. on April 1, 2021 will generate synergy effects and expand business areas. In addition, each business, including Wako, will continue to play a role in improving the value of the brand.

5. Initiatives for other issues

(i) New research and development

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

(ii) Enhancing management foundation

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

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

Human resources strategy involves preparing an environment where personnel with diverse senses of value can work enthusiastically, aiming for sustainable growth of the Group by creating

a virtuous cycle of “recruiting,” “cultivating,” and “leveraging” human resources.

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

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

(i) Consolidated income forecast

(Billions of yen)

	Actual FY2019	Actual FY2020	Mid-Term Management Plan FY2021
Net sales	239.1	202.6	285.0
Operating profit	6.1	2.1	14.2
Ordinary income	7.0	0.6	16.0
Net income attributable to owners of parent	3.3	3.4	12.5

(ii) Net sales by segment

(Billions of yen)

	Actual FY2019	Actual FY2020	Mid-Term Management Plan FY2021
Watches Business	135.4	105.0	165.0
Electronic Devices Business	51.7	50.2	63.0
Systems Solutions Business	32.8	34.1	35.0
Others	29.5	24.8	31.0
Consolidated total	239.1	202.6	285.0

(iii) Operating profit by segment

(Billions of yen)

	Actual FY2019	Actual FY2020	Mid-Term Management Plan FY2021
Watches Business	10.1	5.6	14.5
Electronic Devices Business	0.6	1.3	3.0
Systems Solutions Business	3.0	3.5	3.0
Others	0.3	-0.0	1.0
Consolidated total	6.1	2.1	14.2

(iv) Others	Actual FY2019	Actual FY2020	(Billions of yen) Mid-Term Management Plan FY2021
Equity capital ratio	34.4%	34.9%	40.0%
Net interest-bearing liabilities	89.1	98.6	Roughly the same as the current level

(3) Financing

There are no matters of special note.

(4) Capital expenditures

The Company invested 2,134 million yen in the Watches Business and 2,835 million yen in the Electronic Devices Business primarily to reinforce and renew manufacturing and other facilities, and 1,002 million yen in the Systems Solutions Business primarily to acquire software for marketing purposes, respectively. In addition, the Company has made capital investments of 8,762 million yen primarily to acquire rental equipment (Chuo-ku, Tokyo and Shizukuishi-cho, Iwate-gun, Iwate Prefecture) for external companies and subsidiaries.

(5) Trends in assets and profit/loss

The operating results and assets in the fiscal year ended March 31, 2021 and the past three years are as follows.

(i) Consolidated (Millions of yen)

Item	FY2017	FY2018	FY2019	FY2020
Net sales	268,529	247,293	239,150	202,671
Ordinary income	10,911	11,410	7,004	633
Net income attributable to owners of parent	11,541	9,249	3,394	3,475
Net income per share (Yen)	280	224	82	84
Total assets	305,297	303,036	299,990	319,671
Net assets	105,170	110,415	104,273	113,082
Net assets per share (Yen)	2,524	2,650	2,500	2,709

(ii) Non-consolidated (Millions of yen)

Item	FY2017	FY2018	FY2019	FY2020
Operating revenue	11,237	11,301	12,031	11,301
Ordinary income	3,308	2,691	3,027	809
Net income	3,763	3,719	3,124	1,560
Net income per share (Yen)	91	90	76	38
Total assets	179,269	176,640	176,961	192,853
Net assets	56,036	55,029	50,681	55,495
Net assets per share (Yen)	1,359	1,334	1,229	1,345

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 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 FY2018. 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
Morioka Seiko Instruments Inc.	2,000 million yen	100.0% (*)	Manufacturing watches
Grand Seiko Corporation of America	US\$2,000	100.0% (*)	Sales of watches
Seiko Watch of America LLC	US\$112,000	100.0% (*)	Sales of watches
SEIKO Hong Kong Ltd.	HK\$129,300,000	100.0% (*)	Sales of watches and other products
SEIKO Manufacturing (H.K.) Ltd.	HK\$128,700,000	100.0% (*)	Manufacturing and sales of watches
SEIKO Manufacturing (Singapore) Pte. Ltd.	S\$32,288,000	100.0% (*)	Manufacturing watches
Seiko Instruments Inc.	9,756 million yen	100.0%	Manufacturing and sales of electronic devices and other products
SEIKO Solutions Inc.	500 million yen	100.0%	Development, sales, etc. of information and telecommunication systems, etc.
Seiko Clock Inc.	1,000 million yen	100.0%	Manufacturing and sales of clocks
WAKO Co., Ltd.	2,500 million yen	100.0%	Sales of high-end jewelry, apparel, and fashion accessories

Note 1: Asterisked ratios in the “Capital Contribution Ratio” column include indirect holdings.

