[Translation]

June 9, 2022

To Shareholders with Voting Rights:

Disclosures on the Internet pursuant to Laws and Regulations and the Articles of Incorporation regarding the Notice of the 161st Ordinary General Meeting of Shareholders

The above-mentioned documents are provided to our shareholders by posting on the Company's website (English: https://www.seiko.co.jp/en/ir/) (Japanese: https://www.seiko.co.jp/ir/) via the Internet pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company.

SEIKO HOLDINGS CORPORATION

Systems and policies of the Company

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

(1) System to ensure that the duties of Directors and employees are executed in compliance with laws and regulations and the Articles of Incorporation

In order for Directors and employees to comply with corporate ethics, laws and regulations, and internal rules, the Company shall establish the "Basic Principles of Corporate Ethics" and the "Action Guidelines for Corporate Ethics" to thoroughly ensure their compliance with corporate ethics and laws and regulations, as follows:

1) The President shall repeatedly convey the spirit of the "Basic Principles of Corporate Ethics" to all Directors and employees to ensure that compliance with corporate ethics and the laws and regulations are the basis for every corporate activity.

2) The "Corporate Ethics Committee" chaired by the President shall discuss corporate ethical issues that might significantly affect the Company and its subsidiaries (the "Company Group") and matters related to revisions of the system to comply with corporate ethics, and report the results of discussion to the Board of Directors.

3) The Company shall develop a system where any Director or employee who finds any action suspected of violating the laws and regulations can promptly report such findings to the "Corporate Ethics Committee", and establish a "Corporate Ethics Helpline" as a means for reporting information.

4) The Company shall continuously provide training sessions on corporate ethics to Directors and employees to foster and enhance their awareness of compliance with corporate ethics and laws and regulations.

(2) System to store and manage information regarding execution of the duties of Directors

(i) Pursuant to the "Internal Document Management Rules", the Company shall record information regarding execution of the duties of Directors in a document or in an electromagnetic medium, and store and manage it properly.

(ii) Directors and Corporate Auditors may inspect such document or medium at any time pursuant to the "Internal Document Management Rules".

(3) Regulations and systems for loss risk management of the Company and its subsidiaries

(i) Pursuant to the “Risk Management Rules”, the Company shall set forth the basic policy for risk management of the Company Group and develop a risk management system.

(ii) The Company shall establish the “Risk Management Committee” chaired by the President in order to build, develop and monitor risk management processes, including understanding business risks that might affect the activities of the Company Group, and identifying, analyzing, evaluating and monitoring risks.

(iii) The Risk Management Committee shall report the status of each risk to the Board of Directors, regularly or as necessary, pursuant to the “Risk Management Rules”.

(4) System to ensure that the duties of Directors of the Company and its subsidiaries are efficiently executed

(i) The Company shall develop a Mid-Term Management Plan as the target to be shared by Directors and employees of the Company Group. It shall also review the progress of annual budgets consisting of the said plan on a quarterly basis using the management accounting method, and promote the efficiency of operation by considering and implementing an remedial measures for the progress of annual budget.

(ii) In order to respect autonomous and independent management of its subsidiaries while contributing to the proper and efficient operation of the Group management, the Company shall develop basic management rules therefor. It shall also establish the “Management Council” comprising standing Directors of the Company and respective President of major subsidiaries of the Companies, in order to share the management policy and management information of the Company Group.

(iii) The Company shall clarify the Director’s assignment of duties, and the responsibility and authority of each division/department, and secure the efficient execution of the Director’s duties.

(5) System to ensure the proper operations of the Corporate Group comprising the Company and its subsidiaries

(i) The Company shall assist its subsidiaries to develop a system to comply with corporate ethics, and laws and regulations, and other systems to ensure their proper operations.

(ii) Each subsidiary of the Company shall share the "Basic Principles of Corporate Ethics" and the "Action Guidelines for Corporate Ethics" established by the Company, and manage its operations pursuant to them. The Company shall set forth the rules for reporting any violation of laws and regulations by any subsidiary, and assist its subsidiaries to develop their internal reporting systems.

(iii) Pursuant to the "Consolidated Business Management Rules", the Company shall request that each subsidiary consult in advance with, and report to, the Company regarding significant management-related matters, and whenever necessary, shall dispatch its officers or employees as Directors or Corporate Auditors of the subsidiary so as to properly supervise and audit the operation of subsidiary.

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

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

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

(i) Internal Audit Department shall be responsible for assisting the duties of Corporate Auditors.

(ii) Employees who are assigned to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.

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

(7) System for reporting to Corporate Auditors

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

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

(iii) The Company shall develop necessary systems to ensure that the person who makes the report in accordance with the preceding two (2) paragraphs might not be treated disadvantageously on the grounds of having made such report.

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

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

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

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

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

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

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

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

(i) The Company has established a "Corporate Ethics Committee" chaired by the President to discuss corporate ethical issues and the system for compliance with corporate ethics, including those relating to its subsidiaries, and reports the result of discussions to the Board of Directors. The Committee held four (4) meetings during the fiscal year ended March 31, 2022.

(ii) The Company has established a "Corporate Ethics Helpline" internally and appointed a law firm as a reception to receive consultations or reports from employees regarding violations of laws and regulations within the Company. The Company has made sure all employees are well informed about how to use these helplines by posting them on its intranet and distributing portable cards, etc.

(iii) The Company regularly provides training sessions on corporate ethics to enhance awareness of compliance with corporate ethics and laws and regulations. During the fiscal year ended March 31, 2022, the Company provided training sessions on "Conduct Risks" for standing officers and "Compliance Infraction Prevention" for employees.

(2) Risk management system

(i) The Company has established the "Risk Management Committee" chaired by the President to discuss the Company Group's risk management system and various risk issues. The Committee also reports to the Board of Directors the matters discussed thereat and important risks which require the Company Group to take comprehensive measure. The Committee held four (4) meetings during the fiscal year ended March 31, 2022.
Further, the Company has established the "Group Risk Management Committee" consisting of respective standing Directors of the Company and Presidents of its subsidiaries, and confirms and shares the risks and the counter-measures against them experienced by each group company. The Committee held three (3) meetings during the fiscal year ended March 31, 2022.

(ii) Regarding responses when risks occur, the "Crisis Management Manual" sets out for the Company's basic policy therefor and measures to respond to respective risks, such as natural disasters.

