

# Annual Securities Report (Summary)

From April 1, 2018 to March 31, 2019

(The 158th Business Term)

SEIKO HOLDINGS CORPORATION

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[Independent Auditors Audit Report and Internal Control Audit Report ]

## Part 1 【Company Information】

### I 【Overview of Company】

#### 1 【Summary of Business Results】

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

Business term		154th	155th	156th	157th	158th
Fiscal year end		March 2015	March 2016	March 2017	March 2018	March 2019
Net sales	Millions of yen	293,472	296,705	257,115	268,529	247,293
Ordinary profit	Millions of yen	12,373	11,879	6,671	10,911	11,410
Profit attributable to owners of parent	Millions of yen	21,778	12,142	5,392	11,541	9,249
Comprehensive income	Millions of yen	30,801	6,721	7,862	10,501	8,396
Net assets	Millions of yen	92,589	102,692	107,161	105,170	110,415
Total assets	Millions of yen	333,701	329,115	328,857	305,297	303,036
Net assets per share	Yen	437.52	457.44	2,380.50	2,523.54	2,649.99
Basic earnings per share	Yen	105.39	58.76	130.71	280.01	224.42
Diluted earnings per share	Yen	-	-	-	280.00	224.40
Equity capital ratio	%	27.1	28.7	29.8	34.1	36.0
Rate of return on equity	%	28.4	13.1	5.6	11.4	8.7
Price-earnings ratio	Times	5.8	7.6	17.4	9.2	11.7
Net cash provided by (used in) operating activities	Millions of yen	16,562	15,096	4,209	27,885	17,508
Net cash provided by (used in) investing activities	Millions of yen	46,254	(8,334)	(13,200)	(17,430)	(7,093)
Net cash provided by (used in) financing activities	Millions of yen	(66,816)	(6,645)	5,713	(11,759)	(10,670)
Cash and cash equivalents at the end of year	Millions of yen	40,279	38,914	35,333	33,911	33,843
Employees [Excluding average number of part-time employees]	Number of persons	13,565 [764]	13,437 [860]	13,065 [827]	12,033 [798]	12,020 [772]

- (Note)
1. Net sales do not include consumption taxes.
  2. Diluted net earnings per share for the 154th, 155th and 156th business terms are not presented, because there were no potential shares.
  3. The Company has adopted the Board Benefit Trust (BBT) from the 156th consolidated fiscal year. For the purpose of calculating the basic earnings per share and diluted earnings per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders’ equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.
  4. The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net assets per share and net income per share and diluted net earnings per share represent figures on the assumption that the share consolidation was performed at the beginning of the fiscal year ended March 31, 2017 (156th.)

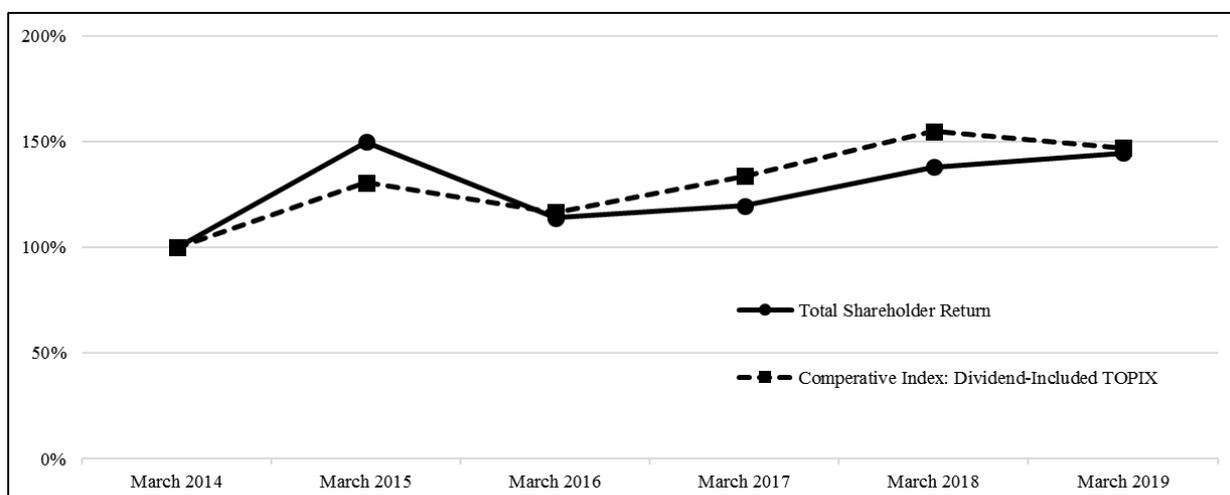
5. The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2019 (158th.) Accordingly, the business results of the fiscal year ended March 31,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

