

# Annual Securities Report

From April 1, 2020 to March 31, 2021

(The 160th Business Term)

SEIKO HOLDINGS CORPORATION

# Contents

	Page
[Cover].....	1
Part I Company Information.....	2
I. Overview of Company.....	2
1. Summary of Business Results.....	2
2. Company History.....	5
3. Description of Business.....	6
4. Overview of Affiliated Entities.....	8
5. Information about Employees.....	13
II. Overview of Business.....	14
1. Business Policy, Business Environment, Issues to Address, etc. ....	14
2. Business Risks.....	18
3. Management's Analysis of Financial Position, Operating Results and Cash Flows.....	21
4. Critical Contracts for Operation.....	25
5. Research and Development Activities.....	26
III. Information about Facilities.....	27
1. Overview of Capital Expenditures, etc.....	27
2. Major Facilities.....	27
3. Plans for New Additions or Disposals.....	30
IV. Information about Reporting Company.....	31
1. Information about Shares, etc.....	31
2. Acquisition of treasury Stock.....	36
3. Dividend Policy.....	37
4. Explanation about Corporate Governance, etc.....	38
V. Financial Information.....	60
1. Consolidated Financial Statements.....	61
2. Non-Consolidated Financial Statements.....	110
VI. Information on Transfer and Repurchase of the Company's Stock.....	123
VII. Reference Information on the Company.....	124
Part II Information on Guarantors for the Company.....	125
[Independent Auditors' Audit Report and Internal Control Audit Report].....	126

**【Cover】**

<b>【Document Submitted】</b>	Annual Securities Report
<b>【Article of the applicable Law Requiring Submission of This Document:】</b>	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
<b>【Filed to】</b>	Director, Kanto Local Finance Bureau
<b>【Date of Submission】</b>	June 29, 2021
<b>【Business Year】</b>	The 160 Business Term (from April 1, 2020 to March 31, 2021)
<b>【Company Name ( in English)】</b>	SEIKO HOLDINGS CORPORATION
<b>【Position and Name of Representative】</b>	Shuji Takahashi, President
<b>【Location of Head Office】</b>	5-11, Ginza 4-chome, Chuo-ku, Tokyo
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<b>【Place Where Available for Public Inspection】</b>	Tokyo Stock Exchange, Inc. 2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo

## PartI [Company Information]

### I. Overview of Company

#### 1. Summary of Business Results

##### (1) Business Results of the Group

Business term		156th	157th	158th	159th	160th
Fiscal year end		March 2017	March 2018	March 2019	March 2020	March 2021
Net sales	Millions of yen	257,115	268,529	247,293	239,150	202,671
Ordinary profit	Millions of yen	6,671	10,911	11,410	7,004	633
Profit attributable to owners of parent	Millions of yen	5,392	11,541	9,249	3,394	3,475
Comprehensive income	Millions of yen	7,862	10,501	8,396	(3,007)	10,855
Net assets	Millions of yen	107,161	105,170	110,415	104,273	113,082
Total assets	Millions of yen	328,857	305,297	303,036	299,990	319,671
Net assets per share	Yen	2,380.50	2,523.54	2,649.99	2,499.97	2,709.17
Basic earnings per share	Yen	130.71	280.01	224.42	82.36	84.30
Diluted earnings per share	Yen	-	280.00	224.40	82.33	84.30
Equity capital ratio	%	29.8	34.1	36.0	34.4	34.9
Rate of return on equity	%	5.6	11.4	8.7	3.2	3.2
Price-earnings ratio	Times	17.4	9.2	11.7	21.2	22.3
Net cash provided by (used in) operating activities	Millions of yen	4,209	27,885	17,508	2,704	2,874
Net cash provided by (used in) investing activities	Millions of yen	(13,200)	(17,430)	(7,093)	(10,688)	(7,838)
Net cash provided by (used in) financing activities	Millions of yen	5,713	(11,759)	(10,670)	678	10,465
Cash and cash equivalents at the end of year	Millions of yen	35,333	33,911	33,843	26,111	32,340
Employees [Excluding average number of part-time employees]	Number of persons	13,065 [827]	12,033 [798]	12,020 [772]	11,947 [603]	12,092 [500]

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

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

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

4. The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net assets per share and net income per share and diluted net earnings per share represent figures on the assumption that the share consolidation was performed at the beginning of the fiscal year ended March 31, 2017 (156th.)

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

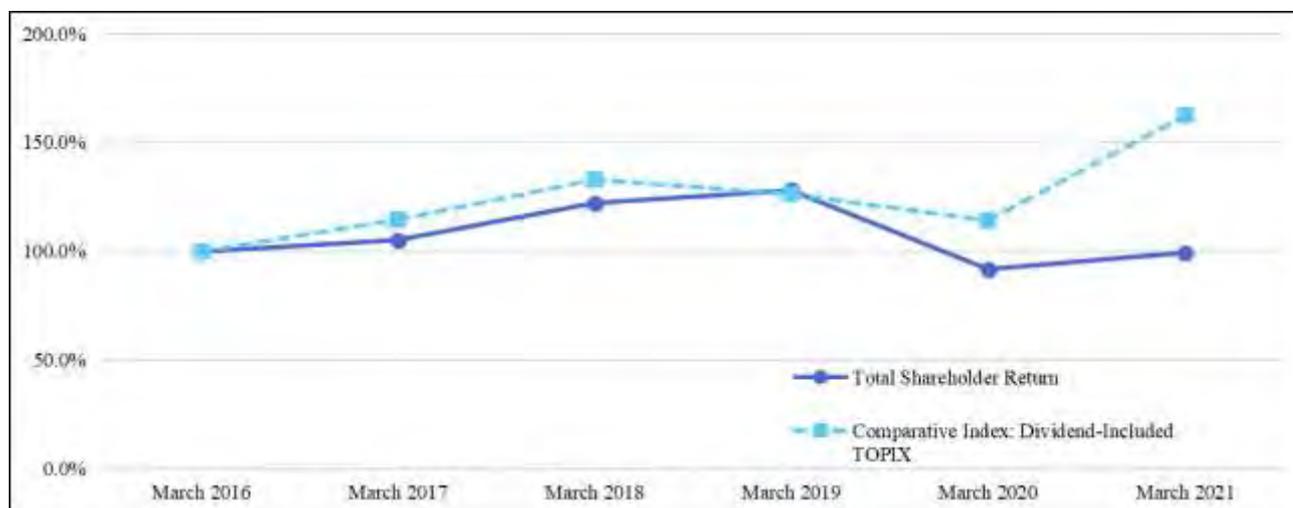
(2) Business Results of the Company

Business term		156th	157th	158th	159th	160th
Fiscal year end		March 2017	March 2018	March 2019	March 2020	March 2021
Operating Revenue	Millions of yen	10,361	11,237	11,301	12,031	11,301
Ordinary profit	Millions of yen	2,324	3,308	2,691	3,027	809
Profit	Millions of yen	3,271	3,763	3,719	3,124	1,560
Share capital	Millions of yen	10,000	10,000	10,000	10,000	10,000
Total number of shares issued and outstanding	Stock	207,021,309	41,404,261	41,404,261	41,404,261	41,404,261
Net assets	Millions of yen	59,346	56,036	55,029	50,681	55,495
Total assets	Millions of yen	161,853	179,269	176,640	176,961	192,853
Net assets per share	Yen	1,439.08	1,358.87	1,334.48	1,228.89	1,345.36
Dividend per share (Interim dividend per share included in the above amount))	Yen (Yen)	15.00 (7.50)	45.00 (7.50)	75.00 (37.50)	75.00 (37.50)	37.50 (12.50)
Basic earnings per share	Yen	79.24	91.26	90.21	75.77	37.83
Diluted earnings per share	Yen	—	—	—	—	—
Equity capital ratio	%	36.7	31.3	31.2	28.6	28.8
Rate of return on equity	%	5.7	6.5	6.7	5.9	2.9
Price-earnings ratio	Times	28.6	28.2	29.2	23.0	49.6
Dividend payout ratio	%	94.6	82.2	83.1	99.0	99.1
Employees	Number of persons	144	137	141	143	356
Total shareholder return (Comparative index: Dividend-included TOPIX)	%	105.2 (114.7)	122.2 (132.9)	128.3 (126.2)	91.7 (114.2)	99.3 (162.3)
Highest stock price	Yen	523	3,430 (519)	3,245	2,986	2,148
Lowest stock price	Yen	291	2,407 (424)	1,958	1,462	1,293

- (Note) 1. Operating Revenue do not include consumption taxes.  
2. Diluted net earnings per share is not presented, because there were no potential shares.  
3. The Company has adopted the Board Benefit Trust (BBT) from the 156th fiscal year. For the purpose of calculating diluted

earnings per share, the treasury shares remaining in trust posted astreasury shares in the “Shareholders’ equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.

4. The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net assets per share and net income per share and diluted net earnings per share represent figures on the assumption that the share consolidation was performed at the beginning of the fiscal year ended March 31, 2017 (156th.)
5. The dividend per share in the 157th business term of 45.00 yen is the total of an interim dividend of 7.50 yen and a year-end dividend of 37.50 yen. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. The interim dividend of 7.50 yen represents the dividend before the share consolidation and the year-end dividend of 37.50 yen represents the dividend after the share consolidation.
6. Highest stock price and lowest stock price were those recorded on the First Section of the Tokyo Stock Exchange. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. For stock prices in the 157th business term, the highest and lowest prices after the share consolidation are presented in the upper field and the highest and lowest prices before the share consolidation are presented in the lower field.
7. The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2019 (158th.) Accordingly, the business results of the fiscal year ended March 31, 2018 (157th) are presented after reclassification.
8. Total shareholder return and comparative indicators for the last five years are as follows. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. Total shareholder return and comparative indicators have been shown to reflect the impact of the share consolidation.



## 2. Company History

December 1881	Established K. Hattori, which later became Seiko Holdings Corporation.
March 1892	Founded Seikosha Clock Factory; started manufacturing wall clocks.
October 1917	Established K. Hattori & Co., Ltd. with a capital stock of 5 million yen, reorganizing as a company organization.
June 1932	Constructed The Wako Clock Tower, the familiar face of Ginza, Tokyo.
September 1937	Spun off the Watch Division of Seikosha clock factory and established an independent organization as Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)
April 1947	Spun off the Retail Division and established Wako Co., Ltd.
May 1949	Listed on the Tokyo Stock Exchange.
May 1959	Spun off the Suwa plant of Daini Seikosha Co., Ltd. and established an independent organization as Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation).
October 1964	Served as Official Timer of the Tokyo Olympic Games.
November 1968	Established HATTORI (H.K.) LTD. (currently SEIKO Hong Kong Ltd.) in Hong Kong.
December 1969	Introduced Seiko Quartz Astron, the world's first quartz watch.
May 1970	Established SEIKO TIME CORPORATION (currently Grand Seiko Corporation of America and Seiko Watch of America LLC) in the United States.
November 1970	Established Seikosha Co., Ltd. by splitting off the Seikosha clock factory.
November 1971	Established SEIKO TIME (U.K.) LTD. (currently SEIKO U.K. Limited) in the United Kingdom.
February 1972	Served as Official Timer of the Sapporo Winter Olympic Games.
August 1983	Changes the name to Hattori Seiko Co., Ltd.
April 1988	Introduced the world's first A.G.S. (Automatic Generating System, later renamed as Kinetic) watch.
June 1988	Established SEIKOSHA (THAILAND) CO., LTD. (currently SEIKO Precision (Thailand) Co., Ltd.) in Thailand.
July 1992	Served as Official Timer of the Barcelona Olympic Games.
February 1994	Served as Official Timer of the Lillehammer Winter Olympic Games.
January 1996	Established SEIKO Clock Inc. and SEIKO Precision Inc. Each of them succeeded businesses from Seikosha Co., Ltd in March in the same year. Established Seiko Optical Products Co., Ltd. to spin off the Eyeglasses Business.
July 1997	Changed the name to Seiko Corporation.
February 1998	Served as Official Timer of the Nagano Winter Olympic Games.
November 1999	A replica of the movement of the world's first quartz wristwatch, Seiko Quartz Astron was exhibited at the Smithsonian Museum in Washington, D.C., U.S.
December 1999	Introduced the world's first Spring Drive wristwatch, realizing a fusion of mechanical and quartz.
July 2001	Established SEIKO WATCH CORPORATION to spin off the Watches Business and the Company became a holding company.
February 2002	Served as Official Timer of the Salt Lake City Winter Olympic Games.
November 2004	Seiko Quartz Astron, the world's first quartz watch, recognized as an IEEE Milestone by the IEEE (Institute of Electrical and Electronics Engineers).
July 2007	Changed the name to SEIKO HOLDINGS CORPORATION.
October 2009	Integrated Seiko Instruments Inc.
September 2012	Launched the world's first GPS solar watch, Seiko Astron.
November 2014	Grand Seiko's Mechanical Hi-Beat 36000 GMT Limited Edition won the Petite Aiguille prize at the 2014 Grand Prix d'Horlogerie de Genève.
November 2018	Seiko Prospex 1968 Diver's Re-creation won the Sports Watch Prize at the 2018 Grand Prix d'Horlogerie de Genève.
November 2019	Seiko Prospex LX Line Diver's won the Diver's Watch Prize at the 2019 Grand Prix d'Horlogerie de Genève.
July 2020	Newly established Grand Seiko Studio Shizukuishi in a manufacturing site of Morioka Seiko Instruments Inc.

### 3. Description of Business

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

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

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

#### [Watches Business]

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

#### [Electronic Devices Business]

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

#### [Systems Solutions Business]

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

#### [Others]

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

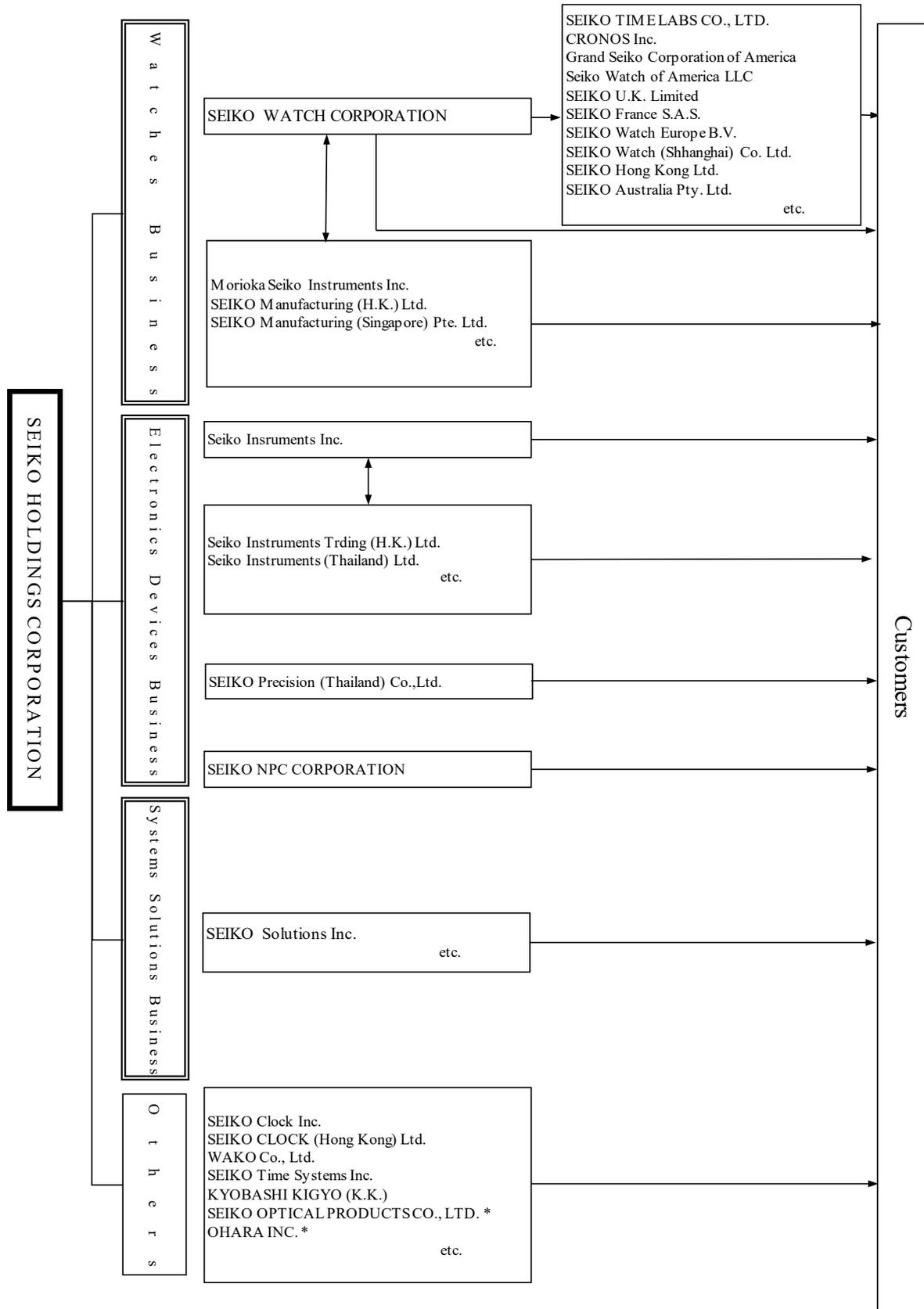
For others, WAKO Co., Ltd. engages in retail of high-end jewelry, apparel and fashion accessories, and household goods, etc. KYOBASHI KIGYO (K.K.) mainly engages in real estate leasing, and SEIKO Time Systems Inc. engages in sales of system clocks and sports timing devices.

\*On April 1, 2020, Seiko Instruments (H.K.) Ltd. changed its corporate name to SEIKO Manufacturing (H.K.) Ltd.

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

\*On April 1, 2021, SEIKO Clock Inc. was dissolved through an absorption-type merger with SEIKO Time Systems Inc., a consolidated subsidiary of the Company, as the surviving company. On the same date, SEIKO Time Systems Inc., the surviving company, changed its corporate name to SEIKO Time Creation Inc.

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



\*Companies accounted for by the equity method.