(3) System to ensure that the duties of Directors are efficiently executed

(i) The Company has determined the assignment of duties for each Director upon a resolution of the Board of Directors, and the responsibility and authority of each division/department in accordance with the "Duty Assignment Rules".

(ii) The Company has established a council called the "Strategic Conference for Management" where the President and Executive Directors exchange opinions and share information with other Directors, Corporate Auditors, or General Managers of divisions/departments when they decide on and execute important matters relating to execution of their duties. The Strategic Conference for Management held forty-six (46) meetings during the fiscal year ended March 31, 2022.

(iii) The Company has provided the "Consolidated Business Management Rules" for the execution of the operations of its subsidiaries in order to perform its management and support functions from the viewpoint of consolidated management.

(4) System to ensure the proper operations of the Company Group

(i) Pursuant to the "Consolidated Business Management Rules", the Company properly discusses with its subsidiaries in advance regarding their business plan, annual budgets, and measures to respond to important corporate ethical issues, receives reports on material business matters from them, and dispatches its officers or employees to subsidiaries, as necessary, to supervise and audit them. As of the end of the fiscal year ended March 31, 2022, the Company has dispatched nine (9) Directors, two (2) Corporate Auditors, and sixteen (16) employees.

Furthermore, the President of each subsidiary reports the execution status of its operations to the Board of Directors of the Company as necessary. During the fiscal year ended March 31, 2022, five (5) subsidiaries made such reports.

(ii) Each unit of the Company assists its subsidiaries to develop a system to comply with corporate ethics and laws and regulations, and a system to comply with business operation laws. During the fiscal year ended March 31, 2022, training sessions and briefings were held for officers and employees of the Company's subsidiaries to discuss topics such as "Conduct Risks" and "Compliance Infraction Prevention".

(5) System to ensure that audits by Corporate Auditors are effectively conducted

(i) The Internal Audit Department holds a regular meeting once a month with Standing Corporate Auditors and reports the performance status of internal audits.

(ii) Standing Corporate Auditors attend important meetings such as the “Strategic Conference for Management”, “the Risk Management Committee”, and the “Corporate Ethics Committee”, etc.

(iii) The President attends the Board of Corporate Auditors’ meetings to exchange opinions and gather information relating to material business issues.

[Translation]

Consolidated Statements of Changes in Equity
(From April 1, 2021 to March 31, 2022)

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,245	75,909	-315	92,839
Cumulative effects of changes in accounting policies			-1,182		-1,182
Restated balance	10,000	7,245	74,727	-315	91,657
Changes during period					
Dividends of surplus			-2,067		-2,067
Profit attributable to owners of parent			6,415		6,415
Purchase of treasury shares				-1	-1
Disposal of treasury shares		-0		0	0
Disposal of treasury stock by ownership plan trust				24	24
Other				0	0
Net changes in items other than shareholders' equity					
Total changes during period	-	-0	4,348	23	4,371
Balance at end of period	10,000	7,245	79,075	-292	96,028

Millions of yen

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,431	-133	8,190	1,055	-687	18,856	1,387	113,082
Cumulative effects of changes in accounting policies								-1,182
Restated balance	10,431	-133	8,190	1,055	-687	18,856	1,387	111,900
Changes during period								
Dividends of surplus								-2,067
Profit attributable to owners of parent								6,415
Purchase of treasury shares								-1
Disposal of treasury shares								0
Disposal of treasury stock by ownership plan trust								24
Other								0
Net changes in items other than shareholders' equity	511	-198	-	4,061	807	5,182	170	5,352
Total changes during period	511	-198	-	4,061	807	5,182	170	9,723
Balance at end of period	10,942	-331	8,190	5,116	120	24,038	1,557	121,624

(Note) The 0 million yen of “Other” under treasury shares represents changes due to a change in the ratio of equity interests of the Company’s affiliates accounted for using equity method.

[Translation]
Notes to Consolidated Financial Statements

1. Notes to Important Matters that are the Basis for Preparation of Consolidated Financial Statements

(1) Matters relating to scope of consolidation

Number of consolidated subsidiaries: 61
SEIKO WATCH CORPORATION, Morioka Seiko Instruments Inc., Seiko Instruments Inc., SEIKO Solutions Inc., SEIKO Time Creation Inc., WAKO Co., Ltd., Grand Seiko Corporation of America, Seiko Watch of America LLC, SEIKO U.K. Limited, SEIKO Hong Kong Ltd., SEIKO Manufacturing (H.K.) Ltd., SEIKO Manufacturing (Singapore) Pte. Ltd., Dalian Seiko Instruments Inc., Seiko Instruments Trading (H.K.) Ltd., Seiko Instruments (Thailand) Ltd., SEIKO Precision (Thailand) Co., Ltd., and others.

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

Total System Engineering Co., Ltd. was included in the scope consolidation from the 3rd quarterly consolidated accounting period due to the acquisition of its shares.

Non-consolidated subsidiaries:
AOBA WATCH SERVICE Co. Ltd. and others are of a small scale in terms of net sales, total assets, profit and loss, and retained earnings, and none of them have any material impact on the consolidated financial statements. Therefore, they were excluded from the scope of consolidation.

(2) Matters relating to the application of the equity method

Number of affiliates accounted for by the equity method: 5
SEIKO OPTICAL PRODUCTS CO., LTD., OHARA INC., and others.

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

(3) Standards and methods for evaluating significant assets

(i) Inventories	Basically stated at cost using the moving-average method (for values stated on the balance sheet, writing down the book values in response to decreased profitability)
(ii) Securities	
Available-for-sale securities	
Securities other than shares, etc. that do not have a market price	Market value method based on the market price as of the consolidated closing date (differences in valuation are included directly in net assets and the costs of securities sold are calculated using the moving-average method)
Shares, etc. that do not have a market price	Stated at cost using the moving-average method

Investment Limited Partnership	Stated on a net basis equivalent to equity interests, based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement
(iii) Derivatives	Market value method

(4) Depreciation methods for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets and right-of-use assets)	As for domestic consolidated companies, basically the straight-line method is used for buildings (excluding equipment attached to buildings), and the declining-balance method for those other than buildings (except that the straight-line method is used for the equipment attached to buildings, and structures that were acquired on or after April 1, 2016); as for consolidated subsidiaries outside Japan, basically the straight-line method is used. The estimated economic life reflecting the usable period, the actual period of use, and other factors for each asset is used for a useful life.
(ii) Intangible assets (excluding leased assets)	The straight-line method is used. As for software for in-house use, the straight-line method is used with a usable period of 5 years.
(iii) Leased assets	
Leased assets relating to finance lease with transfer of ownership	The same depreciation method as applied to the property, etc. owned by the Company is used.
Lease assets relating to finance lease without transfer of ownership	The straight-line method is used with a useful life of the lease period and with a residue value of zero.
(iv) Right-of-use assets	The straight-line method is used with a useful life of the lease period and with a residue value of zero.