Note 2: SEIKO Manufacturing (H.K.) Ltd. changed its corporate name from Seiko Instruments (H.K.) Ltd. on April 1, 2020.

Note 3: SEIKO Manufacturing (Singapore) Pte. Ltd. changed its corporate name from Seiko Instruments Singapore Pte. Ltd. on April 1, 2020.

Note 4: Seiko Clock Inc. ceased to exist on April 1, 2021 through an absorption-type merger with the Company’s consolidated subsidiary, Seiko Time Systems, Inc. as the surviving company. The surviving company, Seiko Time Systems, Inc. changed its corporate name to SEIKO Time Creation Inc. on the same date.

(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, precision 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 12,092 (an increase of 145 from the previous fiscal year-end).

(10) Major lenders and amounts borrowed

Lenders	Outstanding Balance of Loans
	(Millions of yen)
Mizuho Bank, Ltd.	42,009
Sumitomo Mitsui Banking Corporation	23,233
Aozora Bank, Ltd.	13,945

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 60,225 treasury shares)  
41,404,261 shares

(3) Number of shareholders at the end of the fiscal year ended March 31, 2021 15,297

(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 Master Trust Bank of Japan, Ltd. (Trust Account)	1,951,000	4.7
The Dai-ichi Life Insurance Company, Limited	1,800,000	4.4
Custody Bank of Japan, Ltd. (Trust Account)	1,780,800	4.3
Hideo Hattori	1,622,455	3.9
Custody Bank of Japan, Ltd. (Trust Account 9)	898,700	2.2
SHIMIZU CORPORATION	744,200	1.8
FUJI BUILDING Co., Ltd.	671,400	1.6

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

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, 2021)

Name	Position and responsibility at the Company	Significant concurrent positions at other entities
Shinji Hattori	Chairman & Group CEO Group Chief Culture Officer (Group CCO)	Chairman & CEO of SEIKO WATCH CORPORATION Chairman of WAKO Co., Ltd.
Yoshinobu Nakamura	President	Chairman of Seiko Instruments Inc.
Akihiro Okuma	Senior Executive Director in charge of Human Resources and IT Planning	Director, Senior Executive Vice President of Seiko Instruments Inc.
Shimesu Takizawa	Executive Director in charge of Finance & Corporate Strategy Planning, ESG & SDGs Promoting, Accounting, and Procurement Planning General Manager of the Finance & Corporate Strategy Planning Department General Manager of the Accounting Department	Director, Executive Vice President of Seiko Instruments Inc. Outside Director of Jedat Inc.
Kiyoko Niwasaki	Executive Director in charge of Corporate Branding	
Kazuhiko Sakamoto	Director in charge of Legal and Real Estate Management General Manager of the Real Estate Management Department	Director, Executive Vice President of WAKO Co., Ltd.
Makoto Ichimura	Director in charge of Secretariat and General Affairs Senior General Manager of the Business Incubation Center General Manager of the Secretaries Office	Director, Executive Vice President of SEIKO Solutions Inc. Outside Director of OHARA INC.
Shuji Takahashi	Director in charge of Watches Business and DX Promoting	President & COO & CMO of SEIKO WATCH CORPORATION

Tetsu Kobayashi	Director in charge of Business Incubation, Research & Development and Production Engineering	President of Seiko Instruments Inc.
Tsuyoshi Nagano	Director	Chairman of the Board of Tokio Marine Holdings, Inc.
Yasuko Teraura	Director	Partner Attorney of Endeavour Law Office Outside Director of Neturen Co., Ltd.
Haruhiko Takagi	Standing Corporate Auditor	Outside Corporate Auditor of OHARA INC.
Takashi Nishimoto	Standing Corporate Auditor	
Tomoyasu Asano	Corporate Auditor	Outside Auditor of Tokyu Fudosan Holdings Corporation
Hideki Amano	Corporate Auditor	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.
Masatoshi Yano	Corporate Auditor	President of Seiwa Sogo Tatemono Co., Ltd.