(2) Business Results of the Company

Business term		154th	155th	156th	157th	158th
Fiscal year end		March 2015	March 2016	March 2017	March 2018	March 2019
Total shareholder return (Comparative index: Dividend-included TOPIX)	%	149.9 (130.7)	114.0 (116.5)	119.6 (133.7)	138.0 (154.9)	144.6 (147.1)
Highest stock price	Yen	745	838	523	3,430 (519)	3,245
Lowest stock price	Yen	328	388	291	2,407 (424)	1,958

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

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



## 2 【Company History】

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

### 3 【Description of Business】

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

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

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

#### [Watches Business]

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

#### [Electronic Devices Business]

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

#### [Systems Solutions Business]

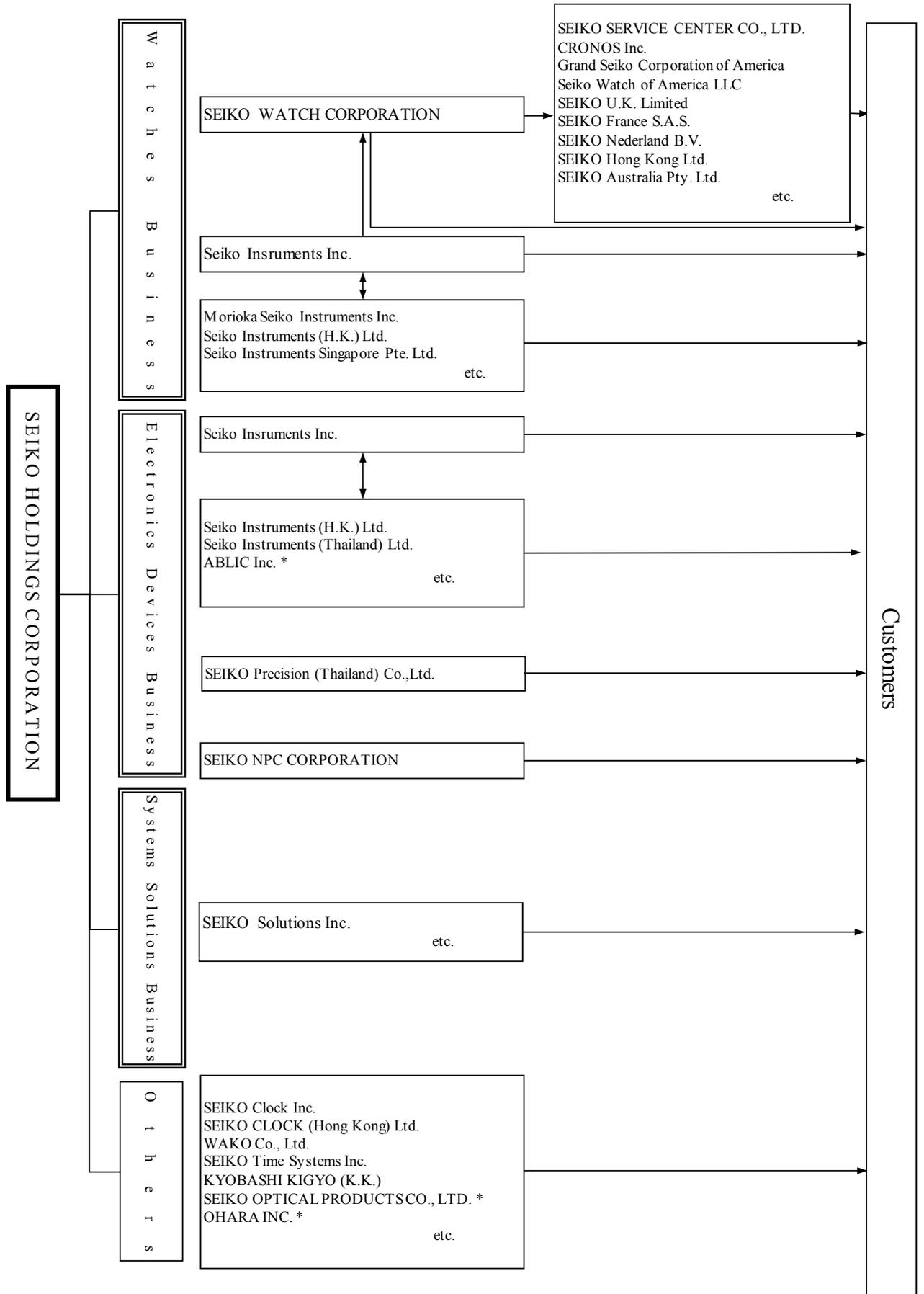
SEIKO Solutions Inc. mainly engages in manufacture and sales of products related to wireless communication equipment, information network systems and data services, etc.