(5) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts	In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.
(ii) Allowance for investment loss of subsidiaries and affiliates	In order to prepare for possible losses on investments to subsidiaries and affiliates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and affiliates of 4 million yen is directly reduced from the amount of investment securities.
(iii) Provision for bonuses	In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the consolidated fiscal year under review.

(iv) Provision for goods warranties	To provide for warranties of the goods sold at some of the consolidated subsidiaries outside Japan, respective estimated amount based on the past experience is posted.
(v) Provision for loss on lease contracts	To provide for the loss expected to incur during the non-cancellable periods, an amount equivalent to the portion of rents for the real estate deemed likely to be non-performing up to the expiry of lease agreements is posted.
(vi) Provision for business restructuring	The Company has posted an estimated amount of losses expected to be incurred in the future as a result of business restructuring.
(vii) Provision for stock benefits	The Company has posted an estimated amount, as of the end of the consolidated fiscal year under review, for the obligation to deliver shares, as a provision for the delivery of its shares to the Executive Directors in accordance with the Rules for Delivery of Shares to Officers.
(viii) Provision for retirement benefits for directors (and other officers)	Some of the domestic consolidated companies passed a resolution to discontinue their respective directors’ retirement benefit systems during the fiscal year ended March 2005 and that ended March 2014. Accordingly, the amount of retirement benefits for incumbent officers is posted corresponding to the terms of office till the end of the Ordinary General Meeting of Shareholders during the relevant consolidated fiscal year.

(6) Accounting standards for significant income and expenses

(i) Watches Business	The Company Group manufactures, sells, and provides repair services for its own products as the wholesale of watches, and provides retail services, including other companies' products, as the retail of watches. With regard to the time of satisfaction of performance obligations for the wholesale of watches, the Company Group applies the alternative treatment prescribed in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (hereinafter, the "Revenue Recognition Implementation Guidance"), and recognizes revenue at the time of shipment, if the period between the shipment and the transfer of control of products to customers is primarily a normal period of time for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer. For the retail of watches, revenue is recognized when products are delivered to customers. For transactions in which returns are expected at the time of sale, such amounts are not recognized as revenue, but are estimated based on historical experience and recognized as a liability for returns. For transactions in which the Company Group acts as an agent, revenue is recognized at a net amount. For transactions in which the Company Group acts as the principal, revenue is recognized at a gross amount. The Company Group generally receives consideration for transactions in the Watches Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.

(ii) Electronic Devices Business	The Company Group manufactures and sells products related to electronic devices, precision devices, and printing devices. The Company Group applies the alternative treatment prescribed in Paragraph 98 of the Revenue Recognition Implementation Guidance, and recognizes revenue at the time of shipment, if the period between the shipment and the transfer of control of products to customers is primarily a normal period of time for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer. The Company Group generally receives consideration for transactions in the Electronic Devices Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.
(iii) Systems Solutions Business	The Company Group develops and sells products for businesses related to system, IoT, and settlement, and provides maintenance services for products sold and made-to-order software services. With regard to the time of satisfaction of performance obligations for the sale of products, revenue is recognized when products are delivered to customers or when customers inspect the products. For maintenance services, revenue is recognized over the period the services are provided, as performance obligations are deemed to be satisfied over time, since the Company Group provides uniform services over the contract period. For the provision of made-to-order software services, revenue is recognized based on the degree of progress toward satisfying performance obligations, as performance obligations are deemed to be satisfied over a certain period of time. The degree of progress is measured based on the percentage of costs incurred to the end of each fiscal year of the total expected costs. The Company Group generally receives consideration for transactions in the Systems Solutions Business within one to six months from the time when performance obligations are satisfied (in some cases, advance payments are received based on contracts), and the receivables arising from contracts with such customers are not adjusted for significant financial components.

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

Foreign currency receivables/payables are translated into yen using the spot foreign exchange rate on the consolidated closing date, and translation differences are treated as income or loss. The assets and liabilities of subsidiaries outside Japan are translated into yen using the spot foreign exchange rate on the consolidated closing date; income and expenses are translated into yen using an average market rate during the period, and translation differences are included in "Foreign currency translation adjustment" and "Non-controlling interests" of the "Net assets".

(8) Significant hedge accounting methods

(i) Hedge accounting method	Deferred hedge accounting is employed. However, regarding domestic consolidated companies, basically deferral hedge accounting ("*furiate-shori*") is employed for foreign currency receivables/payables with forward exchange contracts or the like, and with regard to interest-rate swaps that meet the requirements for exceptional accounting ("*tokurei-shori*"), exceptional accounting is employed.
(ii) Means of hedging and hedged items	Forward exchange contracts and foreign currency deposits to hedge foreign exchange-rate fluctuation risks regarding foreign currency-denominated trade payables and receivables; and interest-rate swaps to avoid fluctuation risks regarding borrowings on floating interest rates.
(iii) Hedging policy	Forward exchange contracts, foreign currency deposits and interest-rate swaps are hedged to avoid exchange- and interest-rate fluctuation risks present in hedged items in accordance with the internal rules of the respective companies, and no speculative transactions are conducted.
(iv) Assessment of hedge effectiveness	For interest-rate swaps, hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging. However, the assessment of hedge effectiveness is omitted if the material conditions of the means of hedging and the hedged items are the same.

(9) Accounting for employees' retirement benefits

In order to prepare to pay retirement benefits to employees, the net defined benefit liability is posted based on the estimated amount of retirement benefit obligations minus the amount of plan assets as of the end of the consolidated fiscal year under review. To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review. The actuarial differences that resulted are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 8 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference. Prior service costs are basically recognized by the straight-line method over various periods that are not more than the average remaining service period of employees at the time of the accrual thereof. Unrecognized actuarial differences and unrecognized prior service costs after tax effect adjustment are posted in “Remeasurements of defined benefit plans”, “Accumulated other comprehensive income” in “Net assets”.