Note 1: Mr. Tsuyoshi Nagano and Ms. Yasuko Teraura, Directors, are outside directors set forth in Article 2, item 15 of the Companies Act.

Note 2: Mr. Tomoyasu Asano, Mr. Hideki Amano, and Mr. Masatoshi Yano, 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. Tsuyoshi Nagano and Ms. Yasuko Teraura, Directors, and Mr. Tomoyasu Asano, Mr. Hideki Amano, and Mr. Masatoshi Yano, Corporate Auditors, as independent directors/auditors.

Note 4: Mr. Haruhiko Takagi and Mr. Takashi Nishimoto, Standing Corporate Auditors, have experience in accounting and have reasonable-degrees of knowledge about finance and accounting. Mr. Hideki Amano, 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) Ms. Kiyoko Niwasaki was newly appointed as Director, Mr. Takashi Nishimoto was newly appointed as Corporate Auditor, and assumed office at the 159th Ordinary General Meeting of Shareholders held on June 26, 2020.
- (2) Ms. Hiromi Kanagawa, Director, retired from office of Director by resignation, and Mr. Seiichi Mikami, Corporate Auditor, retired from office of Corporate Auditor due to the

expiry of his term of office at the close of the 159th Ordinary General Meeting of Shareholders held on June 26, 2020.

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. Shinji Hattori, Chairman & Group CEO, assumed office of Chairman of SEIKO WATCH CORPORATION as of April 1, 2021.
- (2) Ms. Kiyoko Niwasaki, Executive Director, assumed office of Director, Executive Vice President of WAKO Co., Ltd. as of April 1, 2021.
- (3) Mr. Kazuhiko Sakamoto, Director, assumed office of Director, Senior Executive Vice President of WAKO Co., Ltd. as of April 1, 2021.
- (4) Mr. Shuji Takahashi, Director, retired from office of President & COO & CMO of SEIKO WATCH CORPORATION as of March 31, 2021.
- (5) Mr. Tomoyasu Asano, Corporate Auditor, retired from office of Chief Director of the Cardiovascular Institute as of October 1, 2020.

Note 7: The Tokio Marine Group, at which Mr. Tsuyoshi Nagano, Outside Director, has a concurrent position, 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.

Note 8: Seiwa Sogo Tatemono Co., Ltd., at which Mr. Masatoshi Yano, Outside Corporate Auditor, has a concurrent position, 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.

Note 9: 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. Tsuyoshi Nagano and Ms. Yasuko Teraura, Outside Directors, and Mr. Tomoyasu Asano, Mr. Hideki Amano, and Mr. Masatoshi Yano, 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) Overview of directors and officers liability insurance

The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company, with all Directors, Corporate Auditors, and Senior Vice Presidents of the Company and its subsidiary Seiko Instruments Inc. as the insured. The insurance policy covers the insured against claims for damages and costs of litigation arising out of acts (including omissions) committed by the insured in the course of his or her duties as a director or an officer of a company. However, we have taken measures to ensure that the

appropriateness of the execution of duties by directors and officers is not compromised by excluding from coverage damage caused by criminal or intentionally illegal acts. All insurance premiums are paid by the Company.

(4) Aggregate amount of compensation, etc. for Directors and Corporate Auditors

Officer classification	Aggregate amount of compensation, etc. (Millions of yen)	Aggregate amount by type of compensation, etc. (Millions of yen)			Number of eligible officers
		Fixed compensation	Performance-based compensation, etc.		
		Basic compensation	Bonuses (Monetary compensation)	Stock compensation (Non-monetary compensation, etc.)	
Director (excluding Outside Directors)	256	242	0	14	10
Outside Directors	19	19	-	-	2
Total	275	261	0	14	12
Corporate Auditor (excluding Outside Corporate Auditors)	37	37	-	-	3
Outside Corporate Auditors	28	28	-	-	3
Total	66	66	-	-	6

Note 1: The forgoing includes one Director and one Corporate Auditor who retired from their offices at the close of the 159th Ordinary General Meeting of Shareholders held on June 26, 2020.