#### 4. Overview of Affiliated Entities

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Consolidated Subsidiaries: SEIKO WATCH CORPORATION *1, *4	Chuo-ku Tokyo	Thousands of yen 5,000,000	Watches	100.0	Interlocking directorates Providing loans
SEIKO TIME LABS CO., LTD.	Koto-ku Tokyo	Thousands of yen 60,000	Watches	100.0 (100.0)	Interlocking directorates
CRONOS Inc.	Chiyoda-ku Tokyo	Thousands of yen 200,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO Retail Marketing Corporation	Chuo-ku Tokyo	Thousands of yen 100,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
Chino Watch Co., Ltd.	Toshima-ku, Tokyo	Thousands of yen 80,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
Morioka Seiko Instruments Inc. *1	Mihama-ku Chiba	Thousands of yen 2,000,000	Watches	100.0 (100.0)	Interlocking directorates
Ninohe Tokei Kogyo Co., Ltd.	Mihama-ku Chiba	Thousands of yen 20,000	Watches	100.0 (100.0)	-
Tono Seiki Co., Ltd.	Tono-shi Iwate	Thousands of yen 5,000	Watches	100.0 (100.0)	-
Michinoku Service Co.,Ltd.	Morioka-shi Iwate	Thousands of yen 90,000	Watches	100.0 (100.0)	-
Grand Seiko Corporation of America	New York U.S.A.	USD 2,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Watch of America LLC	New York U.S.A.	USD 112,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Time Corporation	New York U.S.A.	USD 1,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Panama, S.A.	Panama City Panama	USD 1,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO U.K. Limited	Maidenhead U.K.	GBP 5,500,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO France S.A.S.	Chatillon le Duc France	EUR 6,000,000	Watches	100.0 (100.0)	Interlocking directorates
Grand Seiko Europe S.A.S.	Paris France	EUR 3,000,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Watch Europe B.V. *5	Schiedam Netherlands	EUR 2,250,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO RUS Limited Liability Company	Moscow Russia	RUB 20,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Hong Kong Ltd. *1	Kowloon Hong Kong	HKD 129,300,000	Watches	100.0 (100.0)	Interlocking directorates

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
SEIKO Manufacturing (H.K.) Ltd. *1, *6	Kowloon Hong Kong	HKD 128,700,000	Watches	100.0 (100.0)	Interlocking directorates
Time Module Ltd. *7	Kwai Fong Hong Kong	HKD 5,001,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Watch (Shanghai) Co., Ltd.	Shanghai P. R. China	USD 9,000,000	Watches	100.0 (100.0)	Interlocking directorates
Guangzhou SII Watch Co., Ltd.	Guangzhou P. R. China	USD 5,100,000	Watches	100.0 (100.0)	-
SEIKO Taiwan Co., Ltd.	Taipei Taiwan	TWD 44,000,000	Watches	69.9 (69.9)	Interlocking directorates
SEIKO (Thailand) Co., Ltd.	Bangkok Thailand	THB 112,550,000	Watches	82.5 (82.5)	Interlocking directorates
SEIKO Watch India Pvt. Ltd.	Bangalore India	INR 85,000,000	Watches	100.0 (100.0)	Interlocking directorates
Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia	MYR 8,500,000	Watches	100.0 (100.0)	-
SEIKO Mnuufacturing (Singapore) Pte. Ltd. *1, *8	Singapore Singapore	SGD 32,288,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Australia Pty. Ltd.	Macquarie Park Australia	AUD 8,000,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Instruments Inc. *1	Mihama-ku Chiba	Thousands of yen 9,756,000	Electronic Devices	100.0	Interlocking directorates Providing loans
Dalian Seiko Instruments Inc. *1	Dalian P. R. China	USD 38,919,985	Electronic Devices	100.0 (100.0)	-
SII Printek Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	-
City Service Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko EG&G Co., Ltd.	Mihama-ku Chiba	Thousands of yen 95,000	Electronic Devices	51.0 (51.0)	Interlocking directorates
Seshika Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko I Techno Research Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	Providing loans
SII Crystal Technology Inc.	Mihama-ku Chiba	Thousands of yen 100,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments U.S.A., Inc.	Torrance U.S.A.	USD 1,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments GmbH	Neu-Isenburg Germany	EUR 3,988,076	Electronic Devices	100.0 (100.0)	-
Seiko Instruments Trading (H.K) Ltd.	Kowloon Hong Kong	HKD 2,340,000	Electronic Devices	100.0 (100.0)	-

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Seiko Instruments (Shanghai) Inc.	Shanghai China	USD 1,220,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments Technology (Shanghai) Inc.	Shanghai China	USD 2,400,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments Taiwan Inc.	Taipei Taiwan	TWD 25,000,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments (Thailand) Ltd. *1	Pathumthani Thailand	THB 1,712,000,000	Electronic Devices	100.0 (100.0)	-
Asian Electronic Technology Pte. Ltd.	Singapore Singapore	SGD 15,000,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments Singapore Pte. Ltd. *9	Singapore Singapore	USD 4,300,000	Electronic Devices	100.0 (100.0)	-
SEIKO Precision Inc.	Matsudo-shi Chiba	Thousands of yen 300,000	Electronic Devices	100.0	Interlocking directorates
SEIKO NPC CORPORATION *1	Taito-ku Tokyo	Thousands of yen 1,000,000	Electronic Devices	100.0	Interlocking directorates Providing loans
SEIKO Precision (Thailand) Co., Ltd. *1	Pathumthani Thailand	THB 603,000,000	Electronic Devices	100.0	Interlocking directorates
SEIKO Solutions Inc. *1. *4	Mihama-ku Chiba	Thousands of yen 500,000	Systems Solutions	100.0	Interlocking directorates Providing loans
IIM Corporation	Chuo-ku Tokyo	Thousands of yen 390,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
COSMO CO., LTD.	Shinagawa-ku Tokyo	Thousands of yen 80,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
COSMO-GCC CO., LTD.	Shinagawa-ku Tokyo	Thousands of yen 20,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Clock Inc. *1, *3, *10	Koto-ku Tokyo	Thousands of yen 1,000,000	Others	100.0	Interlocking directorates
SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong	HKD 1,500,000	Others	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO CLOCK (Shenzhen) Co., Ltd.	Shenzhen P. R. China	CNY 12,500,000	Others	100.0 (100.0)	-
WAKO Co., Ltd. *1	Chuo-ku Tokyo	Thousands of yen 2,500,000	Others	100.0	Interlocking directorates Providing loans
SEIKO Time Systems Inc. *10	Koto-ku Tokyo	Thousands of yen 60,000	Others	100.0	Interlocking directorates Providing loans
Human Capital Co., LTD.	Mihama-ku Chiba	Thousands of yen 100,000	Others	100.0	Interlocking directorates

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
KYOBASHI KIGYO (K.K.)	Chuo-ku Tokyo	Thousands of yen 10,000	Others	100.0	Interlocking directorates Providing loans
Shirakawa Estate Co.,Ltd.	Chuo-ku Tokyo	Thousands of yen 100,000	Others	100.0	Interlocking directorates Providing loans

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Affiliates accounted for by the equity method: CLOCKWORK HOLDINGS INC.	Chuo-ku Tokyo	Thousands of yen 400,000	Watches	37.1 (37.1)	Interlocking directorates
Jedat Inc. *2	Chuo-ku Tokyo	Thousands of yen 760,982	Electronic Devices	21.2 (21.2)	Interlocking directorates
SII Logistics Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Others	40.0 (40.0)	Interlocking directorates
SEIKO OPTICAL PRODUCTS CO., LTD.	Chuo-ku Tokyo	Thousands of yen 1,500,000	Others	50.0	Interlocking directorates Providing loans
OHARA INC. *2	Sagamihara-shi Kanagawa	Thousands of yen 5,855,000	Others	41.1 (21.8)	Interlocking directorates

(Notes) 1. In the column of “Principal business”, the names given in the segment information are listed.

2. “Interlocking directorates” shown in “Relationship” column describe concurrent positions of officers of the respective companies held by officers or employees of the Company (including work transfers.)

3. Figures in parentheses for ratio of voting rights held represent indirect ownership ratio included in the total.

4. \*1 These companies are classified as “Specified companies”.

5. \*2 These companies are obliged to file Annual Securities Report.

6. \*3 SEIKO Clock Inc. was in a financial condition with liabilities in excess of assets. The amount of negative net worth as of March 31, 2021 was 7,723 million yen.

7. \*4 Companies that post net sales (excluding intra-group transactions) accounting for over 10% of consolidated net sales:

[Key financial data]		
(Fiscal year ended March 31, 2021)		(Millions of yen)
	SEIKO WATCH CORPORATION	SEIKO Solutions Inc.
(1) Net sales	59,995	28,495
(2) Ordinary profit	2,682	3,024
(3) Profit	1,428	2,083
(4) Net assets	15,323	5,002
(5) Total assets	61,112	20,685

8. \*5 On April 1, 2020, SEIKO Nederland B.V. changed its corporate name to Seiko Watch Europe B.V.

9. \*6 On April 1, 2020, Seiko Instruments (H.K.) Ltd. changed its corporate name to SEIKO Manufacturing (H.K.) Ltd.

10. \*7 On April 28, 2020, Time Module (Hong Kong) Ltd. changed its corporate name to Time Module Ltd.

11. \*8 On April 1, 2020, Seiko Instruments Singapore Pte. Ltd. changed its corporate name to SEIKO Manufacturing (Singapore) Pte. Ltd.

12. \*9 On April 1, 2020, SII Electronic Devices Singapore Pte.Ltd. changed its corporate name to Seiko Instruments Singapore Pte. Ltd.

13. \*10 On April 1, 2021, SEIKO Clock Inc. was dissolved through an absorption-type merger with SEIKO Time Systems Inc., a consolidated subsidiary of the Company, as the surviving company. On the same date, SEIKO Time Systems Inc., the surviving company, changed its corporate name to SEIKO Time Creation Inc.

## 5. Information about Employees

### (1) Consolidated Group

As of March 31, 2021

Segment	Number of employees	
Watches Business *4	5,969	[132]
Electronic Devices Business *4	4,015	[283]
Systems Solutions Business	1,027	[3]
Other	725	[83]
Corporate *3, *4	356	[0]
Total	12,092	[500]

(Note) 1. The number of employees is the number of working employees (excluding individuals seconded from the Group, the Company and its consolidated subsidiaries, to outside the Group and including individuals seconded to the Group from outside the Group). The number of temporary employees is shown in square parentheses as the annual average number, excluding the aforementioned number of employees.

2. Temporary employees include part-timers, but do not include temporary staff.

3. The number of employees in “Corporate” represents the number of those belonging to the reporting company (holding company).

4. The main reason for the increase in the number of employees in the Systems Solutions Business compared to the previous fiscal year is due to the acquisition of two consolidated subsidiaries. The main reason for the decrease in the number of employees in the Watches Business and the Corporate compared to the previous fiscal year as well as the increase in the number of employees in the Electronic Devices Business compared to the previous fiscal year is due to the reorganization of the business structure within the Group.

### (2) The Company

As of March 31, 2021

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
356	45.2	20.3	6,900,384

(Note) 1. The number of employees excludes 22 employees seconded from the Company to outside parties, and includes 244 employees seconded from outside parties to the Company.

2. The average years of service is calculated based on the total of years of service including the period of transfer to the Company's group companies.

3. Average annual salary includes bonuses and extra wages.

4. The main reason for the increase in the number of employees compared to the previous fiscal year is due to the transfer of headquarters functions to the Company in line with the reorganization of the business structure within the Group.

### (3) Trade union

There are no matters of special note regarding industrial relations.

## II. Overview of Business

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

Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2021.

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

#### (1) Corporate philosophy

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

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

##### 1) Seventh Mid-Term Management Plan

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

##### 1) Long-term vision

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

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

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

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

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

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

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

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

#### 4) Business environment and initiatives on issues

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.

##### (a) Watches Business

The Company started the Global Brand strategy from the first fiscal year of the previous mid-term management plan, and Global Brands grew greatly in those three years, particularly Grand Seiko 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.

##### (b) Electronic Devices Business

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

##### (c) Systems Solutions Business

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

##### (d) Clocks/Wako/Time Systems Business

The Clocks/Wako/Time Systems Business has a long history of supporting the development of Seiko, and still retains links with many of its stakeholders, making it truly positioned as a legacy business. 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

##### (a) New research and development

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

##### (b) Enhancing management foundation

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

management foundation.

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

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

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

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

(a) Consolidated income forecast

(Billions of yen)

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

(b) Net sales by segment

(Billions of yen)

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

(c) Operating profit by segment

(Billions of yen)

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

(d) Others

(Billions of yen)

	Actual FY2019	Actual FY2020	Mid-Term Management Plan FY2021
Equity capital ratio	34.4%	34.9%	40.0%
Net interest-bearing debt	89.1	98.6	Maintain current level

## 2. Business Risks

Risks that may seriously affect the operating results and/or financial position of the Group are outlined below. The Group considers brand-impairment risks and risks that affect the safety and health of employees and others to be critical risks. Both are medium-term risks, apart from the risks that have a significant impact on the business results in short term. Matters concerning the future are judged as of March 31, 2021.

### (1) Economic trends

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

### (2) High dependence on procurement from specific supplier

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

### (3) Market environment of the Electronic Devices Business

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

### (4) Country risks on manufacturing bases overseas

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

### (5) Dependence on sales to major customers

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

### (6) Shortage and increase in price of resources

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

### (7) Quality issues and production liability

Products manufactured and sold by the Group do not cause any accidents that have effects on human bodies under normal use. However, due to changes in the social environment, such as stricter legal regulations on product accidents, or changes in the

business environments, there may be an increase in costs related to quality issues and product liability, such as product recalls and compensation liability. Since quality issues concerning our products are likely to involve risks of impairing brand image, they are regarded as one of the Group's most critical risks. We are committed to broad-based initiatives to prevent the occurrence of quality issues at all manufacturing bases, etc.

(8) Intellectual property rights

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

(9) Currency exchange rate fluctuations

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

(10) Interest rate fluctuations

Currently, the relationship between the Group and financial institutions is favorable, and the Group can procure funds necessary for business development including overseas without any problems. However, there is no guarantee that it will be possible to continue to procure funds sufficiently in the future. In addition, as the interest rate level in the market tends to be low, over 70% of interest rates of the existing long-term borrowing has already been fixed. Although there is no significant risk of interest rate fluctuations, interest rate trends for future procurement may affect business results of the Group.

(11) Market price fluctuations

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

(12) Environmental issues

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

(13) Information securities

The Group prevents information leaks through measures such as establishment of internal regulations and employee education

concerning protection and management of personal information and confidential information obtained in business operations. However, it cannot be guaranteed that there is no possibility of information leaks due to unforeseen circumstances. In the event of such situation, there is a possibility this will affect business results of the Group due to a decline of the Group's social credibility and a substantial cost burden to respond to such situation. Unexpected leakage of information is a critical risk involving a greater risk of impairing brand image. Thus, we are carrying out thorough prevention measures.

(14) Natural disasters and influences of infectious diseases

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

(15) Compliance violation

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

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

The overview of the Group's financial position, operating results and cash flows (hereinafter the "operating results, etc.") is as follows. Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2021.

#### (1) Business 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 developed and launched new high-end movements and 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.

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.

#### 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.

#### 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.

#### 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) Financial Condition

### -Assets

Total assets at the close of the fiscal year ended March 31, 2021 amounted to 319.6 billion yen, an increase of 19.6 billion yen from the close of the previous fiscal year. Total current assets came to 150.0 billion yen, an increase of 11.9 billion yen from the close of the previous fiscal year. This was due to increases of 6.4 billion yen in cash and deposits, 2.7 billion yen in notes and accounts receivable - trade, 1.7 billion yen in work in process, and 1.5 billion yen in raw materials and supplies. Total non-current assets came to 169.6 billion yen, an increase of 7.7 billion yen from the close of the previous fiscal year. This was mainly due to an increase of 9.1 billion yen in total property, plant and equipment and a decrease of 1.1 billion yen in investments and other assets.

### -Liabilities

For liabilities, total borrowings came to 125.1 billion yen, due to increases of 13.4 billion yen in short-term borrowings, 0.4 billion yen in current portion of long-term borrowings, and 1.6 billion yen in long-term borrowings. In addition, notes and accounts payable - trade decreased by 2.5 billion yen, and accounts payable - other decreased by 2.4 billion yen. As a result, total liabilities amounted to 206.5 billion yen, an increase of 10.8 billion yen from the close of the previous fiscal year.

### -Net assets

With regard to net assets, total net assets increased by 8.8 billion yen over the close of the previous fiscal year to become 113.0 billion yen, owing to the posting of 3.4 billion yen in profit attributable to owners of parent, as well as increases of 4.9 billion yen in valuation difference on available-for-sale securities and 1.8 billion yen in foreign currency translation adjustment.

## (3) Overview of Cash Flow

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2021 came to 32.3 billion yen, an increase of 6.2 billion yen relative to the end of the previous fiscal year. This is primarily due to the following factors:

### -Cash flows from operating activities

Net cash provided by operating activities came to positive 2.8 billion yen (compared to a positive cash flow of 2.7 billion yen for the previous fiscal year), an increase of 0.1 billion yen year on year. This was the result of the Company posting 6.4 billion yen in income before income taxes, factoring in depreciation amounting to 10.6 billion yen, as well as a 3.8 billion-yen increase (decrease) in trade payables (posted as a decrease), a 1.5 billion-yen decrease (increase) in inventories (posted as an increase), and adjusted a 7.6 billion-yen posted in loss (gain) on sales of investment securities (posted as a decrease) and others.

### -Cash flows from investing activities

Net cash used in investing activities came to negative 7.8 billion yen (compared to a negative cash flow of 10.6 billion yen for the previous fiscal year) due to cash outflows consisting mainly of 17.7 billion yen in purchase of property, plant and equipment (posted as a decrease) and 1.3 billion yen in purchase of shares of subsidiaries resulting in change in scope of consolidation (posted as a decrease), and cash inflows consisting mainly of 10.6 billion yen in proceeds from sales of investment securities.

### -Cash flows from financing activities

Net cash provided by financing activities came to positive 10.4 billion yen (compared to a positive cash flow of 0.6 billion yen for the previous fiscal year) due mainly to repayments and borrowings of long- and short-term borrowings that combined for a net amount of 14.5 billion yen, as well as 1.7 billion yen in repayments of finance lease obligations (posted as a decrease) and 2.0 billion yen in cash dividends paid (posted as a decrease).

The trends of the cash flow indicators are as follows:

Indicators \ Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2020
Equity capital ratio (%)	29.8	34.1	36.0	34.4	34.9
Equity capital ratio on market value (%)	28.5	34.7	35.8	24.0	24.2
Interest-bearing debt to cash flows ratio (Years)	31.7	4.0	6.0	40.5	43.6
Interest coverage ratio	2.4	21.6	17.7	2.7	3.2

(Note) 1. Calculation formula of the indicators

- Equity capital ratio:  $\text{Equity} / \text{Total assets}$
- Equity capital ratio on market value:  $\text{Aggregate market price (Closing price at the end of the fiscal year} \times \text{Number of shares outstanding at the end of the fiscal year)} / \text{Total assets}$
- Interest-bearing debt to cash flows ratio:  $\text{Interest-bearing debt (Short- and long-term borrowings)} / \text{Operating cash flows}$
- Interest coverage ratio:  $\text{Operating cash flows} / \text{Interest expenses paid}$

2. Numbers used for calculation

Each indicator is calculated by the consolidated financial figures.

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

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

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

With regard to the liquidity of funds, cash and cash equivalents as of March 31, 2021 were 32.3 billion yen, and the Company recognizes that the appropriate level is secured for future demand for funds. The Company and domestic operating companies have introduced a cash management system to enhance the efficiency of group-wide fund management. We maintain commitment line agreements with multiple financial institutions, in order to secure current operating funds in a flexible and stable manner even in the event of unforeseen circumstances such as the spread of a new coronavirus etc.

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

- \*Thoroughly implementing investment management to achieve "wins" through the generation of operating cash flow to support the "aggressive approach" period, well balanced investing cash flow, and cost controlled financing cash flow
- \*Continuously improving equity capital ratio (to 40%) by accumulating profit, and maintaining stable dividends.

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

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan.

In preparing these consolidated financial statements, the Company has used estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, but the actual results may differ from these estimates and assumptions. Of the accounting estimates and assumptions used in the preparation of the consolidated financial statements, the significant ones are described in "V. Financial Information [Notes- important matters that are the basis for preparation of consolidated financial statements]."

(6) Production, orders received and sales

1) Actual production

Actual production in each segment for the years ended March 31, 2021

Segments	Amount (Millions of yen)	Change (%)
Watches Business	22,284	(22.3)
Electronic Devices Business	32,676	(9.2)
Systems Solutions Business	14,296	(9.8)
Others	5,277	3.8
Total	74,535	(12.9)

Note: 1. The amount is calculated from the manufacturing cost.  
2. The figures above do not include consumption tax, etc.  
3. The amount is after the elimination of intracompany transactions.

2) Orders received

Orders received in each segment for the years ended March 31, 2021

Segments	Orders received (Millions of yen)	Change (%)	Orders backlog (Millions of yen)	Change (%)
Watches Business	253	(79.3)	6	(67.1)
Electronic Devices Business	14,162	6.8	3,726	191.9
Systems Solutions Business	16,211	26.4	3,332	13.2
Others	6,091	1.9	1,406	(3.6)
Total	36,718	10.3	8,472	48.6

Note: 1. The figures above do not include consumption tax, etc.  
2. The amount is after the elimination of intracompany transactions

3) Actual sales

Actual sales in each segment for the years ended March 31, 2021

Segments	Amount (Millions of yen)	Change (%)
Watches Business	103,136	(22.9)
Electronic Devices Business	45,075	(6.1)
Systems Solutions Business	32,486	4.0
Others	21,972	(16.1)
Total	202,671	(15.3)

Note: 1. The figures above do not include consumption tax, etc.  
2. The amount is after the elimination of intracompany transactions  
3. As there are no customers whose ratio to total sales is 10/100 or more, "Sales performance by major customer and ratio to total sales" is not stated.

4. Critical Contracts for Operation

No applicable

## 5. Research and Development Activities

Research and development expenses for the entire Group for the fiscal year ended March 31, 2021 were 4.0 billion yen. The Group conducts research and development activities mainly relating to the Electronic Devices Business. Research and development expenses for the Electronic Devices Business and for businesses other than the Electronic Devices Business were 2.2 billion yen and 1.8 billion yen, respectively.