(10) Matters relating to application of consolidated taxation system

Consolidated taxation system is applied.

(11) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

Domestic consolidated companies excluding a few exceptions will make a transition from the consolidated taxation system to the group tax sharing system from the following consolidated fiscal year. As for the items subjected to the transition to the group tax sharing system established under the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, such domestic consolidated companies have not adopted the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018) in accordance with the treatment under Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision. From the beginning of the following consolidated fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021), which provides for the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting, when the group tax sharing system is adopted.

(12) Method and period of amortization of goodwill

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

2. Notes to Changes in Accounting Policies

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc., effective from the beginning of the fiscal year under review, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when control of these goods or services is transferred to customers. Accordingly, as a result of determining the role of the Company Group (as an agent or a principal) in providing goods or services to customers, the Company has changed its method to recognize revenue at a net amount, for transactions in which it is determined that the Company Group acted as an agent. In addition, for transactions in which the Company Group acts as the principal, the Company has changed its method to recognize revenue, which had previously been recognized at a net amount after deducting the amount equivalent to commissions for distributors from the amount to be received from the customers, at a gross amount. In sales transactions in which goods are expected to be returned, the Company does not recognize revenue at the time of sales, but instead recognizes the amount of compensation for merchandise and finished goods that are expected to be returned as refund liabilities in "Other" under "Current liabilities", and the assets that are recognized as the right to recover merchandise and finished goods from customers at the time of settlement of refund liabilities as return assets in "Other" under "Current assets".

The application of the Revenue Recognition Accounting Standard, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retroactive application of the new accounting policy, assuming that it has been applied to periods prior to the beginning of the fiscal year under review, is added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from the beginning balance.

In addition, "Notes and accounts receivable - trade," which had been presented under "Current assets" in the Consolidated Balance Sheet of the previous fiscal year, has been included in "Notes receivable - trade", "Accounts receivable - trade", and "Contract assets" from the fiscal year under review, while "Other", which had been presented under "Current liabilities" in the Consolidated Balance Sheet of the previous fiscal year, has been included in "Contract liabilities" and "Other" from the fiscal year under review.

As a result, compared with the figures before the application of the Revenue Recognition Accounting Standard, etc., accounts receivable - trade decreased by 396 million yen, contract assets increased by 343 million yen, merchandise and finished goods decreased by 4 million yen, raw materials and supplies increased by 27 million yen, other under current assets increased by 1,313 million yen, investment securities increased by 26 million yen, deferred tax assets increased by 358 million yen, accounts payable - other decreased by 39 million yen, contract liabilities increased by 6,311 million yen, other under current liabilities decreased by 3,610 million yen, and balance at end of period of retained earnings decreased by 993 million yen in the Consolidated Balance Sheet for the fiscal year under review. In the Consolidated Statements of Income for the fiscal year under review, net sales increased by 2,834 million yen, cost of sales decreased by 282 million yen, and selling, general and administrative expenses increased by 2,881 million yen. As a result, operating profit increased by 235 million yen, and ordinary profit and profit before income taxes increased by 299 million yen, respectively.

As the cumulative effect was reflected in net assets at the beginning of the fiscal year under review, balance at beginning of period of retained earnings in the Consolidated Statements of Changes in Equity decreased by 1,182 million yen.

Net assets per share for the fiscal year under review decreased by 24.09 yen, and net income per share and diluted earnings per share increased 4.52 yen, respectively.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc., effective from the beginning of the fiscal year under review. In accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on July 4, 2019), the Company will apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. into the future. However, this application has no impact on the consolidated financial statements. In addition, the Company includes notes on matters relating to breakdown, etc. of market values of financial instruments by level in the “Notes to Financial Instruments”.

3. Notes to Changes in Presentation Methods

(Consolidated statements of income)

“House rent and other rental revenues” under “Non-operating income” that were separately itemized in the previous fiscal year are included in “Other” under “Non-operating income” in the fiscal year under review due to its decreased financial significance.

“House rent and other rental revenues” in the fiscal year under review are 135 million yen.

4. Notes to Accounting Estimates

(1) Valuation of inventories

(i) Amounts posted in the consolidated financial statements for the fiscal year under review

Watches Business	45,313 million yen
Electronic Devices Business	17,269 million yen
Systems Solutions Business	4,860 million yen
Time Creation, WAKO and other Businesses	6,267 million yen
Adjustment	-662 million yen
Consolidated total	73,048 million yen

(ii) Information useful for understanding the content of accounting estimates

The Company Group evaluates inventories by writing down book values based on a decrease in profitability.

For products, etc. of each business company exceeding a given holding period and volume that are no longer part of the normal operating cycle, a decrease in profitability is reflected through a systematic write-down method, which has been determined mainly based on past sales and disposal results.

However, products, etc. that are considered to be still in the process of the normal operating cycle in light of recent sales results and future sales estimates, despite exceeding a given holding period and volume, are exempted from systematic write-downs, in whole or in part.

The Watches Business handles products, etc. directly related to personal consumption. Consequently, the business results and profitability of products, etc. are strongly affected by economic trends in Japan and overseas, especially personal consumption. The business results and profitability of products, etc. of the Electronic Devices Business are affected by trends of demand for electronic devices, etc. in Japan and overseas. Economic trends and personal consumption may fluctuate considerably due to factors that are out of the Company Group’s control, and thus are difficult to predict. Accordingly, in determining a systematic write-down method to reflect a decrease in profitability, significant judgments and assumptions are incorporated. Furthermore, determining whether products, etc. that are exempted from systematic write-downs are no longer in the process of the normal operating cycle also entails significant judgments.

These estimates entailing judgments and assumptions may be affected by future trends in personal consumption and may significantly affect the amount of inventories in the consolidated financial statements for the following consolidated fiscal year.

(2) Valuation of deferred tax assets

(i) Amount posted in the consolidated financial statements for the fiscal year under review

Deferred tax assets	2,200 million yen

(ii) Information useful for understanding the content of accounting estimates

Deferred tax assets are posted if they are judged to be recoverable by making reasonable estimates of when future taxable income will occur and its amount based on business plans, etc. Such estimates may be affected by changes in uncertain economic conditions, etc. in the future. If the actual timing of when the taxable income occurs and its amount differ from the estimates, it may significantly affect the amount of deferred tax assets in the consolidated financial statements for the following consolidated fiscal year.