#### [Others]

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

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

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



\*Companies accounted for by the equity method.

#### 4 【Overview of Affiliated Entities】

Name of company	Location	Capital stock	Principal business	Ratio of voting rights held (%)	Relationship
Consolidated Subsidiaries: SEIKO WATCH CORPORATION *2	Chuo-ku Tokyo	Thousands of yen 5,000,000	Watches	100.0	Interlocking directorates Providing loans
SEIKO SERVICE CENTER 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
Grand Seiko Corporation of America	New York U.S.A.	USD 2,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Watch of America LLC	New York U.S.A.	USD 112,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Time Corporation	New York U.S.A.	USD 1,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Panama, S.A.	Panama City Panama	USD 1,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO U.K. Limited	Maidenhead U.K.	GBP 5,500,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO France S.A.S.	Besancon France	EUR 6,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Nederland B.V.	Schiedam Netherlands	EUR 2,250,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO RUS Limited Liability Company	Moscow Russia	RUB 20,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Hong Kong Ltd.	Kowloon Hong Kong	HKD 129,300,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Watch (Shanghai) Co., Ltd.	Shanghai P. R. China	USD 9,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Taiwan Co., Ltd.	Taipei Taiwan	TWD 44,000,000	Watches	69.9 (69.9)	Interlocking directorates
SEIKO (Thailand) Co., Ltd.	Bangkok Thailand	THB 112,550,000	Watches	82.5 (82.5)	Interlocking directorates
SEIKO Watch India Pvt. Ltd.	Bangalore India	INR 85,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Australia Pty. Ltd.	Macquarie Park Australia	AUD 8,000,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Instruments Inc.	Mihama-ku Chiba	Thousands of yen 9,756,000	Watches Electronic Devices	100.0	Interlocking directorates Providing loans