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

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

### (1) Electronic Devices Business

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

### (2) Other than the Electronic Devices Business

In the Watches Business, the Group, with an eye on create high value-added products and develop new elemental technologies is conducting a wide range of development activities, ranging from the development of movements, such as high-end movements, to materials and designs of exteriors. Furthermore, the Group is fostering manufacturing technologies for such items and developing technologies toward the optimization of the processing process.

In the Systems Solutions Business, the Group is developing high-precision time distribution technology via networks, which is required for mobile, next-generation broadcasting, and infrastructure-related applications.

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

On April 1, 2020, with the aim of further strengthening the technological development capabilities of the entire Group, the Company transferred R&D and production technology development functions from its consolidated subsidiary, Seiko Instruments Inc. to the Company.

### III. Information about Facilities

#### 1. Overview of Capital Expenditures, etc.

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 sales in the market, respectively. In addition, the Company invested 8,762 million yen of capital expenditures in the acquisition of rental facilities for external parties and subsidiaries (in Chuo-ku, Tokyo, and Shizukuishi-cho, Iwate-gun, Iwate).

#### 2. Major Facilities

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

##### (1) The Company

As of March 31, 2021

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m <sup>2</sup> )	Total	
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings	469	179	473	-	1,123	356
Rental facilities for Subsidiaries (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores, etc.	4,916	-	857	21,162 (1)	26,935	-
Other rental facilities (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores for rent, Office buildings, etc.	105	-	980	2,717 (94)	3802	-

## (2) Domestic subsidiaries

As of March 31, 2021

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m <sup>2</sup> )	Total	
Morioka Seiko Instruments Inc. (Shizukuishi-cho, Iwate- gun, Iwate) *1	Watches	Manufacturing facilities for watches	1,227	1,480	1,389	1,349 (111)	5,447	663
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Electronic Devices, Headquarters	Office buildings, etc.	56	13	45	-	115	238
Takatsuka Unit of Seiko Instruments Inc. (Matsudo-shi, Chiba) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	2,856	1,148	35	4,824 (59)	8,865	246
Sendai Unit of Seiko Instruments Inc. (Aoba-ku, Sendai-shi, Miyagi)	Electronic Devices	Manufacturing facilities for batteries, etc.	2,187	932	71	1,440 (94)	4,632	278
Akita Unit of Seiko Instruments Inc. (Daisen-shi, Akita) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	796	339	10	532 (132)	1,678	122
Ohno Unit of Seiko Instruments Inc. (Ichikawa-shi, Chiba)	Electronic Devices	Manufacturing facilities for cutting tools and precision parts	377	22	2	2,025 (15)	2,427	65
Tochigi Unit of SII Crystal Technology Inc. (Tochigi-shi, Tochigi)	Electronic Devices	Manufacturing facilities for quartz crystals	377	709	285	28 (40)	1,401	87
Nasu-Shiobara Unit of SEIKO NPC CORPORATION (Nasu-Shiobara-shi, Tochigi)	Electronic Devices	Manufacturing facilities for semiconductors	201	101	16	770 (100)	1,089	191
Makuhari Head Office of SEIKO Solutions Inc. (Mihama-ku, Chiba-shi, Chiba)	Systems Solutions	Office buildings and development facilities for systems solutions products	266	0	2,746	-	3,013	634
Shirakawa Estate Co., Ltd. (Chuo-ku, Tokyo, etc.)	Others	Stores for rent and office buildings	1,218	-	11	11,365 (1)	12,595	-

## (3) Overseas Subsidiaries

As of March 31, 2021

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m <sup>2</sup> )	Total	
Seiko Watch of America LLC (Mahwah U.S.A.)	Watches	Office buildings	-	18	36	-	55	66
SEIKO U.K. Limited (Maidenhead U.K.)	Watches	Office buildings	169	-	42	1,186 (22)	1,398	53
SEIKO Hong Kong Ltd. (Kowloon Hong Kong)	Watches	Office buildings	663	-	-	-	663	132
SEIKO Australia Pty.Ltd. (Macquarie Park Australia)	Watches	Office buildings	137	-	45	522 (11)	705	41
Seiko Manufacturing Singapore Pte.Ltd (Singapore Singapore)	Watches	Manufacturing facilities for watch movements	662	1,594	311	-	2,568	509
Dalian Seiko Instruments Inc. (Dalian P. R. China)	Electronic Devices	Manufacturing facilities for precision parts	1,816	1,959	175	-	3,951	911
Seiko Instruments (Thailand) Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for hard disk drive components, etc.	1,222	1,560	281	416 (119)	3,480	1,033
SEIKO Precision (Thailand) Co., Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for precision parts, etc.	469	128	44	373 (78)	1,015	611

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

2. \*1 Includes the manufacturing facilities owned by SEIKO WATCH CORPORATION and the land, etc. owned by Seiko Instruments Inc.
3. \*2 Includes the manufacturing facilities owned by SII Printek Inc.
4. In addition to the above, the Group has the following major rental facilities.

The Company

As of March 31, 2021

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

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

Domestic subsidiaries

As of March 31, 2021

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

### 3. Plans for New Additions or Disposals

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

#### (1) New additions

Company (Location)	Segment	Description	Planned amount		Method of financing	Planned schedule		Ability after completi on
			Total (Millions of yen)	Paid (Millions of yen)		Start	Completion	
The Company (Chuo-ku, Tokyo)	Corporate	Rental facilities	1,620	980	Own capital	February 2020	September 2021	Additional
SEIKO WATCH CORPORATION (Shizukuishi-cho, Iwate-gun, Iwate)	Watches	Manufacturing facilities for watches	2,084	917	Own capital	May 2019	March 2022	Additional

## IV. Information about Reporting Company

### 1. Information about Shares, etc.

#### (1) Total number of shares, etc.

##### 1) Total number of shares

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

##### 2) Issued shares

Class	Number of shares issued as of the end of the fiscal year (March 31, 2021)	Number of shares issued as of the filing date (June 29, 2021)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common share	41,404,261	41,404,261	Tokyo Stock Exchange (First Section)	Number of shares for share unit: 100 shares
Total	41,404,261	41,404,261	-	-

#### (2) Status of the share subscription rights

##### 1) Stock option plans

Not applicable

##### 2) Right plans

Not applicable

##### 3) Other share subscription rights

Not applicable

#### (3) Exercise status of bonds with share subscription rights containing a clause for exercise price adjustment

Not applicable

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

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

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

## (5) Shareholding by shareholder category

As of March 31, 2021

Classification	Status of shares (1 unit=100shares)								Shares under one unit Financial institutions
	National and local governments	Financial institutions	National and local governments	Financial institutions	National and local governments		Financial institutions	National and local governments	
					Non-individuals	Individuals			
Number of shareholders	-	30	26	118	181	21	12,274	12,650	-
Number of shares hold (units)	-	95,201	4,043	78,795	63,215	161	171,949	413,364	67,861
Ownership percentage of shares (%)	-	23.03	0.98	19.06	15.29	0.04	41.60	100	-

- (Notes) 1. Of 154,525 shares of treasury stock, 943 units are included in “Financial institutions” column, 602 units in “Individuals and others” column and 25 units in “Shares under one unit” column.
2. “Financial institutions” include 943 units of shares owned by Trust & Custody Services Bank, Ltd. (Trust E account) as a trust property of the “Board Benefit Trust (BBT).”
3. Of the shares registers in the name of Japan Securities Depository Center, Inc., 4 units are included in “Other corporations” column and 77 units are included in “Shares under one unit”.

## (6) Major shareholders

As of March 31, 2021

Name	Address	Number of shares hold (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
Sanko Kigyo K.K.	6-1, Ginza 5-chome, Chuo-ku, Tokyo	4,436	10.7
Etsuko Hattori	Minato-ku, Tokyo	3,613	8.7
Shinji Hattori	Shibuya-ku, Tokyo	2,279	5.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	1,951	4.7
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,800	4.4
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,780	4.3
Hideo Hattori	Shinagawa-ku, Tokyo	1,622	3.9
Custody Bank of Japan, Ltd (Trust Account 9)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	898	2.2
SHIMIZU CORPORATION	16-1, Kyobashi 2-chome, Chuo-ku, Tokyo	744	1.8
FUJI BUILDING Co., Ltd.	13-9, Nihombashi Muromachi 1-chome, Chuo-ku, Tokyo	671	1.6
Total	-	19,798	47.9

## (7) Voting rights

## 1) Issued shares

As of March 31, 2021

Classification	Number of shares	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Others)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	Common share 111,600	-	-
Shares with full voting rights (Others)	Common share 41,224,800	412,248	-
Shares under one unit	Common share 67,861	-	Shares under one unit (100 shares)
Total shares issued	41,404,261	-	-
Total voting rights held by all shareholders	-	412,248	-

- (Note) 1. The “Shares with full voting rights (Others)” column includes 94,300 shares of the Company held in the Board Benefit Trust (BBT) (943 voting rights) and 400 shares under the name of Japan Securities Depository Center, Incorporated (4 voting rights).
2. The “Shares less than one unit” column includes 25 shares of treasury shares owned by the Company, 61 shares of cross-held

shares owned by OHARA INC., 20 shares of cross-held shares owned by HAYASHI SEIKI SEIZO Co., Ltd., and 77 shares under the name of Japan Securities Depository Center, Incorporated.

2) Treasury shares, etc.

As of March 31, 2021

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
SEIKO HOLDINGS CORPORATION	5-11, Ginza 4-chome, Chuo-ku, Tokyo	60,200	-	60,200	0.1
OHARA INC.	15-30, Oyama 1-chome, Chuo-ku, Sagamihara-shi, Kanagawa	51,200	-	51,200	0.1
HAYASHI SEIKI SEIZO Co., Ltd.	45, Mukai Hinata, Morijuku, Sukagawa-shi, Fukushima	200	-	200	0.0
Total	-	111,600	-	111,600	0.3

(Note) 94,300 shares of the Company's shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

(8) Officer / employee share ownership program

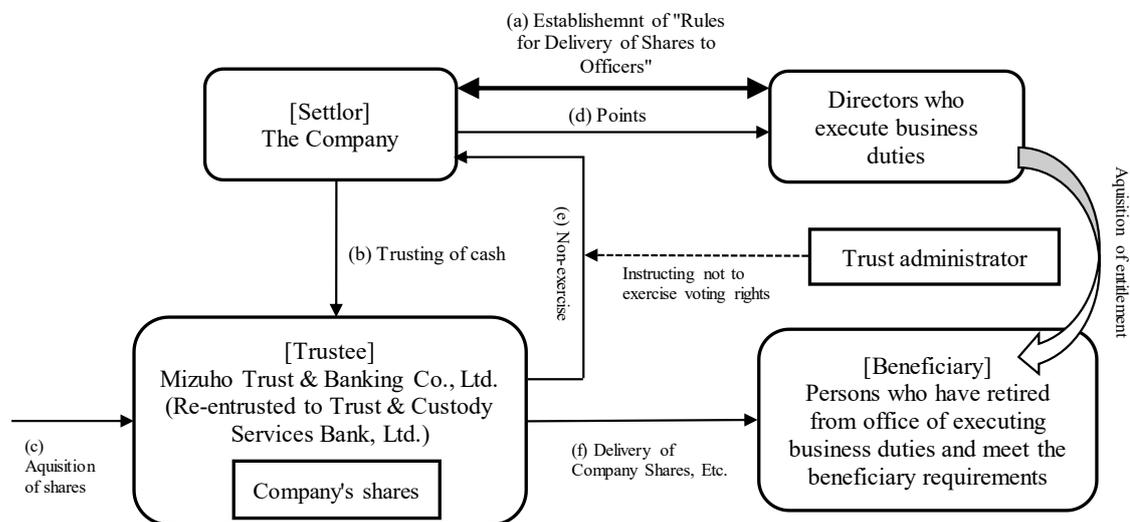
(Introduction of the stock compensation plan for the company's directors who execute business duties)

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

1) Outline of the Plan

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

<Structure of the Plan>



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

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

The Company contributed 240 million yen as of August 26, 2016, and Trust & Custody Services Bank, Ltd. (the present Custody Bank of Japan, Ltd.) (Trust E account) acquired 540,000 shares of the Company at 170 million yen. Whether the Trust E account will acquire shares of the Company in the future is undecided.

The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. The number of treasury shares held in the Trust E account as of March 31, 2021 was 94,300 shares.

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

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

2. Acquisition of treasury stock

【Type of shares】 : Acquisition of shares of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of the shareholders

Not applicable

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Not applicable

(3) Acquisition of treasury stock not based on a resolution approved at the annual general meeting of the shareholders or on a resolution approved by the Board of Directors

Classification	Number of shares (shares)	Total amount (Yen)
Treasury stock acquired during the current fiscal year	387	609,001
Treasury stock acquired during the period for acquisition	65	138,305

Note: “Treasury stock acquired during the period for acquisition” does not include the number of stocks of less than a standard unit purchased during the period from June 1, 2021, to the filing date of this Securities Report.

(4) Current status of the disposition and holding of acquired treasury stock

Classification	Current fiscal year		Period for acquisition	
	Number of Shares (shares)	Total disposition amount (Yen)	Number of Shares (shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was disposed of	—	—	—	—
Acquired treasury stock for which transfer of shares was conducted in association with merger/stock exchange/share issuance/corporate separation	—	—	—	—
Other (Acquired treasury stock that was disposed of instead of issuing shares due to the exercise of share subscription rights)	171	248,005	—	—
Number of shares of treasury stock held	60,225	—	60,290	—

Note: 1. 94,300 shares of the Company’s shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

2. “Treasury stock acquired during the period for acquisition” does not include the number of stocks of less than a standard unit purchased during the period from June 1, 2021, to the filing date of this Securities Report.

### 3. Dividend Policy

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

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

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

For the fiscal year ended March 31, 2021, the Company decided to pay an interim dividend of 12.5 yen per share and a year-end dividend of 25.0 yen per share based on the above policy.

Dividends for the 160th business term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors meeting held on November 10, 2020	516	12.50
Annual General Meeting of Shareholders held on June 29, 2021	1,033	25.00

#### 4. Explanation about Corporate Governance, etc.

##### (1) Explanation about corporate governance

###### 1) Basic principles of corporate governance

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

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

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

###### (Board of Directors)

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

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

###### (Board of Auditors)

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

###### (Corporate Governance Committee)

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

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

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

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

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

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

with, and report to, the Company regarding significant management-related matters, and whenever necessary, shall dispatch its officers or employees as Directors or Corporate Auditors of the subsidiary to properly supervise and audit the subsidiary.

- iv) Pursuant to the “Consolidated Business Management Rules”, each subsidiary shall report its business results, financial position and other important matters to the Company, and whenever necessary, the President of the relevant subsidiary shall report the execution status of the operations to the Company’s Board of Directors.
- v) The Company’s Internal Audit Department shall conduct internal audits on each subsidiary regarding the execution status of the operations, compliance with laws and regulations, and the Articles of Incorporation, and risk management.

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

- i) There shall be a system where the Internal Audit Department will assist the duties of Corporate Auditors.
- ii) Employees posted to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.
- iii) Regarding any replacement of the General Manager of the Internal Audit Department, the President shall discuss with the Board of Corporate Auditors in advance, and respect the Board of Corporate Auditors’ opinions.

(g) System for reporting to Corporate Auditors

- i) Each Director and employee of the Company shall regularly report the status of finance, compliance with corporate ethics, risk management, and internal audits to Corporate Auditors; if any Director/employee finds any fact likely to significantly damage the Company or its subsidiaries or any violation of laws and regulations or internal rules, he/she shall immediately report it to Corporate Auditors.
- ii) The Company shall develop a reporting system where if any Director, Corporate Auditor or employee of a subsidiary finds any material violation of laws and regulations or internal rules regarding the execution of operations of the Company or the subsidiary, or any fact likely to significantly damage the Company, he/she or the person who was reported by him/her shall report it to the Company’s Corporate Auditors.
- iii) The Company shall develop necessary systems so that the person who made the report in the preceding two paragraphs might not be treated disadvantageously because of having made such report.
- iv) In conducting internal audits, the General Manager of the Internal Audit Department shall cooperate with standing Corporate Auditors in advance, and make efforts to report important matters to standing Corporate Auditors in a timely manner. In addition, the General Manager shall report the results of internal audits to standing Corporate Auditors without delay, and regularly report them to the Board of Corporate Auditors.

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

- i) The Company shall ensure a system where, besides the Internal Audit Department, the General Affairs Department, the Accounting Department and the Finance & Corporate Strategy Planning Department will assist audits by Corporate Auditors from time to time based on respective instructions of Corporate Auditors.
- ii) The Company shall ensure that Corporate Auditors will attend important meetings and committees established to ensure proper operations, and to be held in a timely manner, by the Board of Directors.
- iii) The President shall meet with the Board of Corporate Auditors, as necessary, and exchange opinions regarding important management issues.
- iv) If a Corporate Auditor requests that the Company pay expenses incurred in executing his/her duties, the Company shall promptly pay them unless the Company proves that they are not necessary for the Corporate Auditor to execute his/her duties.



The Company has determined in its Articles of Incorporation as stipulated in Article 426, Paragraph 1 of the Companies Act, that the Company may, by a resolution of the Board of Directors, release Directors (including ex-Directors) and Corporate Auditors (including ex-Corporate Auditors) from liabilities as stipulated in Article 423, Paragraph 1 of the Companies Act, to the extent permitted by laws and regulations, so that they can fully demonstrate their roles expected in executing their duties and for the Company to secure talented individuals.