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

Although it is still difficult to predict when the novel coronavirus will be contained, the Company has made accounting estimates of the recoverability, etc. of deferred tax assets, based on an assumption that economic activities will recover in Japan and overseas from the following consolidated fiscal year onward.

5. Notes to Consolidated Balance Sheet

(1) Assets provided as security and secured obligations

Assets provided as security

Cash and deposits	31 million yen
Deposits (Investments and other assets)	383 million yen
Total	414 million yen

Secured obligations

Gift certificates (Contract liabilities)	320 million yen
Total	320 million yen

(2) Guarantee obligation

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

Employee (housing fund) 1 million yen

(3) Amount of discount on negotiable instruments receivable 944 million yen

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

(i) Method of revaluation

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

(ii) Date of revaluation: March 31, 2001

(5) Out of investment securities, 406 million yen is for lending stock.

(6) Loan commitment agreement

The Company has concluded loan commitment agreements with two banks in order to carry out efficient funding of working capital. The balance of unused line of credit, etc. under the loan commitment agreements at the end of the consolidated fiscal year under review is as follows.

Total amount of loan commitment	33,500 million yen
Borrowing balance	12,900 million yen
Balance	20,600 million yen

6. Notes to Consolidated Statements of Income

"Loss on the spread of infectious disease" under extraordinary losses in the fiscal year under review is mainly for fixed costs incurred during the suspension of operations and business.

7. Notes to Consolidated Statements of Changes in Equity

(1) Matters relating to type and total number of issued shares, and type and number of treasury shares

(Thousands of shares)

	Number of shares at the beginning of the consolidated fiscal year under review	Number of shares increased during the consolidated fiscal year under review	Number of shares decreased during the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Issued shares				
Common shares	41,404	—	—	41,404
Total	41,404	—	—	41,404
Treasury shares				
Common shares (Note)	175	0	15	160
Total	175	0	15	160

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 78 thousand shares of the Company held in the Board Benefit Trust (BBT).
0 thousand shares of increase in common shares held as treasury shares is due to the purchase of fractional shares.
15 thousand shares of decrease in common shares held as treasury shares is due to the disposal of the Company shares through the Board Benefit Trust (BBT), the demand for sale of fractional shares, and a change in the ratio of equity interests of affiliates accounted for using equity method.

(2) Matters relating to dividend

(i) Amount of dividend paid

Resolution	Type of shares	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common share	1,033	25.00	March 31, 2021	June 30, 2021
Board of Directors meeting on November 9, 2021	Common share	1,033	25.00	September 30, 2021	December 6, 2021

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2021 includes a dividend of 2 million yen payable for the Company shares held in the Board Benefit Trust (BBT).
(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 9, 2021 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

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

Resolution	Type of shares	Total dividend (million yen)	Source for dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2022	Common Share	1,033	Retained earnings	25.00	March 31, 2022	June 30, 2022

(Note) The total amount of dividend proposed for approval by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2022 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

8. Notes to Financial Instruments

(1) Matters relating to status of financial instruments

The Company Group raises funds (mainly borrowing from banks) necessary in light of respective business plans of business companies. Temporary surplus funds are invested in more safe financial assets.

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

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

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

(2) Matters relating to market value, etc. of financial instruments

Amounts posted on the Consolidated Balance Sheet, market values, and the corresponding differences between the two as of March 31, 2022, are as follows. Shares, etc. that do not have a market price are not included in the table below. Notes to cash are omitted. Deposits, notes receivable - trade, accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and accounts payable - other are omitted, as these are settled within a short time frame and therefore have a market value approximate to their book value.

(Millions of yen)

	Amounts posted on the Consolidated Balance Sheet (*)	Market value (*)	Difference
(1) Investment securities			
(i) Shares of subsidiaries and associates	16,884	13,369	-3,514
(ii) Available-for-sale securities	22,826	22,826	-
(2) Current portion of bonds payable	(150)	(149)	-0
(3) Current portion of long-term borrowings	(23,719)	(23,732)	12
(4) Bonds payable	(300)	(299)	-0
(5) Long-term borrowings	(28,752)	(28,754)	2
(6) Derivatives	(631)	(631)	-

(*) Items posted as liabilities are enclosed in brackets.

(Note)
Unlisted shares (posted as 142 million yen on the Consolidated Balance Sheet), shares of unlisted subsidiaries and associates (posted as 3,292 million yen on the Consolidated Balance Sheet), and Investment Limited Partnership (posted as 391 million yen on the Consolidated Balance Sheet) are shares, etc. that do not have a market price. As such, these items are not included in (1).

(3) Matters relating to breakdown, etc. of market values of financial instruments by level

Market values of financial instruments are classified into the following three levels based on the observability and materiality of inputs used to calculate market values.

Level 1 market value: Market value calculated using (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 market value: Market value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 market value: Market value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of market value are used, market value is classified into the level with the lowest priority in the calculation of market value among the levels to which those inputs belong.

(i) Financial assets and financial liabilities that are recognized on the Consolidated Balance Sheet at market value

(Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
Shares	22,826	-	-	22,826
(6) Derivatives	-	(631)	-	(631)

(*) Items posted as liabilities are enclosed in brackets.

(ii) Financial assets and financial liabilities that are not recognized on the Consolidated Balance Sheet at market value

(Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
Shares of subsidiaries and associates	13,369	-	-	13,369
(2) Current portion of bonds	-	149	-	149
(3) Current portion of long-term borrowings	-	23,732	-	23,732
(4) Bonds payable	-	299	-	299
(5) Long-term borrowings	-	28,754	-	28,754

(Note) Valuation methods used for the measurement of market value and a description of inputs

(1) Investment securities:
Listed shares are valued using quoted prices. Since listed shares are traded in active markets, their market value is classified as Level 1 market value.

(2) Current portion of bonds and (4) Bonds payable:
The market value of bonds payable, which are issued by subsidiaries, is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the remaining term and credit risk of the bonds. It is classified as Level 2 market value.