Note 2: “Bonuses” and “stock compensation” are paid to Executive Directors as performance-based compensation, etc. The number of eligible recipients for the current fiscal year is 9. The amount of performance-based compensation, etc. shown in the above table is the amount of expense recognized for the current fiscal year.

Note 3: For the current fiscal year, all Executive Directors returned voluntarily all or part of their performance-based compensation in view of deterioration in business results due to the impact of the spread of the novel coronavirus, as follows:

Bonuses: Full amounts were returned.

Stock compensation: Performance-based portion of granted points was returned.

Target values, actual results, and performance achievement ratios of indicators related to performance-based compensation, etc. for the current fiscal year are as follows:

(Bonuses)

For the current fiscal year, target values were not set because all Executive Directors returned voluntarily full amounts of bonuses, as deterioration in business results was expected due to the impact of the spread of the novel coronavirus.

(Stock compensation)

For the current fiscal year, target values were not set because all Executive Directors returned voluntarily all the performance-based portion of granted points, as deterioration in business results was expected due to the impact of the spread of the novel coronavirus.

- (5) Matters related to the resolution of the General Meeting of Shareholders regarding compensation, etc. for Directors and Corporate Auditors
- Aggregate amounts of basic compensation and bonuses for Directors were resolved to be up to 420 million yen annually at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. At the close of this Ordinary General Meeting of Shareholders, the number of Directors eligible to receive basic compensation is 13 (including 2 Outside Directors), and the number of Executive Directors eligible to receive bonuses is 6.
- Basic compensation for Corporate Auditors was resolved to be up to 8 million yen monthly at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. At the close of this Ordinary General Meeting of Shareholders, the number of Corporate Auditors eligible to receive basic compensation is 5.
- Stock compensation was resolved at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 that for every three fiscal years consistent with the Mid-Term Management Plan, money paid by the Company is up to 240 million yen and the aggregate number of shares delivered to eligible Executive Directors is up to 540,000 shares (180,000 shares per fiscal year). At the close of this Ordinary General Meeting of Shareholders, the number of Executive Directors eligible to receive stock compensation is 6.
- The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. The number of shares after the share consolidation is up to 108,000 shares (36,000 shares per fiscal year).
- (6) Policy for determining the content of compensation, etc. for Directors and Corporate Auditors  
[Policy for determining compensation for Directors]
- The Company resolved at the Board of Directors meeting held on March 9, 2021 on a policy for determining the content of compensation, etc. for individual Directors, as a) to f) below. After being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers, as an advisory body for the Board of Directors, the said policy was determined at the Board of Directors based on the deliberations.

a) Basic policy for compensation for Directors

In determining compensation for Directors and Corporate Auditors of the Company, the basic policy is as follows:

- The Company shall secure the transparency and objectivity of the compensation and maintain the appropriated level of compensation corresponding to their roles and responsibilities.
- Aiming for sustainable growth and mid- to long-term enhancement of the corporate value of the Company and the Company Group, the Company shall promote the execution of duties in line with the corporate philosophy and management strategy, and motivate them to achieve corporate targets. The level of compensation shall be determined based on results of surveys on compensation for Directors and Corporate Auditors conducted by a third party that target peer companies similar in terms of business activity and scale.

b) Compensation system for Directors

Compensation for Executive Directors comprises of “basic compensation” as fixed compensation, “bonuses” that are linked to performance (short-term incentive compensation), and “stock compensation” (mid- to long-term incentive compensation). Compensation for non-executive Directors such as Outside Directors comprises only of “basic compensation.”

c) Policy for determining the amount of compensation, etc. for individual Directors regarding basic compensation (monetary compensation) (including the policy for the timing to provide compensation, etc. or the determination of conditions)

Basic compensation for Directors of the Company shall be monthly fixed compensation. The amount shall be determined by taking into account comprehensive factors, while considering the level of peer companies and the length of service, etc., according to their roles and responsibilities.

d) Policy for determining performance-based compensation, etc. and the content and amount of non-monetary compensation, etc., or the calculation method for the number (including the policy for the timing to provide compensation or the determination of conditions)

Performance-based compensation, etc. shall comprise of “bonuses” as monetary compensation and “stock compensation” as non-monetary compensation, etc.