(c) Payment of interim dividends (Article 45 of the Articles of Incorporation)

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

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

The Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds or more the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders as provided by Article 309, Paragraph 2 of the Companies Act. (Article 17, paragraph 2 of the Articles of Incorporation)

## (2) Information about Officers

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

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Chairman & Group CEO	Shinji Hattori	January 1, 1953	<p>April 1975      Joined Mitsubishi Corporation</p> <p>July 1984      Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)</p> <p>January 1996    Director of Seiko Precision Inc.</p> <p>June 2001      President of Seiko Precision Inc.</p> <p>June 2003      President &amp; CEO of SEIKO WATCH CORPORATION</p> <p>June 2007      Director of the Company</p> <p>June 2009      Executive Vice President of the Company</p> <p>April 2010      President of the Company</p> <p>October 2012    Chairman &amp; Group CEO of the Company (to present)</p> <p>June 2015      President &amp; CEO of SEIKO WATCH CORPORATION</p> <p>April 2017      Chairman &amp; CEO of SEIKO WATCH CORPORATION</p> <p>June 2020      Chairman of WAKO Co., Ltd. (to present)</p> <p>April 2021      Chairman of SEIKO WATCH CORPORATION (to present)</p>	(Note 4)	2,279,289
Vice Chairman	Yoshinobu Nakamura	October 21, 1949	<p>April 1972      Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)</p> <p>June 2001      Director of Seiko Precision Inc.</p> <p>June 2003      Director of the Company</p> <p>June 2004      Executive Director &amp; CFO of SEIKO WATCH CORPORATION</p> <p>March 2008     President of Seiko Clock Inc.</p> <p>June 2008      Director of the Company</p> <p>December 2008 Senior Executive Director of the Company</p> <p>May 2010      Representative Director and Senior Executive Director of the Company</p> <p>October 2012    President of the Company</p> <p>April 2018      Chairman of Seiko Instruments Inc.</p> <p>June 2021      Vice Chairman of the Company (to present)</p>	(Note 4)	21,000
President	Shuji Takahashi	August 29, 1957	<p>April 1980      Joined the Company</p> <p>April 2004      General Manager, Merchandising Department II of SEIKO WATCH CORPORATION</p> <p>February 2011    Senior Vice President of SEIKO WATCH CORPORATION</p> <p>June 2012      Director, Senior Vice President of SEIKO WATCH CORPORATION</p> <p>June 2013      Director of the Company</p> <p>April 2014      Director, Executive Vice President of SEIKO WATCH CORPORATION</p> <p>June 2015      Director, Senior Executive Vice President of SEIKO WATCH CORPORATION</p> <p>June 2016      Executive Director of the Company</p> <p>April 2017      Director of the Company</p> <p>April 2017      President &amp; COO &amp; CMO of SEIKO WATCH CORPORATION</p> <p>June 2021      President of the Company (to present)</p>	(Note 4)	10,300
Executive Director	Shimesu Takizawa	July 2, 1963	<p>April 1987      Joined the Company</p> <p>August 1993     Seconded to SEIKO U.K. Limited</p> <p>June 2010      General Manager, Finance &amp; Accounting Department of the Company</p> <p>June 2016      Director of the Company</p> <p>April 2017      Director, Executive Vice President of Seiko Instruments Inc. (to present)</p> <p>June 2018      Outside Director of Jedat Inc. (to present)</p> <p>June 2019      Executive Director of the Company (to present)</p> <p>June 2019      General Manager, Accounting Department of the Company (to present)</p> <p>June 2021      General Manager, Corporate Planning Department of the Company (to present)</p>	(Note 4)	3,000

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Executive Director	Kiyoko Niwasaki	January 20, 1964	<p>April 1986 Joined the Company</p> <p>April 2013 Senior Vice President and General Manager, Public Relations Department of SEIKO WATCH CORPORATION</p> <p>June 2015 Director, Senior Vice President of SEIKO WATCH CORPORATION</p> <p>June 2018 Director, Executive Vice President of SEIKO WATCH CORPORATION</p> <p>June 2020 Executive Director of the Company (to present)</p> <p>April 2021 Director, Executive Vice President of WAKO Co., Ltd. (to present)</p>	(Note 4)	2,800
Director	Kazuhiko Sakamoto	November 6, 1965	<p>April 1988 Joined the Company</p> <p>June 1994 Seconded to SEIKO Hong Kong Ltd.</p> <p>April 2007 General Manager, Finance &amp; Accounting Department of WAKO Co., Ltd.</p> <p>June 2010 General Manager, Corporate Strategy &amp; Planning Department of WAKO Co., Ltd.</p> <p>July 2012 Senior Vice President of WAKO Co., Ltd.</p> <p>June 2015 General Manager, Corporate Strategy &amp; Planning Department of the Company</p> <p>June 2018 Director of the Company (to present)</p> <p>April 2019 Director, Executive Vice President of WAKO Co., Ltd.</p> <p>April 2021 Director, Senior Executive Vice President of WAKO Co., Ltd. (to present)</p>	(Note 4)	900
Director	Makoto Ichimura	May 12, 1967	<p>April 1991 Joined the Company</p> <p>April 2010 General Manager, General Affairs Department of WAKO Co., Ltd.</p> <p>May 2013 General Manager, Secretaries Office of the Company</p> <p>February 2015 General Manager, Public Relations &amp; Secretaries Department of the Company</p> <p>June 2016 General Manager, Secretaries Office of the Company (to present)</p> <p>June 2019 Director of the Company (to present)</p> <p>January 2020 Outside Director of OHARA INC. (to present)</p> <p>April 2020 Director and Executive Vice President of Seiko Instruments Inc. (to present)</p> <p>June 2021 Deputy Chief, Group R&amp;D Headquarters of the Company (to present)</p>	(Note 4)	1,300

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Director	Tetsu Kobayashi	January 17, 1960	<p>April 1982 Joined Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)</p> <p>March 2005 Executive General Manager, Corporate Strategy Division of Seiko Instruments Inc.</p> <p>June 2007 General Manager, Watch Movement Division of Seiko Instruments Inc.</p> <p>March 2008 Senior Vice President of Seiko Instruments Inc.</p> <p>July 2009 Executive General Manager, Watches Business Headquarters of Seiko Instruments Inc.</p> <p>October 2010 Director of Seiko Instruments Inc.</p> <p>October 2014 President of Seiko Precision Inc.</p> <p>February 2018 Chief Executive Vice President of Seiko Instruments Inc.</p> <p>April 2018 President of Seiko Instruments Inc. (to present)</p> <p>June 2018 Director of the Company (to present)</p> <p>June 2021 Chief, Group R&amp;D Headquarters of the Company (to present)</p>	(Note 4)	5,800
Director	Jun Sekine	October 1, 1959	<p>April 1984 Joined IBM Japan, Ltd.</p> <p>April 1998 Sales Manager, Insurance of IBM Japan, Ltd.</p> <p>June 2002 General Manager, Insurance of IBM Japan, Ltd.</p> <p>January 2006 Managing Director of IBM Japan, Ltd.</p> <p>July 2012 President and Director of ESCCO JAPAN K.K.</p> <p>January 2013 Vice President and General Manager, Strategic Business Division of SAP Japan Co., Ltd.</p> <p>July 2015 Vice President and Chief Customer Officer of SAP Japan Co., Ltd.</p> <p>December 2015 Director and Executive Vice President of SEIKO Solutions Inc.</p> <p>April 2017 President of SEIKO Solutions Inc. (to present)</p> <p>June 2021 Director of the Company (to present)</p>	(Note 4)	1,500
Outside Director	Tsuyoshi Nagano	November 9, 1952	<p>April 1975 Joined Tokio Marine &amp; Fire Insurance Co., Ltd.</p> <p>June 2003 Executive Officer and General Manager of Nagoya Production Dept. III, Tokai Division of Tokio Marine &amp; Fire Insurance Co., Ltd.</p> <p>October 2004 Executive Officer and General Manager of Nagoya Production Dept. III of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>June 2006 Managing Executive Officer of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>June 2008 Managing Director of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>June 2008 Director of Tokio Marine Holdings, Inc.</p> <p>June 2010 Senior Managing Director of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>June 2011 Senior Managing Director of Tokio Marine Holdings, Inc.</p> <p>June 2012 Executive Vice President of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>June 2012 Executive Vice President of Tokio Marine Holdings, Inc.</p> <p>June 2013 President &amp; Chief Executive Officer of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>June 2013 President &amp; Chief Executive Officer of Tokio Marine Holdings, Inc.</p> <p>April 2016 Chairman of the Board Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. (Retired in June 2019)</p> <p>June 2019 Chairman of the Board of Tokio Marine Holdings, Inc.</p>	(Note 4)	6,200

			June 2019	(to present) Outside Director of the Company (to present)		
Outside Director	Yasuko Teraura	October 16, 1970	April 2000 October 2006 March 2010 June 2014 June 2019	Registered as an attorney Certified as a New York State attorney Established Endeavour Law Office, Partner Attorney of Endeavour Law Office (to present) Outside Director of Neturen Co., Ltd. (to present) Outside Director of the Company (to present)	(Note 4)	300
Corporate Auditor	Haruhiko Takagi	January 10, 1959	April 1982 June 2004 June 2007 November 2009 May 2010 April 2014 June 2016 January 2020	Joined the Company General Manager, Finance & Accounting Department of the Company Director of the Company General Manager, Corporate Planning & Financial Control Division, Seiko Optical Products Co., Ltd. Director of Seiko Optical Products Co., Ltd. Corporate Auditor, Seiko Solutions Inc. Corporate Auditor of the Company (to present) Outside Corporate Auditor of OHARA INC. (to present)	(Note 6)	6,900
Corporate Auditor	Takashi Nishimoto	September 9, 1962	April 1985 June 2009 October 2012 January 2015 June 2015 April 2019 June 2020	Joined the Company General Manager, General Affairs Department of the Company General Manager, Legal & Intellectual Property Department of the Company Senior Vice President of SEIKO Solutions Inc. Director and Senior Vice President of SEIKO Solutions Inc. Director and Executive Vice President of SEIKO Solutions Inc. Corporate Auditor of the Company (to present)	(Note 6)	2,200
Outside Corporate Auditor	Tomoyasu Asano	April 27, 1953	April 1978 April 2006 April 2009 June 2009 April 2010 October 2013 April 2014 June 2016 October 2016 June 2017	Joined The Dai-ichi Mutual Life Insurance Co., Ltd. Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd. Managing Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd. Director, Managing Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd. Director, Managing Executive Officer of The Dai-ichi Life Insurance Co., Ltd. Auditor of Tokyu Fudosan Holdings Corporation (to present) Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Co., Ltd. Outside Corporate Auditor of the Company (to present) Director, Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc. (Retired in March 2017) President of The Cardiovascular Institute (Retired in October 2020)	(Note 6)	-

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Outside Corporate Auditor	Hideki Amano	November 26, 1953	<p>April 1976 Joined Arthur Andersen (currently KPMG AZSA LLC)</p> <p>September 1980 Registered as a certified public accountant</p> <p>September 1992 Representative Partner of Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC)</p> <p>September 2011 Vice President (Audit Division) of KPMG AZSA LLC</p> <p>July 2015 Executive Senior Partner of KPMG AZSA LLC (retired in June 2016)</p> <p>July 2016 Outside Director of TOPPAN FORMS CO., LTD. (to present)</p> <p>March 2017 Outside Audit &amp; Supervisory Board Member of Kao Corporation (to present)</p> <p>June 2018 Audit &amp; Supervisory Board Members (External) of Ajinomoto Co., Inc. (to present)</p> <p>June 2019 Outside Corporate Auditor of the Company (to present)</p>	(Note 5)	-
Outside Corporate Auditor	Masatoshi Yano	August 3, 1956	<p>April 1980 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>April 2007 Executive Officer, General Manager, Head Office of Mizuho Bank, Ltd.</p> <p>April 2009 Managing Executive Officer of Mizuho Bank, Ltd.</p> <p>April 2011 Deputy President of Mizuho Bank, Ltd. (Retired in March 2013)</p> <p>June 2015 President of Chuo Fudosan K.K. (Retired in June 2018)</p> <p>June 2018 President of Seiwa Sogo Tatemono Co., Ltd. (to present)</p> <p>June 2019 Outside Corporate Auditor of the Company (to present)</p>	(Note 5)	-
Total	16 persons				2,341,489

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

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

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

4. The term of office of the Directors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2022.

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

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

## 2) Outside officers

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

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

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

The Company nominated Ms. Yasuko Teraura as Outside Director, expecting her to provide valuable comments for the Company's Board of Directors from an objective perspective based on her many years' of experience and deep insight in the

legal profession and to perform appropriate supervisory functions. As described in 1) Officers, he holds shares in the Company. The size of his holding is insignificant and is thus believed unlikely to have conflicts of interest with general shareholders.

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

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

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

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

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

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

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

### (3) Status of audit

#### 1) Status of audit by Corporate Auditors

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

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

#### - Frequency of holding the meetings and attendance of each Corporate Auditor

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

Position	Name	Attendance (rate %)
Standing Corporate Auditor	Haruhiko Takagi	9 / 9 (100%)
Standing Corporate Auditor	Takashi Nishimoto	7 / 7 (100%)*
Outside Corporate Auditor	Tomoyasu Asano	9 / 9 (100%)
Outside Corporate Auditor	Hideki Amano	9 / 9 (100%)
Outside Corporate Auditor	Masatoshi Yano	9 / 9 (100%)

\* Attendance of Standing Corporate Auditors Takashi Nishimoto refers to the Board of Auditors meetings held after their appointment on June 26, 2020.

#### - Status of activities by the Board of Auditors

The average time required for the Board of Auditors meetings, which were held nine times during the current fiscal year (two of which were held using a web conference system), was 1 to 1.5 hours. At the beginning of the fiscal year, the Board of Auditors establishes audit policies and the assignment of duties of each Corporate Auditor and reports mutually on the implementation status and results of audits.

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

In addition to the above Board of Auditors meetings, the Board of Auditors confirmed the agenda for the Board of Directors meetings in advance and carried out an inspection tour of important locations, etc.

#### - Activities of the Standing Corporate Auditors

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

2) Status of internal audit

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

3) Status of financial audit

(a) Name of auditing firm

KPMG AZSA LLC

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

43 years

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

(c) Certified public accountants having executed accounting audit works

Akihiro Otani

Akira Nishino

Kenji Ueda

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

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

(e) Policy and reasons for appointment of accounting auditor

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

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

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

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

4) Details of audit compensation

(a) Details of compensation to independent auditors

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	73	5	73	0
Consolidated subsidiaries	132	3	136	3
Total	206	8	209	3

(Previous fiscal year)

The details of non-audit work for which the Company paid compensation to certified public accountants mainly consist of support work related to integrated report of the Company.

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

(Current fiscal year)

The details of non-audit work for which the Company paid compensation to certified public accountants consist of commissioned work related to internal training of the Company.

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

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

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	-	-	-	-
Consolidated subsidiaries	119	28	125	31
Total	119	28	125	31

(Previous fiscal year)

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

(Current fiscal year)

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

(c) Other material compensation to independent auditors

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

(d) Policy on determining audit fee

In determining the amount of audit fees, the Company considers matters that include the number of days of audit taking into

consideration of the size of the Company, the scope and characteristics of the audit, etc.

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

The Board of Auditors gave consent pursuant to Article 399, Paragraph 1 and Paragraph 2 of the Companies Act to the amount of compensation of the accounting auditor, following the verification and examination of factors including evaluation of audit results for the previous fiscal year, as well as the content of the audit plan, the status of duties performed by the accounting auditor, and adequacy of the estimated compensation of the accounting auditor for the current fiscal year.

(4) Compensation of Directors and Corporate Auditors

1) Amounts disbursed to the Directors and the Corporate Auditors

Category	Total amount of compensation (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus (Monetary compensation)	Stock compensation (Non-monetary compensation)	
Directors (excluding Outside Directors)	256	242	0	14	10
Outside Directors	19	19	-	-	2
Total	275	261	0	14	12
Corporate Auditors (excluding Outside Corporate Auditors)	37	37	-	-	3
Outside Corporate Auditors	28	28	-	-	3
Total	66	66	-	-	6

(Note) 1. The foregoing includes one Director and one Auditor who retired from his office at the close of the 159th Ordinary General Meeting of Shareholders held on June 26, 2020.

2. The Company provides "bonuses" and "stock-based compensation" to executive directors as performance-linked compensation, etc. Nine persons were eligible for benefits in the current fiscal year. The above performance-linked remuneration, etc. represents the amount recorded as expenses for the fiscal year under review.

3. For the current fiscal year, all Directors who execute business duties voluntarily returned all or part of their performance-linked compensation, etc., as follows, in light of the deterioration in business performance due to the impact of the spread of the novel coronavirus.

Bonuses : The full amount was returned.

Stock compensation : The points granted for the performance-linked portion were returned.

The target values, results, and performance achievement ratio of indicators for the performance-linked compensation, etc. for the current fiscal year are as follows:

Bonuses

For the current fiscal year, the Company did not set target values because all Directors who execute business duties decided to return the full amount due to the expected deterioration in business performance caused by the spread of the novel coronavirus.

Stock compensation

For the current fiscal year, the Company did not set target values because all Directors who execute business duties decided to return the entire points granted for the performance-linked portion due to the expected deterioration in business performance caused by the spread of the novel coronavirus.

2) Compensation from the Company and its subsidiaries

Name	Total compensation (Millions of yen)	Classification	Category	Total amount of each type (Millions of yen)		
				Fixed compensation	Performance-linked compensation	
				Basic compensation	Bonus (Monetary compensation)	Stock compensation (Non-monetary compensation)
Shinji Hattori	105	Director	The Company	49	0	3
		Director	Consolidated subsidiary: SEIKO WATCH CORPORATION	49	0	3

- (Note) 1. The above table shows the officer whose total consolidated compensation exceeds 100 million yen.  
2. Amount of performance-based compensation shown in the above table is the amount of expense recognized for the current fiscal year.

3) Matters related to the resolution of the General Meeting of Shareholders regarding compensation, etc. for Directors and Corporate Auditors

The total amount of basic compensation and bonuses for Directors has been set at 420 million yen or less per year by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. At the close of this Ordinary General Meeting of Shareholders, thirteen Directors (including two Outside Directors) are subject to the basic compensation, and six Directors who execute business duties are subject to the bonuses.

The amount of basic compensation for Corporate Auditors has been set at 8 million yen or less per month by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. Five Corporate Auditors are subject to the basic compensation at the close of this Ordinary General Meeting of Shareholders.

The stock compensation was resolved at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 to be set the upper limit of cash contributed by the Company for each of the three fiscal years covered by the mid-term management plan at 240 million yen and the total number of shares, etc., to be provided to eligible Directors who execute business duties at 540,000 shares (180,000 shares per fiscal year) or less. Six Directors who execute business duties are subject to the stock-type compensation at the close of this Ordinary General Meeting of Shareholders. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. The upper limit to the number of shares after the share consolidation shall be 108,000 shares (36,000 shares per fiscal year).

4) Policy for determining the contents of compensation, etc. for Officers

[Determination policy of Directors' compensation]

At the Board of Directors meeting held on March 9, 2021, the Company resolved the determination policy for the details of compensation, etc. for each individual Director as described in a) through f) below. The policy was determined by the Board of Directors after being deliberated on by the Corporate Governance Committee where outside officers account for the majority of members, as an advisory body for the Board of Directors.

a) Basic policy of the compensation for Directors

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

- To ensure transparency and objectivity of compensation as well as to set the compensation level appropriate for their roles and responsibilities.
- To encourage the execution of duties in line with the management philosophy and the management strategy, and to motivate the achievement of management objectives, in order to achieve sustainable growth of the Company and the Group and to enhance corporate value in the medium to long term.

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

b) Compensation system for Directors

Compensation for Directors who execute business duties consists of "basic compensation," which is a fixed compensation, and "bonuses" (short-term incentive compensation) and "stock compensation" (medium- to long-term compensation), which are

performance-linked compensation. Compensation for Directors who do not execute business duties, including Outside Directors, consists of “basic compensation only.”

- c) Policy for determining amounts of basic compensation (monetary compensation) to individuals (including policy for determining the timing or conditions for granting compensation, etc.)

Basic compensation for Directors of the Company shall be fixed monthly compensation and shall be determined in accordance with their roles and responsibilities, taking into consideration the level of similar companies, their years of service, and other factors in a comprehensive manner.

- d) Policy for determining performance-linked compensation, etc., as well as the content, amounts, and the calculation method of the number of non-monetary compensation, etc. (including policy for determining the timing and conditions for granting compensation, etc.)

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

(Bonuses)

The standard payment amount of bonuses is the amount determined by multiplying the basic compensation by the coefficient set by position. The individual payment amount for Representative Directors is determined by multiplying the standard payment amount by the payment rates according to the performance achievement ratio. The individual payment amount for Directors who execute business duties other than Representative Directors is a total of the amount calculated by multiplying the standard payment amount by the payment rates according to the performance achievement ratio and the amount calculated by multiplying the standard payment amount by the payment rates based on qualitative evaluation. Bonuses vary from 0% to 200% according to the target achievement level.

(Stock compensation)

For stock compensation, points that the individual payment amount converted into the number of shares are granted in each fiscal year. The individual payment amount is a total of the standard payment amount (fixed portion), calculated by multiplying the basic compensation by the coefficient set by position, and the amount (performance-linked portion), obtained by multiplying the standard payment amount by the payment rate according to the performance achievement ratio. The performance-linked portion of stock compensation varies from 0% to 200% according to the target achievement level. The ratios of the fixed portion and performance-linked portion are 50% each (when the performance achievement ratio is 100%).

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

	Bonuses	Stock compensation
Performance indicators	Consolidated net sales and consolidated operating profit * For target values, the forecast figures for consolidated net sales and consolidated operating profit published in the consolidated financial statements at the beginning of each fiscal year are adopted.	Consolidated net sales and consolidated operating profit *Target values are the published figures in the mid-term management plan, and are evaluated based on cumulative values from the first year to the fiscal year to be evaluated. For target values for fiscal years for which published figures are not available, figures resolved by the Board of Directors are adopted as the target value after taking into account the management environment in relevant fiscal years.
	(Exceptional rules) If an unpredictable event (an event that may have a significant impact on consolidated performance or corporate value) occurs during the evaluation period, the target values may be revised by resolution of the Board of Directors after being consulted by 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 is converted into one share and the Company's shares are delivered.
Clauses for return of compensation	If a Director who executes business duties is dismissed from his/her position, or if a Director who executes business duties commits an act that may cause serious damages to the Company or any other act of misconduct comparable to such an act during the period up to the time of his/her retirement, all or part of the bonuses to be paid may be reduced by resolution of the Board of Directors.	If a person who is scheduled to receive compensation is dismissed from his/her position, or if a person who is scheduled to receive compensation commits an act that may cause serious damages to the Company and the group companies or any other act of misconduct comparable to such an act during the period up to the time of his/her retirement, all or part of the shares and monetary compensation to be paid may be reduced by resolution of the Board of Directors of the Company and the group companies.

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

- f) Matters for determining the content 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. For part of the individual payment amount, details are determined by the Representative Director and Chairman and the Representative Director and President as entrusted by the Board of Directors based on its resolution. The details of such authority shall be the qualitative evaluation of the amount of basic compensation for each Director and bonuses for each Director who executes business duties.