(3) Current portion of long-term borrowings and (5) Long-term borrowings:
The market value of long-term borrowings is calculated by taking into account the remaining term of the bonds and discounting the total amount of principal and interest by the assumed interest rate that would be applied when new borrowings are conducted. It is classified as Level 2 market value. The market value of long-term borrowings that are subject to exceptional accounting treatment for interest-rate swaps is calculated by taking

into account the remaining term of the bonds and discounting the total amount of principal and interest, which is treated as one with the interest-rate swap in question, by a logically estimated interest rate that would be applied when similar borrowings are conducted.

(6) Derivatives:

The market values of interest-rate swaps and forward exchange contracts are calculated using observable inputs such as interest rates and foreign exchange rates. They are classified as Level 2 market values.

Derivatives conducted through exceptional accounting treatment of interest-rate swaps are treated as being one with the long-term borrowings under the relevant hedge. As such, the market value of such transactions is presented as being included in the market value for the long-term borrowings concerned.

9. Notes to Leased Property

The Company and some of its subsidiaries own real property for lease and others in Tokyo and other regions. Income or expenses from the leased property during the fiscal year ended March 2022 was 133 million yen (rent income was posted as non-operating income and expenses are posted as non-operating expenses), and gain on sales of non-current assets was 8 million yen (posted as non-operating income).

The amount posted on the Consolidated Balance Sheet, major changes during the consolidated fiscal year under review, market value on the consolidated closing date, and the calculation method of such market value are as follows:

(Millions of yen)

Amounts posted on the Consolidated Balance Sheet			Market value on the consolidated closing date
Balance at the beginning of the consolidated fiscal year under review	Amount of increases/decreases during the consolidated fiscal year under review	Balance at the end of the consolidated fiscal year under review	
17,191	-918	16,272	18,972

(Note 1) Amounts posted on the Consolidated Balance Sheet were the acquisition costs minus accumulated depreciation and accumulated impairment loss.

(Note 2) Of the change during the consolidated fiscal year under review, the amount of increases mainly consists of the acquisition of rental real estate (532 million yen) and an increase in the rate of rent (272 million yen). In addition, the amount of decreases mainly consists of the reclassification of leased property from rental real estate to commercial real estate (1,391 million yen) and the sale of rental real estate (180 million yen).

(Note 3) Calculation method of market value

Basically the amount based on a real-estate appraisal report prepared by a real-estate appraiser.

10. Notes to Per-Share Information

Net assets per share		2,911.17 yen
Net income per share		155.56 yen
(Calculation basis)	Profit attributable to owners of parent	6,415 million yen
	Profit attributable to owners of parent, available to common shares	6,415 million yen
	Average number of shares during the fiscal year under review	41,240 thousand shares

(Note 1) For the purpose of calculating the net income per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders' equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.
For the purpose of calculating the net income per share, the average number of treasury shares, so deducted, during the fiscal year under review was 82 thousand shares, and for the purpose of calculating the net assets per share, the number of treasury shares, so deducted, as at the end of the fiscal year under review was 78 thousand shares.

11. Notes to Revenue Recognition

(1) Information regarding disaggregated revenue arising from contracts with customers

Information by type of goods or services

(Millions of yen)

	Reported segments			Time Creation, WAKO and other Businesses (Note 2)	Total
	Watches Business	Electronic Devices Business	Systems Solutions Business		
Wholesale of watches (Note 1)	102,077	-	-	-	102,077
Retail of watches (Note 1)	23,666	-	-	-	23,666
Electronic devices (Quartz crystals, micro batteries, etc.)	-	19,909	-	-	19,909
Precision devices (Precision turned parts, etc.)	-	14,472	-	-	14,472
Printing devices	-	17,427	-	-	17,427
System-related (Including IT performance management)	-	-	15,254	-	15,254
IoT-related	-	-	13,166	-	13,166
Settlement-related	-	-	5,992	-	5,992
Other	-	12,864	-	27,313	40,177

Transactions with other segments	-2,669	-6,505	-1,901	-3,685	-14,762
Revenue arising from contracts with customers	123,074	58,168	32,511	23,627	237,382
Revenues from external customers	123,074	58,168	32,511	23,627	237,382

Information by region

(Millions of yen)

	Reported segments			Time Creation, WAKO and other Businesses (Note 2)	Total
	Watches Business	Electronic Devices Business	Systems Solutions Business		
Japan	53,391	17,863	32,174	20,974	124,403
The Americas	17,042	5,513	261	1,515	24,332
Europe	17,099	7,263	29	92	24,485
Asia and others	35,540	27,528	45	1,044	64,160
Revenue arising from contracts with customers	123,074	58,168	32,511	23,627	237,382
Revenues from external customers	123,074	58,168	32,511	23,627	237,382

(Note 1) The wholesale of watches is classified as manufacturing, sales, and repair services for the Company's own products. The retail of watches is classified as retail services including other companies' products.

(Note 2) Although portions of rental revenues from real estate are included, they are included in "Revenue arising from contracts with customers" due to its low financial significance.

(2) Useful information in understanding revenue

Useful information in understanding revenue is as described in "Notes to Important Matters that are the Basis for Preparation of Consolidated Financial Statements, (6) Accounting standards for significant income and expenses".

(3) Information in understanding the amounts of revenues in the fiscal year under review and the following fiscal years

(i) Balance, etc. of contract assets and contract liabilities

(Millions of yen)

	Fiscal year under review	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Contract assets	82	343
Contract liabilities	4,599	6,574

Of the amount of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 2,540 million yen.

(ii) Transaction prices allocated to remaining performance obligations

The Company has applied the practical expedient to notes on transaction prices allocated to remaining performance obligations. Contracts with an initially expected term of one year or less are not included in the notes. The performance obligations primarily relate to the Systems Solutions Business. The total transaction prices allocated to remaining performance obligations and the period in which the Company expects to recognize the amounts as revenue are as follows.

(Millions of yen)

	Fiscal year under review
One year or less	568
Over one year, two years or less	764
Over two years, three years or less	573
Over three years	596
Total	2,502

12. Presentation of Amounts

In the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statements of Changes in Equity, and Notes to Consolidated Financial Statements, any amount less than one million yen is discarded.