Name of company	Location	Capital stock	Principal business	Ratio of voting rights held (%)	Relationship
Morioka Seiko Instruments Inc.	Mihama-ku Chiba	Thousands of yen 1,000,000	Watches	100.0 (100.0)	Interlocking directorates
Ninohe Tokei Kogyo Co., Ltd.	Mihama-ku Chiba	Thousands of yen 20,000	Watches	100.0 (100.0)	-
Tono Seiki Co., Ltd.	Tono-shi Iwate	Thousands of yen 5,000	Watches	100.0 (100.0)	-
Michinoku Service Co.,Ltd.	Morioka-shi Iwate	Thousands of yen 90,000	Watches	100.0 (100.0)	-
Seiko Instruments (H.K.) Ltd. *2	Kowloon Hong Kong	HKD 128,700,000	Watches Electronic Devices	100.0 (100.0)	-
Time Module (Hong Kong) Ltd.	Kwai Fong Hong Kong	HKD 5,001,000	Watches	100.0 (100.0)	Interlocking directorates
Guangzhou SII Watch Co., Ltd.	Guangzhou P. R. China	USD 5,100,000	Watches	100.0 (100.0)	-
Dalian Seiko Instruments Inc.	Dalian P. R. China	USD 38,919,985	Watches Electronic Devices	100.0 (100.0)	-
Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia	MYR 8,500,000	Watches	100.0 (100.0)	-
Seiko Instruments Singapore Pte. Ltd.	Singapore Singapore	SGD 32,288,000	Watches Electronic Devices	100.0 (100.0)	-
SII Printek Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	Providing loans
City Service Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	-
Seiko EG&G Co., Ltd.	Mihama-ku Chiba	Thousands of yen 95,000	Electronic Devices	51.0 (51.0)	-
Seshika Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	-
Seiko I Techno Research Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	-
SII Crystal Technology Inc.	Mihama-ku Chiba	Thousands of yen 100,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments U.S.A., Inc.	Torrance U.S.A.	USD 1,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments GmbH	Neu-Isenburg Germany	EUR 3,988,076	Electronic Devices	100.0 (100.0)	-

Name of company	Location	Capital stock	Principal business	Ratio of voting rights held (%)	Relationship
Seiko Instruments (Shanghai) Inc.	Shanghai P. R. China	USD 1,220,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments Technology (Shanghai) Inc.	Shanghai P. R. China	USD 2,400,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Guangzhou Seiko Instruments Ltd.	Guangzhou P. R. China	USD 22,200,000	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.	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 Precision Inc.	Matsudo-shi Chiba	Thousands of yen 300,000	Electronic Devices	100.0	Interlocking directorates Providing loans
SEIKO NPC CORPORATION *1	Chuo-ku Tokyo	Thousands of yen 1,000,000	Electronic Devices	100.0	Interlocking directorates Providing loans
SEIKO Precision (Thailand) Co.,Ltd.	Pathumthani Thailand	THB 603,000,000	Electronic Devices	100.0	Interlocking directorates
SEIKO Solutions Inc. *2	Mihama-ku Chiba	Thousands of yen 500,000	Systems Solutions	100.0	Interlocking directorates Providing loans
IIM Corporation	Bunkyo-ku Tokyo	Thousands of yen 390,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Clock Inc. *1	Koto-ku Tokyo	Thousands of yen 1,000,000	Others	100.0	Interlocking directorates Providing loans
SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong	HKD 1,500,000	Others	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO CLOCK (Shenzhen) Co.,Ltd.	Shenzhen P. R. China	CNY 12,500,000	Others	100.0 (100.0)	-
WAKO Co., Ltd.	Chuo-ku Tokyo	Thousands of yen 2,500,000	Others	100.0	Interlocking directorates Providing loans
SEIKO Time Systems Inc.	Koto-ku Tokyo	Thousands of yen 60,000	Others	100.0	Interlocking directorates Providing loans
Human Capital Co.,LTD.	Mihama-ku Chiba	Thousands of yen 100,000	Others	100.0	Interlocking directorates
KYOBASHI KIGYO (K.K.)	Chuo-ku Tokyo	Thousands of yen 10,000	Others	100.0	Interlocking directorates Providing loans
Shirakawa Estate Co.,Ltd.	Chuo-ku Tokyo	Thousands of yen 100,000	Others	100.0	Interlocking directorates Providing loans

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

(Notes) 1. “Interlocking directorates” shown in “Relationship” column describe concurrent positions of officers of the respective companies held by officers or employees of the Company (including work transfers.)