To ensure that such authority is properly exercised by the Representative Director and Chairman and the Representative Director and President, the Corporate Governance Committee deliberates on the compensation level by director position each year. The

Representative Director and Chairman and the Representative Director and President as entrusted as above shall make decisions based on the content of such deliberations.

In addition, the individual performance-linked compensation, etc. for Directors who execute business duties (except for the aforementioned entrusted matters) is determined based on the rules as determined by a resolution of the Board of Directors (stipulating the calculation method of performance-linked compensation and non-monetary compensation, etc., in accordance with the policy as described in d) above).

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.

[Determination policy of Corporate Auditors' compensation]

The basic compensation for Corporate Auditors is determined through discussion by the Board of Auditors within the total amount of compensation for Corporate Auditors approved by the General Meeting of Shareholders.

5) Matters related to delegation of determining compensation, etc. for individual Director

For part of the individual payment amount of the compensation for Directors, the Board of Directors entrusts the Representative Director and Chairman and the Representative Director and President to determine the specific details. The names, positions and responsibilities of the Representative Director and Chairman and the Representative Director and President as of the date of determination of part of such compensation for the current fiscal year are as follows:

Name	Position and responsibility at the Company
Shinji Hattori	Chairman & Group CEO Group Chief Culture Officer (Group CCO)
Yoshinobu Nakamura	President

The authority to be entrusted and the measures to be taken to ensure that such authority is properly exercised are as described in above 4) f).

The reason for entrusting these authorities to the Representative Director and Chairman and the Representative Director and President is because the Company has judged that Representative Directors are the most suitable to evaluate the duties of each Director while having a bird's-eye view of the Company's overall performance, etc.

6) Reasons for the Board of Directors' determination that the details of individual compensation, etc. of Directors for the current fiscal year are in line with the relevant policy

In determining the details of individual compensation, etc. of Directors for the current fiscal year, the Corporate Governance Committee has conducted a multifaceted review, including consistency with the determination policy of the compensation level by position. Accordingly, the Board of Directors basically respects the report of the Corporate Governance Committee and has judged that the compensation is in line with the determination policy.

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

The 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

(5) Status of shares held

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

1) Standards of classification of investment shares

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

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

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

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

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

Most recently, the Company verified shares that fall under the above classification at the Board of Directors meeting held in August 2020. As a result, it was confirmed that the Company should continue to hold relevant shares to reinforce the business relationship, as the issuers of such shares are clients that are essential for maintaining and expanding the Group’s businesses going forward.

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

	Number of shares	Total amount recorded in the balance sheet (Millions of yen)
Unlisted shares	8	482
Shares other than unlisted stocks	1	21,600

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

	Number of shares	Total amount of purchase price relating to increase in the number of shares (Millions of yen)	Reason for the increase
Unlisted shares	1	200	Mainly for developing new businesses and strengthening existing businesses
Shares other than unlisted stocks	-	-	-

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

Not applicable.

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

Specified investment securities

Share name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative holding effects and reason for the increased number of shares	Holding of the Company's shares
	Number of shares held by the Company	Number of shares held by the Company		
	Amount recorded in the balance sheet (Millions of yen)	Amount recorded in the balance sheet (Millions of yen)		
Seiko Epson Corporation	12,000,000	12,000,000	Purpose of holding: to maintain and strengthen a smooth business relationship. Quantitative holding effects: The Company considers that such holding is reasonable by the verifying method mentioned in above a).	Applicable
	21,600	14,040		

3) Shares for investment held solely for investment purpose

Not applicable.

## V. Financial Information

### 1. Basis of preparation of the consolidated financial statements and non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Order of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements” (Order of the Ministry of Finance No. 59 of 1963) (hereinafter the “Regulation on Financial Statements, etc.”). As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulation on Financial Statements, etc.

### 2. Independent audit

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021) were audited by KPMG AZSA LLC, in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

### 3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.

The Company is making particular efforts to ensure the appropriateness of the consolidated financial statements. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (hereinafter the “Foundation”) and participates in seminars and other programs sponsored by the Foundation in order to have an appropriate understanding about the contents of the accounting standards, etc., and establish a system so that the Company might be able to properly respond to the changes in the accounting standards, etc.

# 1. Consolidated Financial Statements

## (1) Consolidated Financial Statements

### (a) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	*2 26,112	*2 32,611
Notes and accounts receivable - trade	34,397	37,185
Merchandise and finished goods	42,964	42,365
Work in process	12,161	13,878
Raw materials and supplies	10,608	12,180
Accounts receivable - other	5,406	4,932
Other	7,790	8,306
Allowance for doubtful accounts	(1,317)	(1,421)
Total current assets	138,123	150,039
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,189	*2 74,459
Machinery, equipment and vehicles	78,307	79,098
Tools, furniture and fixtures	32,278	34,183
Other	7,183	8,831
Accumulated depreciation	(146,873)	(150,227)
Land	*5 48,522	*2,*5 54,409
Construction in progress	2,434	2,422
Total property, plant and equipment	94,044	103,177
Intangible assets		
Goodwill	7,430	7,336
Other	8,572	8,493
Total intangible assets	16,003	15,830
Investments and other assets		
Investment securities	*1,6: 38,759	*1,*2,*6 41,463
Retirement benefit asset	—	391
Deferred tax assets	4,441	2,273
Other	*2 8,734	*2 6,605
Allowance for doubtful accounts	(115)	(109)
Total investments and other assets	51,820	50,625
Total non-current assets	161,867	169,632
Total assets	299,990	319,671

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	21,869	19,310
Electronically recorded obligations – operating	6,495	6,048
Short-term borrowings	59,140	72,611
Current portion of bonds payable	—	350
Current portion of long-term borrowings	16,843	17,315
Accounts payable – other	*2 11,739	*2 9,266
Income taxes payable	1,282	1,478
Provision for bonuses	3,477	3,634
Provision for goods warranties	462	367
Provision for loss on lease contracts	348	348
Other provisions	555	414
Asset retirement obligations	13	6
Other	*2 13,929	*2 14,528
Total current liabilities	136,158	145,679
Non-current liabilities		
Bonds payable	—	450
Long-term borrowings	33,637	*2 35,263
Lease obligations	4,288	4,499
Deferred tax liabilities	1,929	3,346
Deferred tax liabilities for land revaluation	*5 3,614	*5 3,614
Provision for loss on lease contracts	1,134	785
Provision for stock benefits	133	161
Provision for gift certificate exchange losses	148	152
Provision for long-term goods warranties	84	86
Provision for retirement benefits for directors (and other officers)	35	35
Provision for loss on business withdrawal	10	—
Provision for environmental measures	1	—
Other provisions	7	21
Retirement benefit liability	10,453	9,402
Asset retirement obligations	908	729
Other	3,171	2,361
Total non-current liabilities	59,558	60,909
Total liabilities	195,717	206,589
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	74,418	75,909
Treasury shares	(328)	(315)
Total shareholders' equity	91,335	92,839
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,486	10,431
Deferred gains or losses on hedges	11	(133)
Revaluation reserve for land	*5 8,190	*5 8,190
Foreign currency translation adjustment	(804)	1,055
Remeasurements of defined benefit plans	(1,169)	(687)
Total accumulated other comprehensive income	11,714	18,856
Non-controlling interests	1,223	1,387
Total net assets	104,273	113,082
Total liabilities and net assets	299,990	319,671

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

## Consolidated statement of income

(Millions of yen)

	FY2019	FY2020
Net sales	239,150	202,671
Cost of sales	*2, *3 144,221	*2 122,804
Gross profit	94,928	79,866
Selling, general and administrative expenses	*1,*2 88,794	*1,*2 77,672
Operating profit	6,134	2,194
Non-operating income		
Interest income	171	55
Dividend income	763	771
Share of profit of entities accounted for using equity method	1,313	-
House rent and other rental revenues	340	350
Royalty income	367	324
Foreign exchange gains	-	278
Other	628	534
Total non-operating income	3,585	2,315
Non-operating expenses		
Interest expenses	982	899
Foreign exchange losses	291	-
Share of loss of entities accounted for using equity method	-	1,826
Other	1,441	1,149
Total non-operating expenses	2,715	3,876
Ordinary profit	7,004	633
Extraordinary income		
Gain on sale of investment securities	-	7,603
Gain on sale of non-current assets	*4 346	*4 1,043
Subsidy income	-	618
Gain on liquidation of subsidiaries and associates	-	140
Total extraordinary income	346	9,406
Extraordinary losses		
Loss on the spread of infectious disease	*5 305	*5 3,614
Business restructuring expenses	*6 264	-
Impairment losses	*7 240	-
Loss on retirement of non-current assets	*8 179	-
Retirement benefit expenses	158	-
Total extraordinary losses	1,148	3,614
Profit before income taxes	6,201	6,424
Income taxes - current	1,745	1,682
Income taxes - deferred	974	1,088
Total income taxes	2,719	2,771
Profit	3,481	3,653
Profit attributable to non-controlling interests	86	177
Profit attributable to owners of parent	3,394	3,475

## Consolidated statement of comprehensive income

(Millions of yen)

	FY2019	FY2020
Profit	3,481	3,653
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,095)	5,245
Deferred gains or losses on hedges	113	(144)
Foreign currency translation adjustment	(1,335)	1,878
Remeasurements of defined benefit plans, net of tax	(281)	553
Share of other comprehensive income of entities accounted for using equity method	(890)	(330)
Total other comprehensive income	*1 (6,489)	*1 7,202
Comprehensive income	(3,007)	10,855
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,077)	10,617
Comprehensive income attributable to non-controlling interests	69	238

(c) Consolidated statement of changes in equity  
Fiscal year ended March 31, 2020

(Millions of yen)

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

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,245	74,418	(328)	91,335
Cumulative effects of changes in accounting policies			82		82
Restated balance	10,000	7,245	74,501	(328)	91,418
Changes during period					
Dividends of surplus			(2,067)		(2,067)
Profit attributable to owners of parent			3,475		3,475
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		0	0
Disposal of treasury stock by ownership plan trust				13	13
Other				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	1,408	12	1,420
Balance at end of current period	10,000	7,245	75,909	(315)	92,839

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,486	11	8,190	(804)	(1,169)	11,714	1,223	104,273
Cumulative effects of changes in accounting policies								82
Restated balance	5,486	11	8,190	(804)	(1,169)	11,714	1,223	104,356
Changes during period								
Dividends of surplus								(2,067)
Profit attributable to owners of parent								3,475
Purchase of treasury shares								(0)
Disposal of treasury shares								0
Disposal of treasury stock by ownership plan trust								13
Other								(0)
Net changes of items other than shareholders' equity	4,944	(144)	-	1,859	482	7,141	163	7,305
Total changes of items during period	4,944	(144)	-	1,859	482	7,141	163	8,726
Balance at end of current period	10,431	(133)	8,190	1,055	(687)	18,856	1,387	113,082

## (d) Consolidated statement of cash flows

(Millions of yen)

	FY2019	FY2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,201	6,424
Depreciation	10,315	10,690
Increase (decrease) in allowance for doubtful accounts	134	65
Increase (decrease) in retirement benefit liability	149	(1,152)
Interest and dividend income	(935)	(827)
Interest expenses	982	899
Foreign exchange losses (gains)	75	74
Share of loss (profit) of entities accounted for using equity method	(1,313)	1,826
Impairment losses	240	-
Loss (gain) on sale of investment securities	-	(7,603)
Loss (gain) on sale of non-current assets	(346)	(1,043)
Loss on retirement of non-current assets	245	192
Decrease (increase) in trade receivables	2,388	(911)
Decrease (increase) in inventories	(7,446)	(1,552)
Increase (decrease) in trade payables	(4,358)	(3,889)
Other, net	(2,643)	1,118
Subtotal	3,689	4,311
Interest and dividends received	935	827
Dividends received from entities accounted for using equity method	1,456	127
Interest paid	(990)	(898)
Extra retirement payments	*3 (666)	*3 (1)
Income taxes paid	(1,720)	(1,492)
Net cash provided by (used in) operating activities	2,704	2,874
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,852)	(17,735)
Proceeds from sale of property, plant and equipment	546	1,864
Purchase of investment securities	(0)	(200)
Proceeds from sale of investment securities	2	10,624
Loan advances	(477)	(806)
Proceeds from collection of loans receivable	1,229	790
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (219)	*2 (1,365)
Other, net	(2,916)	(1,008)
Net cash provided by (used in) investing activities	(10,688)	(7,838)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	893,019	1,451,815
Repayments of short-term borrowings	(883,432)	(1,438,848)
Proceeds from long-term borrowings	16,800	20,800
Repayments of long-term borrowings	(21,124)	(19,172)
Repayments of lease obligations	(1,463)	(1,798)
Dividends paid	(3,100)	(2,067)
Other, net	(20)	(265)
Net cash provided by (used in) financing activities	678	10,465
Effect of exchange rate change on cash and cash equivalents	(427)	727
Net increase (decrease) in cash and cash equivalents	(7,732)	6,228
Cash and cash equivalents at beginning of period	33,843	26,111
Cash and cash equivalents at end of period	*1 26,111	*1 32,340

## Notes to consolidated Financial Statements

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

### 1. Matters relating to scope of consolidation

#### (1) Number of consolidated subsidiaries: 61

The names of consolidated subsidiaries are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

COSMO CO., LTD. and COSMO-GCC CO., LTD. have been included in the scope of consolidation from the first quarter of the fiscal year ended March 31, 2021 due to the acquisition of shares.

The liquidation of Guangzhou Seiko Instruments Ltd. was completed in the fourth quarter of the fiscal year ended March 31, 2021.

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

(Major unconsolidated subsidiaries)

AOBA WATCH SERVICE Co. Ltd.

(Reasons for exclusion from scope of consolidation)

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

### 2. Matters relating to the application of the equity method

#### (1) Number of non-consolidated subsidiaries accounted for by the equity method: —

#### (2) Number of affiliated companies accounted for by the equity method: 5

The names of major companies are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

The equity method has not been applied to ABLIC Inc. from the first quarter of the fiscal year ended March 31, 2021 due to the transfer of shares.

#### (3) 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.

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

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

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

### 4. Matters relating to accounting policies

#### (1) Accounting policy for measuring significant assets

##### 1) Securities

Available-for-sale securities

Securities with market value

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

Securities without market value

Stated at cost using the moving-average method

2) Derivatives

Market value method

3) Inventories

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

(2) Depreciation methods for significant depreciable assets

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

As for domestic consolidated companies, basically the straight-line method is used for buildings (excluding equipment attached to buildings), and the declining-balance method for those other than buildings (except that the straight-line method is used for the equipment attached to buildings, and structures that were acquired on or after April 1, 2016); as for consolidated subsidiaries overseas, basically the straight-line method is used.

Domestic consolidated companies use economically estimated useful lives, which reflect the estimated useful lives and actual use of each asset.

2) 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.

3) Leased assets

Leased assets relating to finance lease with transfer of ownership

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

Lease assets relating to finance lease without transfer of ownership

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

4) Right-of-use assets

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

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

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

2) Allowance for investment loss of subsidiaries and affiliates

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

3) Provision for bonuses

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

4) Provision for goods warranties

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

5) Provision for loss on lease contracts

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

6) Provision for stock benefits

This is provided for based on the estimated amount of share delivery obligations at the end of the current fiscal year in preparation for the future delivery of the Company's shares to Directors who execute business duties, etc. at the parent company and its domestic consolidated subsidiaries pursuant to the Rules for Delivery of Shares to Officers.

7) Provision for gift certificate exchange losses

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

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

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

9) Provision for loss on business withdrawal

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

10) Provision for environmental measures

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

(4) Accounting for employees' retirement benefits

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

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

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

The actuarial differences that resulted are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 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.

(5) Accounting standards for significant income and expenses

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

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

Percentage-of-completion method

Other portions of work

Work-completion method

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

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

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

(7) Significant hedge accounting methods

1) Hedge accounting method

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

2) Means of hedging and hedged items

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

3) Hedging policy

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

4) Assessment of hedge effectiveness

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

(8) Method and period of amortization of goodwill

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

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

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

(10) Accounting policy for consumption taxes, etc.

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

(11) Matters relating to application of consolidated tax system

Consolidated taxation system is applied.

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

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

(Significant accounting estimates)

1. Valuation of inventories

(1) Amount recorded in the consolidated financial statements for the current fiscal year

	(Millions of yen)
Watches Business	44,321
Electronic Devices Business	14,060
Systems Solutions Business	4,274
Others	6,326
Adjustments	(558)
Consolidated Total	68,424

(2) Information on the details of significant accounting estimates for identified items

At the Group, inventories are evaluated by writing down the book values in response to decreased profitability.

At each operating subsidiary, decreased profitability is reflected for products, etc. that have been removed from the operating cycle process beyond a certain holding period and holding volume, by using a regular write-down method of book values determined mainly based on past sales and disposal performance.

However, products, etc., which exceed a certain holding period and holding volume but are judged to be in the operating cycle process in light of recent sales performance and future sales forecasts, are excluded from the regular write-down of book values, in whole or in part.

The Watches Business deals with products directly related to personal consumption. Therefore, its business results and profitability of products are strongly affected by domestic and overseas economic trends, especially personal consumption. In addition, business results and profitability of products of the Electronic Devices Business are affected by demand trends of electronic devices, etc., in Japan and overseas. Economic trends and personal consumption may fluctuate significantly due to factors beyond the Group's control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining a regular write-down method of book values, in order to reflect the fact that profitability has decreased. In addition, significant judgments are made as to whether or not products, etc. excluded from the regular write-down of book values are in the operating cycle process.

Estimates involving such judgments and assumptions may be affected by future trends in personal consumption, etc., and may have a significant impact on amounts of inventories in the consolidated financial statements for the following fiscal year.

2. Valuation of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Deferred tax assets	2,273 Million yen
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(2) Information on the details of significant accounting estimates for identified items

Deferred tax assets are recognized by reasonably estimating the timing and amounts of future taxable income based on business plans, etc., and by judging collectability. Such estimates may be affected by changes in uncertain economic conditions in the future. If the timing and amounts of taxable income actually generated differ from the estimates, it may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following 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 of deferred tax assets, etc., based on the assumption that economic activities will recover in Japan and overseas throughout the following fiscal year.

(Changes in significant accounting policies)

The Company adopted ASU No. 2016-02 "Leases" at some consolidated subsidiaries overseas, in the U.S., from the first quarter of the fiscal year ending March 31, 2021. Accordingly, the Company recognizes right-of-use assets and lease obligations with regard to all leases, in principle, for lessees' lease transactions.

When applying ASU No. 2016-02, the Company has adopted a method of recognizing the cumulative effect of application of this standard on the application start date, which is allowed as a transitional measure.

The standard's application resulted in increases of 781 million yen in property, plant and equipment, 258 million yen in current liabilities, and 576 million yen in non-current liabilities, respectively, in the balance sheets for the year ended March 31, 2021. The impact of this standard on retained earnings at the beginning of the fiscal year or on gains or losses or on per-share information for the fiscal year ended March 31, 2021 is immaterial. In addition, the entire amount of the impact is related to the watch business.

(Notes - New accounting standards not yet applied)

For the Company and the domestic consolidated subsidiaries

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

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021, the Accounting Standards Board of Japan)

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

#### 1. Overview

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

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

#### 2. Scheduled effective date

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

#### 3. Impact from applying new accounting standard, etc.

The cumulative effect will be reflected in net assets at the beginning of the following fiscal year, and the beginning balance of retained earnings is expected to decrease by 1.2 billion yen.

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

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

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

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

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

#### 1. Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) of the United States provide for detailed guidance on fair value measurements of a nearly identical nature (IFRS 13 “Fair Value Measurement” under the International Financial Reporting Standards (IFRS), while Topic 820 “Fair Value Measurement”

of Accounting Standards Codification under the U.S.GAAP). Given this circumstance, the Accounting Standards Board of Japan (ASBJ) engaged in an endeavor to establish consistency between the Japanese standards and the international accounting standards, primarily concerning the guidance and disclosure on the fair value of financial instruments. Accordingly, the “Accounting Standard for Fair Value Measurement” and other standards were issued.

As part of the ASBJ’s basic policy on developing accounting standards for fair value measurement, basically all provisions of IFRS 13 shall be incorporated, from the perspective of improving comparability of financial statements between companies in Japan and overseas, through the use of unified measurement methods. In addition, other treatments for individual items shall be determined in consideration of the past practice in Japan, to the extent that the comparability between financial statements is not significantly compromised.