[Translation]

Non-Consolidated Statements of Changes in Equity
(From April 1, 2021 to March 31, 2022)

Millions of yen

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	10,000	2,378	4,246	6,625	121	21,189	21,310	-288	37,646
Changes during period									
Dividends of surplus						-2,067	-2,067		-2,067
Profit						3,257	3,257		3,257
Purchase of treasury shares								-1	-1
Disposal of treasury shares			-0	-0				0	0
Disposal of treasury stock by ownership plan trust								24	24
Net changes of items other than shareholders' equity									
Total changes during period	–	–	-0	-0	–	1,190	1,190	23	1,213
Balance at end of period	10,000	2,378	4,246	6,625	121	22,379	22,500	-265	38,860

Millions of yen

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	9,792	-133	8,190	17,849	55,495
Changes during period					
Dividends of surplus					-2,067
Profit					3,257
Purchase of treasury shares					-1
Disposal of treasury shares					0
Disposal of treasury stock by ownership plan trust					24
Net changes of items other than shareholders' equity	341	69	–	411	411
Total changes during period	341	69	–	411	1,624
Balance at end of period	10,134	-64	8,190	18,260	57,120

[Translation]
Notes to Non-Consolidated Financial Statements

1. Notes to Significant Accounting Policies

(1) Standards and methods for evaluating securities

(i) Shares in subsidiaries and affiliates:
Stated at cost using the moving-average method

(ii) Available-for-sale securities:
Securities other than shares, etc. that do not have a market price:
Market value method

Shares, etc. that do not have a market price:
Mainly stated at cost using the moving-average method

(iii) Investment Limited Partnership:
Stated on a net basis equivalent to equity interests, based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement

(2) Standards and methods for evaluating derivatives

(i) Derivatives:
Market value method

(3) Depreciation methods for non-current assets

(i) Property, plant and equipment (excluding leased assets):
The straight-line method is used for buildings (excluding equipment attached to buildings), and equipment attached to buildings, and structures acquired on or after April 1, 2016, and the declining-balance method for other property, plant and equipment. For a useful life, the estimated economic life is used, which reflects the usable period, actual period of use, and other factors for each asset.

(ii) Intangible assets (excluding leased assets)
The straight-line method is used. As for software for in-house use, the straight-line method is used with a usable period of 5 years.

(iii) Leased assets
Lease assets relating to finance lease without transfer of ownership:
The straight-line method is used with a useful life of the lease period and with a residue value of zero.

(4) Accounting standards for significant allowances and provisions

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

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

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

(iv) Provision for stock benefits:
The Company has posted an estimated amount, as of the end of the fiscal year under review, for the obligation to deliver shares, as a provision for the delivery of its shares to the Executive Directors in accordance with the Rules for Delivery of Shares to Officers.

(5) Accounting standards for income and expenses

The Company's revenues consist of dividend from subsidiaries and associates, management fee income, and royalty income. Among these, management fee income represents the Company's obligations to perform services related to consolidated management and management of each associate based on contracts with each associate. Royalty income represents the Company's obligations to license the use of trademarks based on contracts with associates.

The performance obligations for such management fee income and royalty income are recognized as revenue according to the contract period.

(6) Hedge accounting method

(i) Hedge accounting method
Deferred hedge accounting is employed. However, with regard to forward exchange contracts and the like that meet the requirements for deferral hedge accounting ("*furiate-shori*"), deferral hedge accounting is employed; with regard to interest-rate swaps that meet the requirements for exceptional accounting ("*tokurei-shori*"), exceptional accounting is employed.

(ii) Means of hedging and hedged items:
Forward exchange contracts and foreign currency deposits to hedge foreign exchange-rate fluctuation risks regarding foreign currency-denominated trade payables and receivables and the like; and interest-rate swaps to avoid fluctuation risks regarding borrowings on floating interest rate.

(iii) Hedging policy
Forward exchange contracts, foreign currency deposits and interest-rate swaps are hedged to avoid exchange- and interest-rate fluctuation risks present in hedged items in accordance with the Company's internal rules, and no speculative transactions are conducted.

(iv) Assessment of hedge effectiveness
Hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging. However, the assessment of hedge effectiveness is

omitted if the material conditions of the means of hedging and the hedged items are the same.

(7) Application of consolidated taxation system

Consolidated taxation system is applied.

(8) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

As for the items subjected to the transition to the group tax sharing system established under the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018) are not adopted in accordance with the treatment under Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

From the beginning of the following fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021), which provides for the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting, when the group tax sharing system is adopted.

2. Notes to Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 31, 2020; hereinafter, the “Revenue Recognition Accounting Standard”) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 26, 2021), effective from the beginning of the fiscal year under review, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when control of these goods or services is transferred to customers. This application has no impact on the financial statements.

Application of the Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc., effective from the beginning of the fiscal year under review. In accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on July 4, 2019), the Company will apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. into the future. However, this application has no impact on the financial statements.

3. Notes to Accounting Estimates

Evaluation of deferred tax assets

(1) Amount posted in the financial statements for the fiscal year under review

Deferred tax liabilities	3,685 million yen

As stated in "5. Notes to Tax Effect Accounting" of the Notes to Non-Consolidated Financial Statements, deferred tax assets of 856 million yen and deferred tax liabilities of 4,541 million yen are presented after offsetting.

(2) Information useful for understanding the content of accounting estimates

Deferred tax assets are posted if they are judged to be recoverable by making reasonable estimates of when future taxable income will occur and its amount based on business plans, etc. Such estimates may be affected by changes in uncertain economic conditions, etc. in the future. If the actual timing of when the taxable income occurs and its amount differ from the estimates, it may significantly affect the amount of deferred tax assets in the financial statements for the following fiscal year.

As stated in "1. Notes to Significant Accounting Policies (7)," the Company has applied the consolidated taxation system. Accordingly, estimates for the income tax portion have been made for the entire consolidated taxation group.

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

Although it is still difficult to predict when the novel coronavirus will be contained, the Company has made accounting estimates of the recoverability, etc. of deferred tax assets, based on an assumption that economic activities will recover in Japan and overseas from the following fiscal year onward.

4. Notes to Non-Consolidated Balance Sheet, Statements of Income, and Statements of Changes in Equity

(1) Accumulated depreciation of Property, plant and equipment 10,655 million yen

(2) Monetary claims, monetary debts and transactions with subsidiaries and associates

(i)	Short-term receivables	55,694 million yen
(ii)	Short-term payables	8,147 million yen
(iii)	Long-term receivables	5,882 million yen
(iv)	Long-term payables	1,615 million yen
(v)	Operating revenue	11,679 million yen
(vi)	Operating expenses	5,877 million yen
(vii)	Transactions other than operating transactions	11,977 million yen

(3) Revaluation of land for business use

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

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

(ii) Date of revaluation: March 31, 2001

(4) Notes to lending stock

Out of shares of subsidiaries and associates, 46 million yen is for lending stock.