(Bonuses)

For bonuses, a standard payment shall be the amount obtained by multiplying the basic compensation by a coefficient determined for each position. The individual payments for Chairman and President shall be determined by multiplying the standard payment by the payment ratio according to the performance achievement ratio. The individual payments for Executive Directors other than President shall be determined by adding the amounts obtained by multiplying the standard payments by the payment ratio according to the performance achievement ratio, to the amounts obtained by multiplying

the standard payments by the payment ratio based on qualitative evaluations. Bonuses shall fluctuate in the range of 0 to 200 % depending on the degree of achievement of the target values.

(Stock compensation)

For stock compensation, points obtained by converting the individual benefits into the number of shares shall be granted each fiscal year. The individual benefits shall be the amounts determined by adding the standard benefits (fixed portion) obtained by multiplying the basic compensation by a coefficient determined for each position, to the amount obtained by multiplying the standard benefits by the payment ratio according to the performance achievement ratio (performance-based portion). The performance-based portion of the stock compensation shall fluctuate in the range of 0 to 200% depending on the degree of achievement of the target values. The guideline for the ratio of the fixed portion and the performance-based portion shall be 50%, respectively (when the performance achievement ratio is 100%).

Performance indicators related to the above performance-based compensation shall be “consolidated net sales” and “consolidated operating profit,” which are defined as significant management indicators related to evaluation of corporate performance, in order to function as incentives to achieve corporate targets of the Company Group.

	Bonuses	Stock compensation
Performance indicators	Consolidated net sales and consolidated operating profit * Target values shall be earnings forecast values announced in financial results at the beginning of the fiscal year.	Consolidated net sales and consolidated operating profit * Target values shall be externally published values in the Mid-Term Management Plan, and evaluated as accumulative values from the first fiscal year to the evaluation year.
	(Exceptions) If an unpredictable situation (an event that significantly affects consolidated business results or corporate value) occurs during the evaluation period, the target value shall be revised by resolution of the Board of Directors after consulting with the Corporate Governance Committee.	
Timing of payment and delivery	The portion for the current fiscal year shall be paid at the end of May in the following year.	The points for the current fiscal year shall be granted at the end of May in the following year. At the time of retirement, one point shall be converted to one stock, and the Company’s stocks shall be delivered.

Clauses for return of compensation	If Executive Director is dismissed or if Executive Director commits an act that causes serious damage to the Company or any other non-conformity similar to such act before his/her retirement, all or part of the bonus to be paid may be reduced by resolution of the Board of Directors.	If the prospective recipient is dismissed or if the prospective recipient commits an act that causes serious damage to the Company or the Company Group or any other non-conformity similar to such act before his/her retirement, all or part of the stocks to be delivered and money to be paid may be reduced by resolution of the Board of Directors of the Company or the Company Group.
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- e) Policy for determining the ratio of the amount of monetary compensation, the amount of performance-based compensation, etc., or the amount of non-monetary compensation, etc. to the amount of compensation, etc. for individual Directors

With regard to the compensation ratio of each type for Executive Directors, the level of peer companies shall be considered so that it will be an appropriate ratio as an incentive to contribute to the enhancement of the corporate value of the Company. After being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers, as an advisory body for the Board of Directors, the said policy shall be determined at the Board of Directors based on the deliberations. The guideline for the compensation ratio of each type shall be as follows (when the performance achievement ratio and the payment ratio based on qualitative evaluations are 100%):

	Fixed compensation	Performance-based compensation, etc.	
	Basic compensation	Bonuses	Stock compensation
President	1.0	0.2	0.2
Executive Directors other than President	1.0	0.15	0.15

- f) Matters for determining the content of compensation, etc. for individual Directors

With regard to part of compensation for individuals, Chairman and President shall be delegated the specific contents based on the resolution of the Board of Directors. The content of such authority shall be the amount of basic compensation for each Director and the qualitative evaluations of bonuses for each Executive Director.

The Corporate Governance Committee shall deliberate annually on the level of compensation for each position of Directors, so that the authority may be properly exercised by Chairman and President. Chairman and President who have received the said delegation shall be required to make decisions based on the content of the deliberations.