2. Scheduled effective date

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

3. Impact from applying new accounting standard, etc.

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

(Changes in presentation)

(Consolidated statement of income)

“House rent and other rental revenues” included in “Other” under “Non-operating income” in the previous fiscal year have been presented separately in the current fiscal year, due to the increased materiality. And, “Royalty income” included in “Other” under “Non-operating income” in the previous fiscal year have been presented separately in the current fiscal year, due to the increased materiality. To reflect this change in the presentation method, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 1,441 million yen presented in “Other” under “Non-operating expenses” in the consolidated statement of income for the previous fiscal year has been reclassified into 340 million yen of “House rent and other rental revenues”, 367 million yen of “Royalty income” and 628 million yen of “Other.”

(Application of the Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements from the fiscal year ended March 31, 2021, and included in the notes concerning significant accounting estimates in the consolidated financial statements. However, in accordance with the transitional treatment prescribed in the proviso to paragraph 11 of such Accounting Standard, such notes do not show the details relating to the previous fiscal year.

(Supplementary information)

(Board Benefit Trust (BBT) for executive directors)

The Company has introduced a performance-linked stock compensation plan, “Board Benefit Trust (BBT)” (hereinafter, “the Plan”), for the Company’s Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors) and Directors who execute business duties of certain subsidiaries and who meet certain requirements (hereinafter, the “Directors, etc.”), for the purpose of raising awareness of the need to contribute to improvement of the Company’s mid- to long-term performance and enhancement of corporate value.

1. Outline of transactions

The Plan is a structure to deliver the Company’s shares to the Directors, etc., who meet certain requirements pursuant to the “Rules for Delivery of Shares to Officers” prescribed by the Company and certain subsidiaries.

The Company and certain subsidiaries grant points to the Directors, etc. according to their position and the degree of achievement of the mid- to long-term performance index, etc. in the relevant fiscal year, and deliver the Company’s shares to them according to the determined points at the time of retirement of the Directors who execute business duties. However, if a Director who executes business duties meets the requirements stipulated in the “Rules for Delivery of Shares to Officers,” the Company may pay him or her cash equivalent to the market value of the Company’s shares for a certain percentage of his or her points, instead of delivering such shares. The shares to be delivered to the Directors, etc. shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

2. Shares of the Company remaining in trust

The Company’s shares remaining in trust are posted as treasury shares in the “Net assets” section based on the book

value in the trust (excluding the amount of incidental costs). The book value and number of shares of such treasury shares as of March 31, 2020 and 2021 are 161 million yen and 102,600 shares and 148 million yen and 94,300 shares, respectively.

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

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

1. Reason for the share transfer

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

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

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

2. Name of the company the shares transferred

MinebeaMitsumi Inc.

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

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

4. Date of share transfer

April 30, 2020

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

Shareholding prior to transfer	555,000 shares	(Percentage of voting rights held: 30.0%)
Number of shares for transfer	555,000 shares	(Ratio to the number of shares issued: 30.0%)
Transfer price	10.6 billion yen*	
Shareholding after transfer	0 share	(Percentage of voting rights held: 0.0 %)

(\*) The transfer price includes an additional payment of 440 million yen, depending on the business performance of the ABLIC Group during a certain period of time.

6. Extraordinary income to be posted

In association with the share transfer, 7.6 billion yen of gain on sale of investment securities was posted under extraordinary income for the fiscal year ended March 31, 2021. The gain on sale of investment securities includes the realized amount of the unrealized gain of 3.3 billion yen. The realized amount of the unrealized gain is, of the transfer profit that was generated at the time of the business transfer in 2016 and eliminated in the consolidated financial statements, the amount realized corresponding to the share transfer.

(Notes - Consolidated balance sheet)

\*1. Investments in unconsolidated subsidiaries and affiliates are as follows:

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Investment securities (stocks)	23,561	18,272

\*2. Pledged assets and secured liabilities

Pledged assets		(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)	
Cash and deposits	28	28	
Buildings	-	51	
Land	-	360	
Investment securities	-	85	
Deposits (Investments and other assets)	387	379	
Total	415	904	

Secured liabilities		(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)	
Accounts payable - other	0	0	
Gift certificates (Current liabilities; Other)	73	76	
Long-term borrowings	-	220	
Total	73	296	

3. Guarantee obligations

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

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Employees (housing fund)	4	3

4. Discounted trade notes receivable

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Amount of discount on trade notes receivable	647	919

\*5. Land for business use was revaluated pursuant to the "Act on Revaluation of Land" (Act No. 34 promulgated on March 31, 1998), and valuation differences which correspond to taxes are posted as "Deferred tax liabilities for land revaluation" of "Liabilities" and the balance thereof is posted as "Revaluation reserve for land" of "Net assets".

(1) Method of revaluation

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

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

\*6. Investment securities provided for lending shares are as follows:

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Investment securities	425	368

## 7. Loan commitment agreement

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

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Total availability of loan commitment	28,500	28,500
Outstanding balance	24,600	12,700
Unused balance	3,900	15,800

(Notes - Consolidated statement of income)

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

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Advertising and promotion expenses	18,845	14,929
Provision of allowance for doubtful accounts	210	90
Salaries and wages	32,163	28,827
Provision for bonuses	1,913	2,023
Retirement benefit expenses	1,371	1,224

### \*2. Research and development expenses included in general and administrative expenses and manufacturing cost

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	4,607	4,095

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

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	15	-

### \*4. Gain on sales of non-current assets

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

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

### \*5. Loss on the spread of infectious disease

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

Cancellation expenses etc. of events: 169 million yen

Fixed cost while suspension of operations and business activities: 136 million yen

The loss on the spread of infectious disease posted in the current fiscal year mainly consist of fixed costs while suspension of operations and business activities.

### \*6. Business restructuring expenses

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

Special extra retirement payments and outplacement expenses: 225 million yen

Expenses regarding business withdrawal, etc.: 38 million yen

### \*7. Impairment loss

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

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

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

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

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

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

\*8. Loss on retirement of non-current assets

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

(Notes - Consolidated statement of comprehensive income)

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

(Millions of yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities		
Amount arising during the period	(5,949)	7,709
Reclassification adjustments	-	(24)
Before tax-effect adjustment	(5,949)	7,685
Amount of tax effects	1,853	(2,439)
Valuation difference on available-for-sale securities	(4,095)	5,245
Deferred gains or losses on hedges		
Amount arising during the period	165	(227)
Reclassification adjustments	74	68
Before tax-effect adjustment	240	(158)
Amount of tax effects	(127)	14
Deferred gains or losses on hedges	113	(144)
Foreign currency translation adjustment		
Amount arising during the period	(1,335)	1,931
Reclassification adjustments	-	(53)
Before tax-effect adjustment	(1,335)	1,878
Amount of tax effects	-	-
Foreign currency translation adjustment	(1,335)	1,878
Remeasurements of defined benefit plans		
Amount arising during the period	(590)	416
Reclassification adjustments	251	275
Before tax-effect adjustment	(339)	691
Amount of tax effects	57	(138)
Remeasurements of defined benefit plans	(281)	553
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	(890)	(331)
Reclassification adjustments	-	1
Before tax-effect adjustment	(890)	(330)
Amount of tax effects	-	-
Share of other comprehensive income of entities accounted for using equity method	(890)	(330)
Total other comprehensive income	(6,489)	7,202

(Notes - Consolidated statement of changes in equity)

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

1. Issued shares and treasury shares

(Thousands of shares)

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

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

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

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

2. Dividends

(1) Amount of dividends paid

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

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

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

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

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

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

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

1. Issued shares and treasury shares (Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares				
Common share (Note)	183	0	8	175
Total	183	0	8	175

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 102 thousand shares at the beginning of the current fiscal year and 94 thousand shares at the end of the current fiscal year of the Company held in the Board Benefit Trust (BBT).

The increase in common shares held as treasury shares is from purchase of shares less than one unit and due to a change in the ownership ratio of entities accounted for by the equity method.

The decrease of 8 thousand shares of common stock held as treasury shares was due to a decrease from a sale of the Company’s shares held in the Board Benefit Trust (BBT), as well as a decrease requests for sale of shares less than one unit.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2020	Common share	1,550	37.50	March 31, 2020	June 29, 2020
Board of Directors meeting on November 10, 2020	Common share	516	12.50	September 30, 2020	December 7, 2020

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 26, 2020 includes a dividend of 3 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 10, 2020 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

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

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common share	1,033	Retained earnings	25.00	March 31, 2021	June 30, 2021

(Note) 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).

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

(Notes - Consolidated statement of cash flows)

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

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Cash and deposits	26,112	32,611
Time deposits with maturities of more than three months	(0)	(271)
Cash and cash equivalents at the end of period	26,111	32,340

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

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

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

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

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

	(Millions of yen)
Current assets	2,853
Non-current assets	995
Goodwill	861
Current liabilities	(620)
Non-current liabilities	(1,602)
Acquisition price of shares	2,487
Cash and cash equivalents of the new consolidated subsidiary	(1,121)
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	1,365

\*3. "Extra retirement payments" consist of total amount paid including redundancy payment.

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

(Leases)

1. Finance lease transactions

Finance lease transactions without ownership transfer

1) Details of leased assets

Property, plant and equipment

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

Intangible assets

Mainly software.

2) Depreciation method of leased assets

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

2. Right-of-use assets

1) Details of right-of-use assets

Fixed assets

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

2) Depreciation method of right-of-use assets

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

3. Operating lease transactions

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

(Millions of yen)

	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Due within one year	3,532	3,375
Due after one year	11,368	7,871
Total	14,900	11,246

(Financial instruments)

## 1. Overview of financial instruments

### (1) Policy to manage financial instruments

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

### (2) Description of financial instruments and related risks

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

Most of the notes and accounts payable - trade (which are operating payables) are due within one year. Borrowings and bonds payable are mainly 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.

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

### (3) Risk management structure regarding financial instruments

#### 1) Management of credit risk

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

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

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

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

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

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

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

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

#### 3) Management of liquidity risk related to financing

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

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

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

## 2. Market value of financial instruments

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

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

(\*) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts.

Current fiscal year (as of March 31, 2021)			(Millions of yen)
	Balance sheet amount	Market value	Difference
(1) Cash and deposits	32,611	32,611	-
(2) Notes and accounts receivable - trade	37,185	37,185	-
(3) Accounts receivable - other	4,932	4,932	-
(4) Investment securities			
1) Shares of subsidiaries and associates	15,383	17,425	2,041
2) Available-for-sale securities	22,619	22,619	-
Total assets	112,732	114,774	2,041
(1) Notes and accounts payable - trade	19,310	19,310	-
(2) Electronically recorded obligations - operating	6,048	6,048	-
(3) Short-term borrowings	72,611	72,611	-
(4) Current portion of bonds payable	350	350	0
(5) Current portion of long-term borrowings	17,315	17,317	2
(6) Accounts payable - other	9,266	9,266	-
(7) Bonds payable	450	450	0
(8) Long-term borrowings	35,263	35,291	28
Total liabilities	160,615	160,647	31
Derivative transactions (*)	(258)	(258)	-

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

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

Assets

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

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

(4) Investment securities:

Equities are based on their value on exchanges.

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

Liabilities

(1) Notes and accounts payable - trade, (2) Electronically recorded obligations - operating, (3) Short-term borrowings ,and (6) Accounts payable - other:

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

(4) Current portion of bonds payable and (7) Bonds payable:

The market value of bonds payable is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the remaining period and credit risks of the bonds payable, since the bonds are issued by a subsidiary and do not have a market price.

(5) Current portion of long-term borrowings and (8) Long-term borrowings:

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

Derivative transactions

Refer to “Derivative transactions”.

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

Classification	(Millions of yen)	
	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Unlisted shares of subsidiaries and affiliates	5,940	2,888
Unlisted shares	402	572

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

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

Previous fiscal year (as of March 31, 2020)

(Millions of yen)

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

Current fiscal year (as of March 31, 2021)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	32,611	-	-	-
Notes and accounts receivable - trade	37,176	3	4	1
Accounts receivable - other	4,932	-	-	-
Total	74,720	3	4	1

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

Previous fiscal year (as of March 31, 2020)

(Millions of yen)

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

Current fiscal year (as of March 31, 2021)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	72,611	-	-	-	-	-
Current portion of bonds payable and Bonds payable	350	150	300	-	-	-
Current portion of long-term borrowings and Long-term borrowings	17,315	18,297	7,596	2,110	260	7,000
Total	90,276	18,447	7,896	2,110	260	7,000

(Securities)

1. Available-for-sale securities

Previous fiscal year (as of March 31, 2020)

(Millions of yen)

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

Current fiscal year (as of March 31, 2021)

(Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	22,466	7,770	14,695
	Subtotal	22,466	7,770	14,695
Securities whose B/S amount do not exceed their acquisition price	Shares	153	174	(21)
	Subtotal	153	174	(21)
Total		22,619	7,944	14,674

2. Available-for-sale securities sold

Previous fiscal year (as of March 31, 2020)

Not applicable.

Current fiscal year (as of March 31, 2021)

This information is not provided due to its low materiality.

## (Derivative transactions)

## 1. Derivative transactions for which hedge accounting is not applied

## (1) Currency-related transactions

Previous fiscal year (as of March 31, 2020)

(Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	1,819	-	2	2
	EUR	786	-	12	12
	Buy:				
	USD	66	-	-	-
	EUR	18	-	-	-
	GBP	5	-	-	-
	Total	2,697	-	15	15

(Note) Calculation method of the market value: The market value is determined based on the price quoted by correspondent financial institutions, etc.

Current fiscal year (as of March 31, 2021)

(Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	1,345	-	(81)	(81)
	EUR	767	-	(24)	(24)
	Buy:				
	USD	143	-	(2)	(2)
	EUR	15	-	0	0
	Total	2,271	-	(108)	(108)

(Note) Calculation method of the market value: The market value is determined based on the price quoted by correspondent financial institutions, etc.

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

Previous fiscal year (as of March 31, 2020)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		3,112-	-	63
	EUR		829	-	11
	GBP		296	-	20
	Buy:	Accounts payable - trade			
	USD		7,444	1,370	199
	THB		325	33	(7)
Deferral hedge accounting (“furiate-shori”) of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	EUR		155	-	3
	GBP		48	-	3
	Buy:	Accounts payable - trade			
	USD		1,781	-	1
	GBP		7	-	0
Total			14,000	1,403	296

(Note) Calculation method of the market value: The market value is determined based on the price quoted by correspondent financial institutions, etc.

Current fiscal year (as of March 31, 2021)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		4,774	-	(157)
	EUR		1,853	-	(52)
	GBP		332	-	(27)
	AUD		309	-	(14)
	THB		1,034	-	14
	Buy:	Accounts payable - trade			
	USD		4,367	205	267
Deferral hedge accounting ("furiate-shori") of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	EUR		198	-	(6)
	GBP		41	-	(3)
	AUD		49	-	(2)
	Buy:	Accounts payable - trade			
	USD		382	-	18
THB		33	-	1	
Total			13,377	205	37

(Note) Calculation method of the market value: The market value is determined based on the price quoted by correspondent financial institutions, etc.

## (2) Interest-related transactions

Previous fiscal year (as of March 31, 2020)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Swaps: Pay fixed/receive floating	Short-term borrowings	13,000	13,000	(264)
Special treatment	Swaps: Pay fixed/receive floating	Long-term borrowings	3,162	1,990	Note 2

Note: 1. Calculation method of the market value: The market value is determined based on the price quoted by correspondent financial institutions, etc.

2. Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings that represent hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

Current fiscal year (as of March 31, 2021)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Swaps: Pay fixed/receive floating	Short-term borrowings	13,000	13,000	(179)
Special treatment	Swaps: Pay fixed/receive floating	Long-term borrowings	1,990	1,170	Note 2

Note: 1. Calculation method of the market value: The market value is determined based on the price quoted by correspondent financial institutions, etc.

2. Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings that represent hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

(Retirement benefits)

1. Outline of adopted retirement benefit plans

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

Under the retirement lump-sum plan, a lump-sum payment based on salaries and service periods is paid as retirement benefits. In addition, redundancy payments that are not subject to retirement benefit liability calculated based on an actuarial method in accordance with retirement benefit accounting may be paid in some cases when employees retire.

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

2. Defined-benefit plan

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

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Retirement benefits obligation at the beginning of the period	14,728	13,823
Service cost	118	84
Interest cost	228	223
Actuarial gains and losses generated	231	804
Retirement benefits paid	(956)	(1,024)
Prior service cost generated	158	-
Effect of foreign currency translation	(663)	1,086
Other	(22)	8
Retirement benefits obligation at the end of the period	13,823	15,007

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

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Plan assets at the beginning of the period	8,339	7,390
Expected return on plan assets	186	169
Actuarial gains and losses generated	(408)	1,357
Contribution from employers	97	119
Retirement benefits paid	(217)	(439)
Effect of foreign currency translation	(612)	1,003
Other	5	7
Plan assets at the end of the period	7,390	9,607

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

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Net defined benefit liability at the beginning of the period	4,212	4,021
Retirement benefit expenses	184	287
Retirement benefits paid	(588)	(261)
Contribution to plans	(4)	(72)
Increase due to newly consolidated subsidiary	216	(363)
Net defined benefit liability at the end of the period	4,021	3,611

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

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Retirement benefits obligation for funded plans	8,218	10,451
Plan assets	(7,390)	(10,467)
	828	(16)
Retirement benefits obligation for unfunded plans	9,625	9,027
Net defined liability and assets reported on the consolidated balance sheet	10,453	9,011
Net defined benefit liability	10,453	9,402
Net defined benefit assets	-	(391)
Net defined liability and assets reported on the consolidated balance sheet	10,453	9,011

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

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

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Service cost	118	84
Interest cost	228	223
Expected return on plan assets	(186)	(169)
Amortization of actuarial gains and losses	417	257
Amortization of prior service cost	43	(115)
Retirement benefit expenses calculated using the simplified method	184	287
Non-recurring redundancy payments	310	109
Other	(28)	1
Total	1,089	679

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

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

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Prior service cost	(115)	(115)
Actuarial gains and losses	(223)	807
Total	(339)	691

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

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

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Unrecognized prior service cost	115	-
Unrecognized actuarial gains and losses	(1,144)	(336)
Total	(1,028)	(336)

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

(8) Plan assets

Major components of plan assets

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

	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Stocks	38%	40%
Bonds	38%	33%
Cash and deposits	4%	5%
Other	20% (Note)	22% (Note)
Total	100%	100%

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

(9) Actuarial assumptions used

Principal actuarial assumptions

	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Discount rate	0.4 - 6.3%	0.3 - 6.5%

3. Defined contribution plans

The required amounts of contribution to the Group's defined contribution plans were 1,393 million yen for the previous fiscal year (ended March 31, 2020) and 1,412 million yen for the current fiscal year (ended March 31, 2021).

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Deferred tax assets:		
Write-down of inventory	1,250	1,231
Allowance for doubtful accounts	361	206
Provision for bonuses	954	976
Net defined benefit liability	2,952	2,708
Loss on valuation of securities	569	768
Impairment loss	1,929	3,182
Long-term accounts payable - other	10	8
Unrealized gains on inventories	417	500
Mark-to-market gains from participation in consolidated taxation system	369	192
Net operating losses carried forward (Note 3)	9,116	8,397
Other	4,404	4,518
Subtotal deferred tax assets	22,337	22,691
Valuation allowance for net operating loss carry forwards (Note 3)	(6,724)	(6,580)
Valuation allowance for the sum of deductible temporary differences, etc.	(4,714)	(6,510)
Subtotal valuation allowance (Note 2)	(11,439)	(13,090)
Total deferred tax assets	10,898	9,601
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	2,189	4,634
Valuation difference of consolidated subsidiaries by the market value method	3,770	3,611
Retained earnings of overseas subsidiaries	862	1,003
Other	1,563	1,425
Total deferred tax liabilities	8,386	10,673
Net deferred tax assets (liabilities) (Note 1)	2,511	(1,072)

(Note) 1. Net deferred tax assets (liabilities) as of March 31, 2020 and 2021 are included in the following accounts in the consolidated balance sheet:

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Deferred tax assets - non-current assets	4,441	2,273
Deferred tax liabilities - non-current liabilities	1,929	3,346

Previous fiscal year (as of March 31, 2020)

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

Current fiscal year (as of March 31, 2021)

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

(Note) 2. Valuation allowance increased by 1,651 million yen, due mainly to an increase in valuation allowance for the sum of deductible temporary differences, etc.