(5) Loan commitment agreement

The Company has concluded loan commitment agreements with two banks in order to carry out efficient funding of working capital. The balance of unused line of credit, etc. under the loan commitment agreements at the end of the fiscal year under review is as follows.

Total amount of loan commitment	33,500 million yen
Borrowing balance	12,900 million yen
Balance	20,600 million yen

(6) Notes to Statements of Income

"Reversal of allowance for investment loss of subsidiaries and affiliates" under "Extraordinary income" consists of reversal of provision for loss of subsidiaries and associates (1,380 million yen) and reversal of provision of allowance for doubtful accounts for subsidiaries and associates (302 million yen).

In addition, "Loss on the spread of infectious disease" under extraordinary losses is mainly for fixed costs incurred during the suspension of business.

(7) Notes to Statements of Changes in Equity

Type and number of treasury shares at the end of the fiscal year under review

Common shares	139,482 shares

The number of shares above includes 78,800 shares of the Company held in the Board Benefit Trust (BBT) as a result of the introduction of the BBT plan.

5. Notes to Tax Effect Accounting

Breakdown by major reason for incurring deferred tax assets and deferred tax liabilities

Deferred tax assets	
Provision for bonuses	143 million yen
Allowance for doubtful accounts	1,786 million yen
Loss on valuation of shares in subsidiaries	8,202 million yen
Allowance for investment loss of subsidiaries and associates	1 million yen
Impaired loss on non-current assets	713 million yen
Assets for adjustment of profit and loss due to transfer	1,197 million yen
Long-term accounts payable - other	8 million yen
Loss carried forward	2,406 million yen
Other	197 million yen
Deferred tax assets - subtotal	14,656 million yen
Valuation-related reserves concerning loss carried forward	-1,628 million yen
Valuation-related reserves concerning the sum of deductible temporary differences	-12,171 million yen
Valuation-related reserves-subtotal	-13,800 million yen
Deferred tax assets - total	856 million yen
Deferred tax liabilities	
Assets for adjustment of profit and loss due to transfer	20 million yen
Valuation difference on available-for-sale securities	4,472 million yen
Other	48 million yen
Deferred tax liabilities - total	4,541 million yen
Net deferred tax assets (liabilities)	-3,685 million yen

Other than the above items, “deferred tax liabilities” concerning “revaluation reserve for land” was 3,614 million yen.

6. Notes to Transactions with Related Parties

(1) Parent company and major corporate shareholders

Attributes	Name of company	Ratio of voting rights held (%)	Relationship with related party	Content of transaction	Transaction amount (million yen)	Item	Term-end balance (million yen)
Major shareholder (company, etc.)	Sanko Kigyo K.K.	(Direct) 10.8 (Closer parties or agreed parties) 6.2	Property lease-in, etc.	Property lease-in	609	–	–

(2) Subsidiaries and associates, etc.

Attributes	Name of company	Ratio of holding of voting rights, etc. (%)	Relationship with related party	Content of transaction	Transaction amount (million yen)	Item	Term-end balance (million yen)
Subsidiary	SEIKO WATCH CORPORATION	(direct) 100.0	Interlocking directorate	Royalty income	1,841	Accounts receivable - other	1,105
				Management fee income	1,257	Accounts payable - other	2
	WAKO Co., Ltd.	(direct) 100.0	Interlocking directorate	Property lease-out	279	Accrued income	–
	Shirakawa Estate Co., Ltd.	(direct) 100.0	Interlocking directorate	Property lease-in	195	Accounts payable - other	0
	Seiko Instruments Inc.	(direct) 100.0	Interlocking directorate	Property lease-in	501	Accounts payable - other	97
				Property lease-out	223	Accrued income	69
				Personnel expenses for seconded individuals	1,594	Accounts payable - other	127
	SEIKO Solutions Inc.	(direct) 100.0	Interlocking directorate	Property lease-out	691	Accrued income	38
	SEIKO Time Creation Inc.	(direct) 100.0	Interlocking directorate	Underwriting of capital increase	7,775	–	–

(Note) Transaction terms and policies to determine them

1) The terms for property lease-in are determined based on the same standards as for general transaction terms after considering market price. In the Statements of Income, the property rents payable are offset with property rents receivable.
2) Royalty income is determined based on the standards similar to general transaction terms.
3) Management fee income is determined by mutual consultation between the Company and a directly consolidated subsidiary, taking into consideration the nature of its business.
4) Regarding property rents receivable, those of owned property leased out for business use are determined linked to relevant income, and those leased out as office or the like

are determined based on a professional valuation. In the Statements of Income, property rents receivable are offset with property rents payable.
However, for properties leased out to WAKO Co., Ltd. for business use, the Company reduced or exempted the rent linked to income, taking into consideration the impact of the closed period due to the spread of the novel coronavirus and other factors only for the fiscal year under review.

5) Regarding personnel expenses for seconded individuals, personnel expenses corresponding to the seconded individuals are paid based on a secondment agreement.

6) The underwriting of capital increase is the contribution-in-kind of loans receivable through the debt equity swap method.

7. Notes to Per-Share Information

Net assets per share		1,384.23 yen
Net income per share		78.94 yen
(Calculation basis)	Profit	3,257 million yen
	Profit available to common shares	3,257 million yen
	Average number of shares during the fiscal year under review	41,261 thousand shares

(Note 1) For the purpose of calculating the net income per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders' equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.
For the purpose of calculating the net income per share, the average number of treasury shares, so deducted, during the fiscal year under review was 82 thousand shares, and for the purpose of calculating the net assets per share, the number of treasury shares, so deducted, as at the end of the fiscal year under review was 78 thousand shares.

8. Notes to Companies subject to Restriction on Consolidated Dividend

The Company will become a company subject to restriction on consolidated dividend from when the last day of the fiscal year under review is the last day of the last fiscal year.

9. Presentation of Amounts

In the Non-Consolidated Balance Sheet, Non-Consolidated Statements of Income, Non-Consolidated Statements of Changes in Equity, and Notes to Non-Consolidated Financial Statements, any amount less than one million yen is discarded.