Performance-based compensation, etc. of individual Executive Directors (excluding the above-mentioned delegation) shall be determined in accordance with the rules (the rules which stipulate the calculating method of performance-based compensation, etc. and non-monetary compensation, etc. in accordance with the policy d) above) established by resolution of the Board of Directors.

After being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers, as an advisory body for the Board of Directors, the said contents of the compensation, etc. shall be determined by the Board of Directors based on the deliberations.

[Policy for determining compensation for Corporate Auditors]

Basic compensation for Corporate Auditors shall be determined by deliberations at the Board of Corporate Auditor, in the range of aggregate amount of compensation for Corporate Auditors approved at the General Meeting of Shareholders.

- (7) Matters related to delegation of determining compensation, etc. for individual Director  
With regard to part of compensation for individual Directors, the Board of Directors delegates Mr. Shinji Hattori, Chairman and Mr. Yoshinobu Nakamura, President to determine the specific contents. The position and responsibility at the Company on the day that such details were determined are the same as (1) above. The delegated authority and the measures to ensure that the authority is properly exercised are stated in (6), f) above.  
The reason that the authority is delegated to Chairman and President is that the Board of Directors judged that President is the most suitable for evaluating the duties of each Director while taking a bird's-eye view of the entire Company's business results, etc.
- (8) Reasons that the Board of Directors judged that the content of compensation, etc. for individual Directors for the current fiscal year was in line with the policy  
In determining the content of compensation, etc. for individual Directors for the current fiscal year, the Corporate Governance Committee reviewed the compensation level for each position from various perspectives, including consistency with the policy. Accordingly, the Board of Directors basically respected the report and judged that it is in line with the policy.
- (9) Activities at the Board of Directors and the Committee in the process of determining the amounts of compensation, etc. for officers for the current fiscal year  
The Corporate Governance Committee deliberated on the appropriateness of the compensation level of Directors and the amount of performance-based compensation paid for the current fiscal year, and reported them to the Board of Directors.

(10) Matters related to outside officers

Main activities of outside officers

Classification	Name	Main activities
Director	Tsuyoshi Nagano	He is expected to provide valuable comments from an objective perspective based on his experience and knowledge cultivated through managing companies, and to perform appropriate supervisory functions. He fully demonstrated the supervisory functions for execution of business, as he attended all of the 11 Board of Directors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.
Director	Yasuko Teraura	She is expected to provide valuable comments from an objective perspective based on her insight as an attorney, and to perform appropriate supervisory functions. She fully demonstrated the supervisory functions for execution of business, as she attended all of the 11 Board of Directors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, she attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.
Corporate Auditor	Tomoyasu Asano	He is expected to perform appropriate audit functions based on his experience and knowledge cultivated through managing companies. He fully demonstrated the audit functions, as he attended all of the 11 Board of Directors meetings and all of the 9 Board of Corporate Auditors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.

Corporate Auditor	Hideki Amano	He is expected to perform appropriate audit functions based on his insight as a certified public accountant. He fully demonstrated the audit functions, as he attended all of the 11 Board of Directors meetings and all of the 9 Board of Corporate Auditors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.
Corporate Auditor	Masatoshi Yano	He is expected to perform appropriate audit functions based on his experience and knowledge cultivated through managing companies. He fully demonstrated the audit functions, as he attended all of the 11 Board of Directors meetings and all of the 9 Board of Corporate Auditors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.

Note: In addition to the above number of Board of Directors meetings, there were two resolutions in writing that were deemed to have been passed by the Board of Directors in accordance with Article 370 of the Companies Act and Article 29 of the Articles of Incorporation of the Company.

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: 209 million yen

- (ii) Amount of compensation, etc. (out of (i) above) payable by the Company to the accounting auditor:  
73 million yen
- (iii) Total amount of monies and other financial benefits payable by the Company and its subsidiaries to the accounting auditor: 212 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 Manufacturing (H.K.) Ltd., and SEIKO Manufacturing (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, 2020, 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, 2021; 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, paragraphs 1 and 2 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.