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

Previous fiscal year (Ended March 31, 2020)

(Millions of yen)

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

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

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

Current fiscal year (Ended March 31, 2021)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	809	711	225	571	1,988	4,091	8,397
Valuation allowance	(755)	(645)	(219)	(565)	(1,128)	(3,266)	(6,580)
Deferred tax assets	54	66	5	5	859	824	(b)1,816

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

(b) For tax losses carried forward of 8,397 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 1,816 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

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

Previous fiscal year (as of March 31, 2020)

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

Current fiscal year (as of March 31, 2021)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	3.01 %
Non-deductible amount (Entertainment expenses, etc.)	0.51 %
Amortization of goodwill	4.55 %
Different tax rates applied to foreign consolidated subsidiaries	(4.77)%
Share of profit of entities accounted for using equity method	8.53 %
Unrealized gains on inventories	1.79 %
Per capita tax	1.38 %
Aggregation of income of specified foreign subsidiary companies, etc.	6.30 %
Consolidation adjustment related to the transfer of shares in equity-method affiliates	(9.61)%
Other	0.61 %
Actual effective income tax rate after application of tax-effect accounting	42.94 %

(Business combinations, etc.)

Description is omitted due to its insignificance.

(Asset retirement obligations)

Description is omitted due to its insignificance.

(Leased Property)

The Company and some of its subsidiaries have real estate for rent in Tokyo and other areas.

For the previous fiscal year, lease revenue (loss) related to the real estate for rent was 236 million yen (primarily, lease revenue was posted under non-operating income, while rental expenses were posted under non-operating expenses), gain on sales of non-current assets was 138 million yen (posted under extraordinary income), and loss on retirement of non-current assets was 179 million yen (posted under extraordinary losses).

For the current fiscal year, lease revenue (loss) related to the real estate for rent was 320 million yen (primarily, lease revenue was posted under non-operating income, while rental expenses were posted under non-operating expenses), and gain on sales of non-current assets was 537 million yen (posted under extraordinary income).

The amounts posted on the consolidated balance sheet, changes during the fiscal year, and the market value of the real estate for rent were as follows:

	(Millions of yen)	
	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Carrying value		
Balance at the beginning of the year	15,583	15,698
Increase/Decrease during the year	115	1,492
Balance at the end of the year	15,698	17,191
Fair value at the end of the year	15,601	19,675

Notes :1. The carrying value shown here is calculated by deducting the relevant accumulated depreciation and impairment loss from the property's acquisition cost.

2. Of the increase/decrease during the period, the main factors for the previous fiscal year were an increase in the rate of rent (401 million yen) and an increase due to the reclassification of leased property from commercial real estate to rental real estate (383 million yen), a decrease due to the reclassification of leased property from rental real estate to commercial real estate (450 million yen), and a decrease in the rate of rent (119 million yen). The main factors for the current fiscal year were an increase due to the reclassification of leased property from commercial real estate to rental real estate (1,410 million yen) and the acquisition of rental real estate (1,022 million yen), the sale of rental real estate (463 million yen) and a decrease in the rate of rent (272 million yen).

3. The fair value was mainly based on real-estate appraisal value which was calculated by external real-estate appraisers.

(Segment Information, etc.)

<Segment information>

1. Outline of the reported segments

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

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

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

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

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

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

The accounting method for the reported segments is the same as basis of preparation for the consolidated financial statements.

Intersegment transactions are based on market prices.

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

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

(Millions of yen)

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

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

2. Adjustments are as follows:

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Watches	Electronic Devices	Systems Solutions	Total				
Net sales								
Revenues from external customers	103,136	45,075	32,486	180,698	21,972	202,671	-	202,671
Transactions with other segments	1,918	5,141	1,628	8,688	2,909	11,598	(11,598)	-
Total	105,054	50,217	34,114	189,386	24,882	214,269	(11,598)	202,671
Segment profits (losses)	5,600	1,302	3,538	10,441	(40)	10,401	(8,207)	2,194
Segment assets	108,863	73,697	23,912	206,474	38,134	244,608	75,062	319,671
Other items								
Depreciation and amortization expense	4,725	3,196	1,057	8,979	587	9,567	1,123	10,690
Amortization of goodwill	0	-	388	388	-	388	566	955
Investment amounts to equity method companies	134	621	-	756	5,074	5,830	11,073	16,904
Increase amounts of fixed assets and intangible assets	3,631	2,798	1,033	7,463	318	7,782	9,417	17,200

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

2. Adjustments are as follows:

- (1) Adjustments to segment profits (losses) in the amount of -8,207 million yen include -566 million yen in the amortization of goodwill, 303 million yen that mainly consists of the elimination of inter-segment transactions, and -7,944 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.
  - (2) Adjustments to segment assets in the amount of 75,062 million yen include -85,914 million yen in the elimination of inter-segment liabilities, 211,958 million yen in company-wide assets not appropriated to each reported segment, and -50,980 million yen that mainly consists of the elimination of investments and equity. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).
  - (3) Adjustment to investment in entities accounted for by the equity method in the amount of 11,073 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.
3. Segment profit (losses) has been adjusted for alongside operating profit on the consolidated statements of income.

<Information associated with reported segments >

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

1. Information for each product or service

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

2. Information for each region

(1) Net sales (Millions of yen)

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

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

(2) Intangible assets (Millions of yen)

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

3. Information for each of main customers

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

1. Information for each product or service

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

2. Information for each region

(1) Net sales (Millions of yen)

Japan	P.R. China	Other	Total
113,109	28,662	60,898	202,671

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

(2) Intangible assets (Millions of yen)

Japan	Other	Total
81,517	21,660	103,177

3. Information for each of main customers

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

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

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

(Millions of yen)

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

Not applicable.

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

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

(Goodwill)

(Millions of yen)

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

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

(Goodwill)

(Millions of yen)

	Reported segment				Other	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Amortization of goodwill	0	-	388	388	-	566	955
Balance at the end of fiscal year	0	-	2,519	2,520	-	4,816	7,336

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

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

Not applicable.

<Related parties>

1. Transactions with related parties

(1) Transactions of the Company with related parties

Parent company and major shareholders, etc. of the Company

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

(Millions of yen)

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.2%	Property lease-in, etc.	Property lease-in	825	-	-
							Property acquisition	5,500	-	-

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

2. Transaction terms and policies to determine them

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

3. For the acquisition of real estate, the price is determined through negotiations based on the evaluation of experts.

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

Non-consolidated subsidiaries and affiliates of the reporting company

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

(Millions of yen)

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

Current fiscal year (from April 1, 2020 to March 31, 2021)

Not applicable.

2. Notes concerning the parent company and significant affiliates

(1) Information of the parent company

Not applicable.

(2) Information of the significant affiliates

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

(Millions of yen)

	OHARA INC.	
	Previous fiscal year	Current fiscal year
Total current assets	-	28,438
Total non-current assets	-	21,183
Total current liabilities	-	7,147
Total non-current liabilities	-	6,290
Total net assets	-	36,183
Net sales	-	17,873
Loss before income taxes	-	(3,861)
Loss attributable to owners of parent	-	(4,226)

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

ABLIC Inc., which was classified as a significant affiliate in the previous fiscal year, was excluded from the Company's equity-method affiliates due to the transfer of all shares on April 30, 2020, and is no longer a significant affiliate.

Condensed financial information of ABLIC Inc. is as follows.

(Millions of yen)

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

(Per-share information)

(Yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Net assets per share	2,499.97	2,709.17
Basic earnings per share	82.36	84.30
Diluted earnings per share	82.33	84.30

(Notes) 1. For the purpose of calculating the basic earnings per share and diluted earnings per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders’ equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year (105 thousand shares for the previous fiscal year and 96 thousand shares for the current fiscal year).

For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year (102 thousand shares for the previous fiscal year and 94 thousand shares for the current fiscal year).

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

(Millions of yen)

	Previous fiscal year (as of March 31, 2020)	Current fiscal year (as of March 31, 2021)
Total net assets	104,273	113,082
Amounts deducted from total net assets	1,223	1,387
<i>Of which, non-controlling interests</i>	<i>1,223</i>	<i>1,387</i>
Net assets at the end of the fiscal year related to common shares	103,050	111,695
The number of common shares at the end of the fiscal year used to calculate net assets per share (Thousands of shares)	41,220	41,228

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

(Millions of yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Basic earnings per share:		
Profit attributable to owners of parent	3,394	3,475
Profit attributable to owners of parent pertaining to common stock	3,394	3,475
Average number of shares of common stock outstanding during the period (Thousands of shares)	41,218	41,226
Diluted earnings per share:		
Adjustments to profit attributable to owners of parent	(1)	(0)
<i>Of which, adjustments by potential shares of affiliates accounted for by the equity method</i>	<i>(1)</i>	<i>(0)</i>
The increased number of common shares (Thousands of shares)	-	-
Overview of potential shares that are not included in the calculation of diluted earnings per share due to absence of dilutive effects	19,000 common stocks of ABLIC Inc., affiliates accounted for by the equity method, as stock acquisition rights (stock options)	-

## (e) Consolidated supplemental schedules

## Detailed schedule of bonds payable

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
Kiraboshi Bank, Ltd.	25th unsecured bonds	September 21, 2016	-	100 (100)	0.37	None	September 21, 2021
Mizuho Bank, Ltd.	26th unsecured bonds	November 25, 2016	-	100 (100)	0.26	None	November 25, 2021
The Shoko Chukin Bank, Ltd.	27th unsecured bonds	December 22, 2016	-	150 (150)	0.26	None	December 22, 2021
Mizuho Bank, Ltd.	29th unsecured bonds	February 20, 2018	-	150	0.06	None	February 20, 2023
Mizuho Bank, Ltd.	30th unsecured bonds	July 31, 2018	-	100	0.136	None	July 31, 2023
MUFG Bank, Ltd.	31st unsecured bonds	August 21, 2018	-	100	0.37	None	August 21, 2023
Kiraboshi Bank, Ltd.	32nd unsecured bonds	August 27, 2018	-	100	0.46	None	August 25, 2023
Total	-	-	-	800 (350)	-	-	-

(Note) 1. The amounts in parentheses presented under “Balance at the end of current fiscal year” represent the amounts scheduled to be redeemed within one year.

2. The following table shows the aggregate annual maturities of bonds within five years after the consolidated balance sheet date.

(Millions of yen)

Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
350	150	300	-	-

Detailed schedule of borrowings

Classification	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Average interest rate (%)	Maturity date
Short-term borrowings	59,140	72,611	0.6	-
Current portion of long-term borrowings	16,843	17,315	0.6	-
Current portion of lease obligations	1,351	1,330	2.8	-
Long-term l borrowings (excluding current portion)	33,637	35,263	0.8	September 30, 2026
Lease obligations (excluding current portion)	4,288	3,922	2.5	October 31, 2030
Other interest-bearing debt (Current portion of) guarantee deposits received	105	110	0.1	-
Business security deposit	32	32	0.0	-
Total	115,398	130,584	-	-

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

2. Repayment deadlines for guarantee deposits received under other interest bearing debt are not set in particular.

In addition, guarantee deposits received are included in "Other" under non-current liabilities in the consolidated balance sheets.

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

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	18,297	7,596	2,110	260
Lease obligations	979	764	674	508

Detailed schedule of asset retirement obligations

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are one percent or less of the total liabilities and net assets at the beginning and the end of the current fiscal year. Accordingly, the preparation of the schedule of asset retirement obligations has been omitted.

(2) Other

Quarterly financial information and others for the fiscal year

(Cumulative period)	First quarter (Three months ended June 30, 2020)	Second quarter (Six months ended September 30, 2020)	Third quarter (Nine months ended December 31, 2020)	Full year (Fiscal year ended March 31, 2021)
Net sales (Millions of yen)	35,612	87,490	145,998	202,671
Profit before income taxes (Millions of yen)	1,487	3,469	4,516	6,424
Profit attributable to owners of parent (Millions of yen)	942	2,107	2,297	3,475
Basic earnings per share (Yen)	22.87	51.11	55.72	84.30

(Accounting period)	First quarter (from April 1, 2020 to June 30, 2020)	Second quarter (from July 1, 2020 to September 30, 2020)	Third quarter (from October 1, 2020 to December 31, 2020)	Fourth quarter (from January 1, 2021 to March 31, 2021)
Basic earnings per share (Yen)	22.87	28.25	4.61	28.57

## 2. Non-Consolidated Financial Statements

### (1) Non-consolidated financial statements

#### (a) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	8,302	8,197
Prepaid expenses	688	749
Short-term loans receivable	*1 57,168	*1 58,206
Accounts receivable - other	*1 6,510	*1 5,803
Other	*1 700	*1 611
<b>Total current assets</b>	<b>73,370</b>	<b>73,569</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	3,724	5,530
Machinery and equipment	-	280
Tools, furniture and fixtures	766	1,757
Land	18,282	24,043
Leased assets	6	32
Construction in progress	1,307	991
<b>Total property, plant and equipment</b>	<b>24,087</b>	<b>32,635</b>
<b>Intangible assets</b>		
Leasehold right	1,952	1,952
Trademark right	8	6
Software	533	500
Other	20	20
<b>Total intangible assets</b>	<b>2,515</b>	<b>2,479</b>
<b>Investments and other assets</b>		
Investment securities	14,352	22,082
Shares of subsidiaries and associates	*2 59,899	*2 60,106
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	*1 11,917	*1 12,340
Claims provable in bankruptcy, claims provable in rehabilitation and other	28	23
Long-term prepaid expenses	29	37
Guarantee deposits	2,465	1,724
Other	*1 289	*1 266
Allowance for doubtful accounts	(11,994)	(12,412)
<b>Total investments and other assets</b>	<b>76,987</b>	<b>84,168</b>
<b>Total non-current assets</b>	<b>103,590</b>	<b>119,283</b>
<b>Total assets</b>	<b>176,961</b>	<b>192,853</b>

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term borrowings	56,799	63,912
Current portion of long-term borrowings	16,552	17,240
Lease obligations	1	20
Accounts payable - other	※ 1 4,509	※ 1 2,693
Accrued expenses	※ 1 408	※ 1 394
Income taxes payable	3	13
Deposits received	※ 1 3,398	※ 1 4,662
Unearned revenue	274	238
Provision for bonuses	80	288
<b>Total current liabilities</b>	<b>82,027</b>	<b>89,464</b>
<b>Non-current liabilities</b>		
Long-term borrowings	33,562	35,043
Lease obligations	5	11
Deferred tax liabilities	1,196	3,654
Deferred tax liabilities for land revaluation	3,614	3,614
Provision for loss of subsidiaries and associates	1,393	1,960
Provision for stock benefits	134	161
Provision for environmental measures	1	-
Asset retirement obligations	319	123
Guarantee deposits	※ 1 3,706	※ 1 3,086
Other	319	237
<b>Total non-current liabilities</b>	<b>44,252</b>	<b>47,892</b>
<b>Total liabilities</b>	<b>126,280</b>	<b>137,357</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	10,000	10,000
<b>Capital surplus</b>		
Legal capital surplus	2,378	2,378
Other capital surplus	4,246	4,246
<b>Total capital surplus</b>	<b>6,625</b>	<b>6,625</b>
<b>Retained earnings</b>		
Legal retained earnings	121	121
<b>Other retained earnings</b>		
Retained earnings brought forward	21,695	21,189
<b>Total retained earnings</b>	<b>21,817</b>	<b>21,310</b>
Treasury shares	(301)	(288)
<b>Total shareholders' equity</b>	<b>38,140</b>	<b>37,646</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	4,547	9,792
Deferred gains or losses on hedges	(196)	(133)
Revaluation reserve for land	8,190	8,190
<b>Total Valuation and translation adjustments</b>	<b>12,541</b>	<b>17,849</b>
<b>Total net assets</b>	<b>50,681</b>	<b>55,495</b>
<b>Total liabilities and net assets</b>	<b>176,961</b>	<b>192,853</b>

## (b) Non-consolidated statement of income

(Millions of yen)

	FY2019	FY2020
<b>Operating revenue</b>		
Dividend from subsidiaries and associates	7,251	7,054
Management fee income	2,032	2,136
Royalty income	2,746	2,110
Total operating revenue	* <sub>2</sub> 12,031	* <sub>2</sub> 11,301
Operating expenses	* <sub>1,*2</sub> 9,629	* <sub>1,*2</sub> 10,864
Operating profit	2,401	436
<b>Non-operating income</b>		
Interest income	* <sub>2</sub> 686	* <sub>2</sub> 692
Dividend income	745	745
Other	* <sub>2</sub> 511	* <sub>2</sub> 544
Total non-operating income	1,943	1,982
<b>Non-operating expenses</b>		
Interest expenses	* <sub>2</sub> 785	* <sub>2</sub> 716
Rental expenses on real estate	* <sub>2</sub> 415	* <sub>2</sub> 671
Other	117	222
Total non-operating expenses	1,317	1,609
Ordinary profit	3,027	809
<b>Extraordinary income</b>		
Gain on sales of non-current assets	112	506
Subsidy income	-	9
Gain from forgiveness of consolidated tax payable	3	0
Total extraordinary income	115	516
<b>Extraordinary losses</b>		
Provision of allowance for investment loss of subsidiaries and affiliates	* <sub>3</sub> 760	* <sub>3</sub> 990
Loss on the spread of infectious disease	-	* <sub>4</sub> 262
Loss on retirement of non-current assets	179	-
Total extraordinary losses	939	1,252
Profit before income taxes	2,203	73
Income taxes - current	(1,136)	(1,608)
Income taxes - deferred	215	120
Total income taxes	(921)	(1,487)
Profit	3,124	1,560

## (c) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2020

(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 current period	10,000	2,378	4,246	6,625	121	21,672	21,793	(309)	38,109
Changes during period									
Dividends of surplus						(3,100)	(3,100)		(3,100)
Profit						3,124	3,124		3,124
Purchase of treasury shares								(1)	(1)
Disposal of treasury shares									-
Disposal of treasury shares by ownership plan trust								8	8
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	23	23	7	31
Balance at end of current period	10,000	2,378	4,246	6,625	121	21,695	21,817	(301)	38,140

	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 current period	8,918	(188)	8,190	16,920	55,029
Changes during period					
Dividends of surplus					(3,100)
Profit					3,124
Purchase of treasury shares					(1)
Disposal of treasury shares					-
Disposal of treasury shares by ownership plan trust					8
Net changes of items other than shareholders' equity	(4,370)	(8)	-	(4,379)	(4,379)
Total changes of items during period	(4,370)	(8)	-	(4,379)	(4,348)
Balance at end of current period	4,547	(196)	8,190	12,541	50,681

	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 current period	10,000	2,378	4,246	6,625	121	21,695	21,817	(301)	38,140
Changes during period									
Dividends of surplus						(2,067)	(2,067)		(2,067)
Profit						1,560	1,560		1,560
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares			(0)	(0)				0	0
Disposal of treasury shares by ownership plan trust								13	13
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	(0)	(0)	-	(506)	(506)	12	(493)
Balance at end of current period	10,000	2,378	4,246	6,625	121	21,189	21,310	(288)	37,646

	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 current period	4,547	(196)	8,190	12,541	50,681
Changes during period					
Dividends of surplus					(2,067)
Profit					1,560
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Disposal of treasury shares by ownership plan trust					13
Net changes of items other than shareholders' equity	5,245	62	-	5,308	5,308
Total changes of items during period	5,245	62	-	5,308	4,814
Balance at end of current period	9,792	(133)	8,190	17,849	55,495

## Notes to Non-consolidated Financial Statements

### (Significant accounting policies)

#### 1. Standards and methods for evaluating securities

##### (1) Shares in subsidiaries and affiliates:

Stated at cost using the moving-average method

##### (2) Available-for-sale securities:

###### 1) Securities with market value:

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

###### 2) Securities without market value:

Stated at cost using the moving-average method

#### 2. Standards and methods for evaluating derivatives

##### (1) Derivatives:

Market value method

#### 3. Depreciation methods for non-current assets

##### (1) 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.

##### (2) 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.

##### (3) 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

##### (1) Allowance for doubtful accounts:

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

##### (2) 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.

##### (3) Provision for loss of subsidiaries and associates:

In order to prepare for possible losses exceeding the book value of investments to any subsidiary or associate, an amount deemed necessary is provided for the loss exceeding the amount of receivables from such subsidiary or associate.