[Translation]

**Consolidated Balance Sheet**

As of March 31, 2021

Millions of yen

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	(150,039)	Current liabilities:	(145,679)
Cash and deposits	32,611	Notes and accounts payable - trade	19,310
Notes and accounts receivable - trade	37,185	Electronically recorded obligations - operating	6,048
Merchandise and finished goods	42,365	Short-term borrowings	72,611
Work in process	13,878	Current portion of bonds payable	350
Raw materials and supplies	12,180	Current portion of long-term borrowings	17,315
Accounts receivable - other	4,932	Accounts payable - other	9,266
Other	8,306	Income taxes payable	1,478
Allowance for doubtful accounts	-1,421	Provision for bonuses	3,634
		Provision for goods warranties	367
		Provision for loss on lease contracts	348
		Other provisions	414
		Asset retirement obligations	6
		Other	14,528
Non-current assets:	(169,632)	Non-current liabilities:	(60,909)
Property, plant and equipment	(103,177)	Bonds payable	450
Buildings and structures	74,459	Long-term borrowings	35,263
Machinery, equipment and vehicles	79,098	Lease obligations	4,499
Tools, furniture and fixtures	34,183	Deferred tax liabilities	3,346
Other	8,831	Deferred tax liabilities for land revaluation	3,614
Accumulated depreciation	-150,227	Provision for loss on lease contracts	785
Land	54,409	Provision for stock benefits	161
Construction in progress	2,422	Provision for gift certificate exchange losses	152
		Provision for long-term goods warranties	86
		Provision for retirement benefits for directors (and other officers)	35
Intangible assets	(15,830)	Other provisions	21
Goodwill	7,336	Retirement benefit liability	9,402
Other	8,493	Asset retirement obligations	729
		Other	2,361
		<b>Total liabilities</b>	<b>206,589</b>
Investments and other assets	(50,625)	(Net assets)	
Investment securities	41,463	Shareholders' equity:	(92,839)
Retirement benefit asset	391	Share capital	10,000
Deferred tax assets	2,273	Capital surplus	7,245
Other	6,605	Retained earnings	75,909
Allowance for doubtful accounts	-109	Treasury shares	-315
		Accumulated other comprehensive income:	(18,856)
		Valuation difference on available-for-sale securities	10,431
		Deferred gains or losses on hedges	-133
		Revaluation reserve for land	8,190
		Foreign currency translation adjustment	1,055
		Remeasurements of defined benefit plans	-687
		Non-controlling interests	(1,387)
		<b>Total net assets</b>	<b>113,082</b>
<b>Total assets</b>	<b>319,671</b>	<b>Total liabilities and net assets</b>	<b>319,671</b>

[Translation]

**Consolidated Statements of Income**

From April 1, 2020  
to March 31, 2021

Item	Millions of yen Amount
Net sales	202,671
Cost of sales	122,804
Gross profit	79,866
Selling, general and administrative expenses	77,672
Operating profit	2,194
Non-operating income	(2,315)
Interest income	55
Dividend income	771
House rent and other rental revenues	350
Royalty income	324
Foreign exchange gains	278
Other	534
Non-operating expenses	(3,876)
Interest expenses	899
Share of loss of entities accounted for using equity method	1,826
Other	1,149
Ordinary profit	633
Extraordinary income	(9,406)
Gain on sale of investment securities	7,603
Gain on sales of non-current assets	1,043
Subsidy income	618
Gain on liquidation of subsidiaries and associates	140
Extraordinary losses	(3,614)
Loss on the spread of infectious disease	3,614
Profit before income taxes	6,424
Income taxes - current	1,682
Income taxes - deferred	1,088
Profit	3,653
Profit attributable to non-controlling interests	177
Profit attributable to owners of parent	3,475

[Translation]

**Non-Consolidated Balance Sheet**

As of March 31, 2021

Millions of yen

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	73,569	Current liabilities:	89,464
Cash and deposits	8,197	Short-term borrowings	63,912
Prepaid expenses	749	Current portion of long-term borrowings	17,240
Short-term loans receivable	58,206	Lease obligations (current)	20
Accounts receivable - other	5,803	Accounts payable - other	2,693
Other	611	Accrued expenses	394
Non-current assets:	119,283	Income taxes payable	13
Property, plant and equipment	32,635	Deposits received	4,662
Buildings	5,530	Unearned revenue	238
Machinery and equipment	280	Provision for bonuses	288
Tools, furniture and fixtures	1,757	Non-current liabilities:	47,892
Land	24,043	Long-term borrowings	35,043
Leased assets	32	Lease obligations (non-current)	11
Construction in progress	991	Deferred tax liabilities	3,654
Intangible assets	2,479	Deferred tax liabilities for land revaluation	3,614
Leasehold right	1,952	Provision for loss of subsidiaries and associates	1,960
Trademark right	6	Provision for stock benefits	161
Software	500	Asset retirement obligations (non-current)	123
Other	20	Guarantee deposits	3,086
		Other	237
		<b>Total liabilities</b>	<b>137,357</b>
Investments and other assets	84,168	(Net assets)	
Investment securities	22,082	Shareholders' equity:	37,646
Shares of subsidiaries and associates	60,106	Share capital	10,000
Investments in capital	0	Capital surplus	6,625
Long-term loans receivable from subsidiaries and associates	12,340	Legal capital surplus	2,378
Claims provable in bankruptcy, claims provable in rehabilitation and other	23	Other capital surplus	4,246
Long-term prepaid expenses	37	Retained earnings	21,310
Guarantee deposits	1,724	Legal retained earnings	121
Other	266	Other retained earnings	
Allowance for doubtful accounts	-12,412	Retained earnings brought forward	21,189
		Treasury shares	-288
		Valuation and translation adjustments:	17,849
		Valuation difference on available-for-sale securities	9,792
		Deferred gains or losses on hedges	-133
		Revaluation reserve for land	8,190
		<b>Total net assets</b>	<b>55,495</b>
<b>Total assets</b>	<b>192,853</b>	<b>Total liabilities and net assets</b>	<b>192,853</b>

[Translation]

**Non-Consolidated Statements of Income**

From April 1, 2020  
to March 31, 2021

Millions of yen

Item	Amount
Operating revenue	11,301
Dividend from subsidiaries and associates	7,054
Management fee income	2,136
Royalty income	2,110
Operating expenses	10,864
Operating profit	436
Non-operating income	1,982
Interest income	692
Dividend income	745
Other	544
Non-operating expenses	1,609
Interest expenses	716
Rental expenses on real estate	671
Other	222
Ordinary profit	809
Extraordinary income	516
Gain on sales of non-current assets	506
Subsidy income	9
Gain from forgiveness of consolidated tax payable	0
Extraordinary losses	1,252
Provision of allowance for investment loss of subsidiaries and affiliates	990
Loss on the spread of infectious disease	262
Profit before income taxes	73
Income taxes - current	-1,608
Income taxes - deferred	120
Profit	1,560

[Translation]

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

**Independent Auditor's Report**

May 10, 2021

KPMG AZSA LLC  
Tokyo Office

Akihiro Ohtani [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

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

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

The Board of Directors  
SEIKO HOLDINGS CORPORATION

*Opinion*

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statements of income, the consolidated statements of changes in equity and the notes to consolidated financial statements of SEIKO HOLDINGS CORPORATION (the "Company") for the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of SEIKO HOLDINGS CORPORATION, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

*Basis for the Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

*Responsibilities of Management, Corporate Auditors, and the Board of Corporate Auditors for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

*Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated

financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion. The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

*Interest*

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

[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 10, 2021

KPMG AZSA LLC  
Tokyo Office

Akihiro Ohtani [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

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

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

The Board of Directors  
SEIKO HOLDINGS CORPORATION

*Opinion*

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statements of income, the non-consolidated statements of changes in equity and the related notes, and the accompanying supplementary schedules of SEIKO HOLDINGS CORPORATION (the "Company") for the 160th fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

*Basis for the Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

*Responsibilities of Management, Corporate Auditors, and the Board of Corporate Auditors for the Financial Statements and the Accompanying Supplementary Schedules*

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

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

*Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules*

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit.

Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial

statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

*Interest*

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

[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, 2021 (from April 1, 2020 to March 31, 2021).

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, 2021.

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 11, 2021

Board of Corporate Auditors  
Seiko Holdings Corporation

Haruhiko Takagi [seal]  
Standing Corporate Auditor

Takashi Nishimoto [seal]  
Standing Corporate Auditor

Tomoyasu Asano [seal]  
Outside Corporate Auditor

Hideki Amano [seal]  
Outside Corporate Auditor

Masatoshi Yano [seal]  
Outside Corporate Auditor