##### (4) 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.

(5) 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 its Executive Directors in accordance with the Rules for Delivery of Shares to Officers.

5. Hedge accounting method

(1) 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.

(2) Means of hedging and hedged items:

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

(3) Hedging policy

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

(4) 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.

6. Accounting for consumption tax, etc.

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

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.

(Significant accounting estimates)

Valuation of deferred tax assets

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

Deferred tax liabilities 3,654 million yen

Deferred tax assets of 740 million yen and deferred tax liabilities of 4,394 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 certain 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.

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 throughout the following fiscal year.

(Changes in presentation)

(Application of the “Accounting Standard for Disclosures of Accounting Estimates”)

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued on March 31, 2020) to the financial statements as of the end of the fiscal year under review, and accordingly has included notes of significant accounting estimates to the financial statements.

However, in accordance with the transitional treatment as stipulated in the proviso under Paragraph 11 of the said Accounting Standard, descriptions pertaining to the prior fiscal year are not stated in the said notes.

(Supplementary information)

(Board Benefit Trust (BBT) for executive directors)

Pursuant to a resolution passed at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company has introduced, effective August 26, 2016, a performance-linked stock compensation plan, "Board Benefit Trust (BBT)" (hereinafter, "the Plan"), for the Company's Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors) for the purpose of raising awareness of the need to contribute to improvement of the Company's mid- to long-term performance and enhancement of corporate value.

1. Outline of transactions

The Plan is a structure to deliver the Company's shares to the Company's Directors who execute business duties, who meet certain requirements pursuant to the "Rules for Delivery of Shares to Officers" prescribed by the Company.

The Company grants points to the Company's Directors who execute business duties according to their position and the degree of achievement of the mid- to long-term performance index, etc. in the relevant fiscal year, and deliver the Company's shares to them according to the determined points at the time of retirement of the Directors who execute business duties. However, if a Director who executes business duties meets the requirements stipulated in the "Rules for Delivery of Shares to Officers," the Company may pay him or her cash equivalent to the market value of the Company's shares for a certain percentage of his or her points, instead of delivering such shares. The shares to be delivered to the Company's Directors who execute business duties shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

2. Shares of the Company remaining in trust

The Company's shares remaining in trust are posted as treasury shares in the "Net assets" section based on the book value in the trust (excluding the amount of incidental costs). The book value and number of shares of such treasury shares as of March 31, 2020 and 2021 are 161 million yen and 102,600 shares and 148 million yen and 94,300 shares, respectively.

(Notes - Non-consolidated balance sheets)

\*1. Receivables from and payables to subsidiaries and associates

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Short-term receivables	61,066	62,137
Short-term payables	6,520	6,914
Long-term receivables	11,987	12,413
Long-term payables	1,610	1,582

\*2. Shares of subsidiaries and associates provided for lending shares are as follows:

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Shares of subsidiaries and associates	46	46

3. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital.

The status of the commitments as of the end of the fiscal year is as follows:

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Total availability of loan commitment	28,500	28,500
Outstanding balance	24,600	12,700
Unused balance	3,900	15,800

(Notes -Non-consolidated statement of income)

\*1 Major components of operating expenses are as follows:

The Company is a holding company and does not sell any products.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To March 31, 2021)
Advertising and promotion expenses	4,351	4,039
Depreciation	132	161
Provision for bonuses	80	288
Salaries and wages	1,773	2,382
Outsourcing expenses	1,971	1,333

\*2. Transactions with subsidiaries and associates

	(Millions of yen)	
	Previous fiscal year (From April 1, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To March 31, 2021)
Operating revenue	11,717	11,011
Operating expenses	2,928	4,672
Non-operating transactions	3,238	5,684

\*3. The breakdown of the provision of allowance for investment loss of subsidiaries and affiliates is as follows:

	(Millions of yen)	
	Previous fiscal year (From April 1, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To March 31, 2021)
Provision of allowance for doubtful accounts for subsidiaries and associates	1,846	890
Provision of allowance for investment loss of subsidiaries and associates	—	567
Reversal of allowance for doubtful accounts for subsidiaries and associates(Δ)	—	(467)
Reversal of allowance for investment loss of subsidiaries and associates(Δ)	(1,086)	—
Total	760	990

\*4. Loss on the spread of infectious disease

Loss on the spread of infectious disease in the current fiscal year mainly relate to Fixed cost while suspension of operations and business activities etc.

(Securities)

Investments in subsidiaries and affiliates

Previous fiscal year (As of March 31, 2020)

(Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	—	—	—
2. Affiliates' shares	2,177	4,100	1,922
Total	2,177	4,100	1,922

Current fiscal year (As of March 31, 2021)

(Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	—	—	—
2. Affiliates' shares	2,177	7,938	5,760
Total	2,177	7,938	5,760

(Note)The amounts of shares in subsidiaries and affiliates recorded in the non-consolidated balance sheet for which it is extremely difficult to measure the fair value

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Subsidiaries' shares	56,151	56,151
Affiliates' shares	1,570	1,777

These shares are not included in above "Investments in subsidiaries and affiliates" because they do not have a market value and their fair value is not easily determinable.

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Deferred tax assets		
Provision for bonuses	24	88
Allowance for doubtful accounts	3,672	3,800
Loss on valuation of shares in subsidiaries	6,103	6,103
Allowance for investment loss of subsidiaries and associates	1	1
Provision for loss of subsidiaries and associates	426	600
Impaired loss on non-current assets	713	713
Assets for adjustment of profit and loss due to transfer	1,207	1,202
Long-term accounts payable - other	10	8
Loss carried forward	2,236	2,534
Other	275	202
Deferred tax assets - subtotal	14,671	15,256
Valuation-related reserves concerning loss carried forward	(1,896)	(2,279)
Valuation-related reserves concerning the sum of deductible temporary differences	(11,878)	(12,236)
Valuation-related reserves-subtotal	(13,774)	(14,516)
Deferred tax assets - total	897	740
Deferred tax liabilities		
Assets for adjustment of profit and loss due to transfer	20	20
Valuation difference on available-for-sale securities	2,007	4,321
Other	66	51
Deferred tax liabilities - total	2,094	4,394
Net deferred tax assets (liabilities)	(1,196)	(3,654)

Previous fiscal year (As of March 31, 2020)

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

Current fiscal year (As of March 31, 2021)

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

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

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Statutory tax rate	30.62 %	30.62 %
Reconciliations:		
Non-deductible amount (Entertainment expenses, etc.)	0.99 %	13.86 %
Non-taxable items (dividend income)	(102.70) %	(3,005.46) %
Valuation allowance	30.98 %	1,024.69 %
Other	(1.70) %	(92.21) %
Actual effective income tax rate after application of tax-effect accounting	(41.80) %	(2,028.50) %

(Business combinations, etc.)

Description is omitted due to its insignificance.

(Significant subsequent events)

Not applicable.

d. Non-consolidated supplemental schedules

Detailed schedule of fixed assets

(Millions of yen)

Category	Type of assets	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Depreciation or amortization for the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation or amortization
Property, plant and equipment	Buildings	3,724	2,544	217	520	5,530	7,231
	Machinery and equipment	—	388	5	102	280	100
	Tools, furniture and fixtures	766	1,434	12	431	1,757	2,468
	Land	18,282 (11,804)	5,999	237	—	24,043 (11,804)	—
	Leased assets	6	48	—	22	32	30
	Construction in progress	1,307	988	1,304	—	991	—
	Total	24,087 (11,804)	11,402	1,776	1,077	32,635 (11,804)	9,831
Intangible fixed assets	Leasehold right	1,952	—	—	—	1,952	—
	Trademark right	8	—	—	2	6	—
	Software	533	189	22	200	500	—
	Other	20	—	—	—	20	—
	Total	2,515	189	22	203	2,479	—

(Note) 1. The amounts in parentheses in the “Balance at beginning of the fiscal year” and “Balance at end of the fiscal year” columns represent the revaluation reserve for land, which the land for business use was revaluated pursuant to the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998).

2. The increase in buildings was mainly due to the acquisition of rental facilities (in Shizukuishi-cho, Iwate-gun, Iwate).

3. The increase in machinery and equipment was mainly due to the transfer of R&D and production technology development functions of Seiko Instruments Inc. on April 1, 2020.

4. The increase in land was mainly due to the acquisition of rental facilities (in Chuo-ku, Tokyo).

Detailed schedule of allowances

(Millions of yen)

Account	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Balance at the end of the current fiscal year
Allowance for doubtful accounts	11,994	891	472	12,412
Allowance for investment loss of subsidiaries and associates	4	—	—	4
Provision for bonuses	80	288	80	288
Provision for loss of subsidiaries and associates	1,393	567	—	1,960
Provision for stock benefits	134	41	14	161
Provision for environmental measures	1	—	1	—

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable.

## VI. Information on Transfer and Repurchase of the Company's Stock

Fiscal year	From April 1 To March 31
General meeting of shareholders	June
Record date for dividend	March 31
Record dates for dividend of surplus	September 30 and March 31
Number of shares per unit of the Company's stock	100 shares
Repurchase and sale of stocks of less than a standard unit	
Address where repurchases are processed	(Special account) 2-1 Yaesu 1-chome, Chuo-ku, Tokyo Stock Transfer Agency Department, Head Office Mizuho Trust & Banking Co., Ltd.
Administrator of shareholders' register	(Special account) 2-1 Yaesu 1-chome, Chuo-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Offices available for repurchase	—
Charges for repurchase or sale	Amount specifically determined as brokerage fees for the purchase and sale of shares
Method of public notice	Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun. The electronic public notice is presented on the Company's Web site at <a href="https://www.seiko.co.jp">https://www.seiko.co.jp</a>
Special benefits to shareholders	None

(Note) Pursuant to the provisions of SEIKO HOLDINGS CORPORATION's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following; (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to requests to SEIKO HOLDINGS CORPORATION in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to SEIKO HOLDINGS CORPORATION to sell shares less than one unit.

## VII. Reference Information on the Company

### 1. Information on the parent company or equivalent of the Company

The Company has no parent company or equivalent as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2. Other reference information

The Company filed the following documents between the beginning of the fiscal year ended March 31, 2021 and the date when this Securities Report (Yukashoken-Hokokusho) was filed.

#### (1) Securities Report and Accompanying Documents and Confirmation Note

Fiscal Year (the 159th) From April 1, 2019 to March 31, 2020

Submitted to the director of the Kanto Local Finance Bureau on July 26, 2020.

#### (2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on July 26, 2020.

#### (3) Quarterly Securities Reports and Confirmation Notes

(The 1st quarter of 160th period) From April 1, 2020 to June 30, 2020

Submitted to the director of the Kanto Local Finance Bureau on August 12, 2020.

(The 2nd quarter of 160th period) From July 1, 2020 to September 30, 2020

Submitted to the director of the Kanto Local Finance Bureau on November 12, 2020.

(The 3rd quarter of 160th period) From October 1, 2020 to December 31, 2020

Submitted to the director of the Kanto Local Finance Bureau on February 12, 2021.

#### (4) Extraordinary Reports

Submitted to the director of the Kanto Local Finance Bureau on June 30, 2020.

An extraordinary report according to the provision of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the director of the Kanto Local Finance Bureau on December 16, 2020.

An extraordinary report according to the provision of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 (Changes in specific subsidiaries), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the director of the Kanto Local Finance Bureau on April 7, 2021.

An extraordinary report according to the provision of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 (Changes in specific subsidiaries), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

#### (5) Amendment to Extraordinary Report

Submitted to the director of the Kanto Local Finance Bureau on October 6, 2020.

Report of amendments to an extraordinary report according to the provision of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. submitted on June 30, 2020.

Part II [Information on Guarantors for the Company]

Not applicable

Independent Auditors' Audit Report and Internal Control Audit Report  
(English Translation)

June 29, 2021

The Board of Directors  
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC

Tokyo, Japan

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

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

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

<Financial statements audit>

Opinion

We have audited the accompanying consolidated financial statements presented under “Financial Information” of SEIKO HOLDINGS CORPORATION, which comprise the consolidated balance sheets as at March 31, 2021, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, in order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SEIKO HOLDINGS CORPORATION and its consolidated subsidiaries as at March 31, 2021, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Validity of valuation of inventories of the Watches Business	
Description of Key Audit Matters and the Reasons for the Decision	Auditor’s Response
In the consolidated balance sheet for the current fiscal year of SEIKO HOLDINGS CORPORATION, inventories of merchandise and finished goods, work in process, raw materials and supplies totaling 68,424 million yen are recorded. As described in notes to consolidated financial statements “(Significant accounting estimates), 1. Valuation of inventories” 44,321 million yen of the total amount is inventories of the	In order to examine the validity of the valuation of inventories of the Watches Business, we selected consolidated subsidiaries engaged in this business that are considered to have a particularly high degree of uncertainty in estimates, taking into consideration the materiality of the balance of inventories, functions within the consolidated Group, products handled, performance trends in previous fiscal years, business plans, etc., and primarily

<p>Watches Business, which accounts for 13.9% of consolidated total assets.</p> <p>Inventories are evaluated by writing down the book values in response to decreased profitability. In the Watches Business, decreased profitability is reflected for products, etc. that have been removed from the operating cycle process beyond a certain holding period and holding volume, by using a regular write-down method of book values determined mainly based on past sales and disposal performance. However, products, etc., which exceed a certain holding period and holding volume but are judged to be in the operating cycle process in light of recent sales performance and future sales forecasts, are excluded from the regular write-down of book values, in whole or in part.</p> <p>The Watches Business deals with products directly related to personal consumption. Therefore, its business results and profitability of products are strongly affected by domestic and overseas economic trends, especially personal consumption. Economic trends, including personal consumption, may fluctuate significantly due to factors beyond management’s control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining a regular write-down method of book values, in order to reflect the fact that profitability of inventories has decreased. In addition, significant judgments are made as to whether or not products, etc. excluded from the regular write-down of book values are in the operating cycle process. Valuation of inventories of the Watches Business is significantly affected by these judgments and assumptions, and therefore the estimates are highly uncertain.</p> <p>As such, we determined that the validity of the valuation of inventories of the Watches Business was of particular importance to our audit of the consolidated financial statements for the current fiscal year and identified as a “Key Audit Matter.”</p>	<p>performed the following audit procedures for inventories of the consolidated subsidiaries.</p> <p>(1) Assessment of internal control</p> <p>We assessed the effectiveness of the design and operation of internal control related to the valuation of inventories, including the determination of a regular write-down method of book values and its provisions in the accounting rules, and the confirmation by superiors of the judgment as to whether or not products, etc. to be excluded from the write-down of book values are in the operating cycle process.</p> <p>(2) Examination of the appropriateness of the regular write-down method of book values</p> <p>In order to evaluate the appropriateness of the regular write-down method of book values adopted by management, we primarily performed the following procedures.</p> <ul style="list-style-type: none"> <li>• For the write-down rate of book values applied at the end of the current fiscal year, we compared the amounts that would have been obtained if this rate had been applied to the balance of inventories before the write-down of book values at the end of the previous fiscal year with the actual sales and disposal amounts for the current fiscal year.</li> <li>• We reviewed whether the significant judgments and assumptions made in determining the write-down rate of book values were consistent with the frequency of new product launches, distribution channels, management strategies for sales and disposal, and market forecast data published by external organizations.</li> </ul> <p>(3) Examination of the validity of the judgment as to whether or not products, etc. are in the operating cycle process</p> <p>We evaluated the accuracy of management’s sales estimates by comparing the past sales estimates of each product with actual sales in subsequent years and examining the causes of the differences between the two. After that, in order to evaluate the reasonableness of the assumptions regarding the sales estimates that formed the basis for products, etc. that are judged to be in the operating cycle process at the end of the current fiscal year and excluded from the regular write-down of book values, we primarily performed the following procedures for products, etc. that are selected by taking into consideration their materiality, past sales performance, turnover period, and the number of months elapsed since their launches, etc.</p> <ul style="list-style-type: none"> <li>• We asked questions to appropriate authorities regarding sales estimates and reviewed relevant materials.</li> <li>• We examined whether or not the sales estimates of such products, etc. were consistent with the content of the management strategy, including the product strategy, and market forecast data published by external organizations.</li> </ul>
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Validity of real estate acquisition transactions from related parties	
Description of Key Audit Matters and the Reasons for the Decision	Auditor’s Response
SEIKO HOLDINGS CORPORATION, as a holding company of	In order to evaluate the validity of real estate acquisition

<p>the Group, owns or leases real estate for its own use as well as rental facilities for subsidiaries. As described in notes to consolidated financial statements “Related parties,” SEIKO HOLDINGS CORPORATION acquired a portion of the land and buildings leased for retail stores from its major shareholder, Sanko Kigyo K.K., for 5,500 million yen in the current fiscal year.</p> <p>Real estate transactions are generally highly individualized in their terms and conditions, and the transaction amounts are large. If it is a transaction with related parties, the validity of the transaction to acquire real estate from the related parties may be impaired depending on the relationship with the related parties and the nature of the transaction. Specifically, there is a possibility that a transaction may not be reasonable in business rationality and may not be executed on normal market terms and conditions.</p> <p>As such, we determined that the validity of real estate acquisition transactions from related parties was of particular importance to our audit of the consolidated financial statements for the current fiscal year and identified as a “Key Audit Matter.”</p>	<p>transactions from related parties, we primarily performed the following audit procedures.</p> <ul style="list-style-type: none"> <li>• We asked questions to management regarding the reasons for the acquisition of real estate from related parties and the details of the terms and conditions of the transaction. We also reviewed the minutes of the relevant Board of Directors meetings to confirm whether or not the acquisition of the real estate and the terms and conditions of the transaction were approved.</li> <li>• We confirmed the consistency of the terms and conditions set forth in the sales agreement with the details approved by the Board of Directors.</li> <li>• We confirmed the consistency of the transaction amount with the appraisal value of the relevant property by an expert of real estate appraisal used by management.</li> <li>• With respect to the work performed by an expert of real estate appraisal used by management, we used our expert of real estate appraisal and reviewed the appropriateness of the appraisal methodologies principally adopted and their application, in light of real estate appraisal standards.</li> </ul>
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#### Management’s, Corporate Auditors’ and the Board of Auditors’ Responsibility for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties including the design, implementation and maintenance of the Group’s financial reporting process.

#### Auditor’s Responsibility for the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. Of matters discussed with corporate auditors and the board of corporate auditors, we determine the ones we judge to be of particular importance to our audit of the consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

#### <Internal control audit>

##### Opinion

We also have audited, pursuant to the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report as of March 31, 2021 of the Company.

In our opinion, the above internal control report, in which SEIKO HOLDINGS CORPORATION indicated that internal control over financial reporting as at March 31, 2021 was effective, fairly represents, in all material respects, evaluation results of internal control over financial reporting in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

##### Basis of Opinion

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

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

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

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

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

##### Auditor's Responsibility for the Internal Control Report

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

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

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

internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report.

We remain solely responsible for our audit opinion.

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

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

#### Conflicts of Interest

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

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

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

Independent Auditors' Audit Report  
(English Translation)

June 29, 2021

The Board of Directors  
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC

Tokyo, Japan

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

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

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

#### Opinion

We have audited the accompanying the non-consolidated financial statements presented under “Financial Information” of SEIKO HOLDINGS CORPORATION, which comprise the non-consolidated balance sheets as at March 31, 2021, and the non-consolidated statements of income, the non-consolidated statements of changes in net assets and significant accounting policies and other notes, and the non-consolidated supplemental schedules, in order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of SEIKO HOLDINGS CORPORATION as at March 31, 2021, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

#### Basis of Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

#### Validity of real estate acquisition transactions from related parties

The Key Audit Matters to be described in our auditor’s report for the non-consolidated financial statements are substantially the same as the Key Audit Matters described in our auditor’s report for the consolidated financial statements. Therefore, the description is omitted in our auditor’s report for the non-consolidated financial statements.

#### Management’s, Corporate Auditors’ and the Board of Auditors’ Responsibility for the non-Consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a

going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

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

#### Auditor's Responsibility for the non-Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Of matters discussed with corporate auditors and the board of corporate auditors, we determine the ones we judge to be of particular importance to our audit of the non-consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

#### Conflicts of Interest

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

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

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