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

3. \*1 SEIKO Clock Inc. was in a financial condition with liabilities in excess of assets. The amount of negative net worth as of March 31, 2019 was 7,484 million yen.

4. \*2 Companies that post net sales (excluding intra-group transactions) accounting for over 10% of consolidated net sales:

[Key financial data]

(Fiscal year ended March 31, 2019)

(Millions of yen)

	SEIKO WATCH CORPORATION	Seiko Instruments (H.K.) Ltd.	SEIKO Solutions Inc.
(1) Net sales	80,350	35,188	28,352
(2) Ordinary profit	5,905	1,152	2,246
(3) Profit	4,073	753	1,539
(4) Net assets	16,419	3,453	2,779
(5) Total assets	43,319	8,859	17,870

## 5 【Information about Employees】

### (1) Consolidated Group

As of March 31, 2019

Segment	Number of employees	
Watches Business	6,397	[146]
Electronic Devices Business	4,049	[557]
Systems Solutions Business	713	[3]
Other	720	[67]
Corporate *2	141	[0]
Total	12,020	[772]

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

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

## 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, 2019.

#### (1) CSR of Seiko Holdings Group

Seiko has established an individual philosophy and a long-term vision and formulated various basic policies, etc., including our fundamental philosophy of corporate ethics, in addition to practicing risk management, guided by our corporate philosophy of being “A Company that is Trusted by Society” and founded on corporate governance. On this basis, we will engage in business activities with targets that are shared throughout the entire Group.

We believe that our corporate social responsibility (CSR) is to contribute to the sustainable development of society and pursue enhancement of corporate value through these business activities.

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

[Sixth Mid-Term Management Plan]

(from the fiscal year ended March 31, 2017 through the fiscal year ended March 31, 2019)

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

##### 1) Long-term vision

The Seiko Holdings Group has established its long-term vision of what the Group aims to be 10 years in the future, based on the Group slogan, ‘SEIKO Moving Ahead, Touching Hearts’

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

##### 2) Basic policies of the 6th Mid-Term Management Plan

We will promote strengthening of profitability and investing for growth with the aim of being a highly profitable group with the Watches Business at its core, while pursuing all-out reinforcement of the management foundation.

##### 3) Strengthening profitability and investing for growth

- (a) Toward greater growth in the Watches Business as the Group’s core business (expanding profits)
- (b) Generating profit by prioritizing allocation of management resources to core businesses in the Electronic Devices Business (increasing profitability)
- (c) Reinforcing the business foundation of the Systems Solutions Business as a third main segment (strengthening profitability)
- (d) Maintaining stable earnings structure in other businesses (stable profitability)

##### 4) Reinforcing the management foundation

- (a) Enhancing corporate communication
- (b) Continuing basic policies on capital and financial policy
- (c) Enhancing corporate governance
- (d) Enhancing organizational and group functions, and continuing with basic policies on human resources

5) Target figures of the Sixth Mid-Term Management Plan

(a) Consolidated income forecast (Billions of yen)

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

(b) Net Sales by reported segment (Billions of yen)

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

(c) Operating profit by reported segment (Billions of yen)

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

(d) Balance sheet items (Billions of yen)

	Sixth Mid-Term Management Plan FY2018	Actual FY2018	Comparison vs. Plan
Total Assets	340.0	303.0	(36.9)
Net Assets	120.0	110.4	(9.5)
Equity capital ratio	35.0%	36.0%	+1.0%
Net interest-bearing debt	75.0	72.1	(2.8)

## 6) Looking back on the Sixth Mid-Term Management Plan

### (a) Reinforcing profitability and investment for growth

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

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

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

In the Electronic Devices Business, the Company sought to improve profitability amid stagnation in the inkjet printhead business by reinforcing other areas in which the Company has strengths.

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

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

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

### (b) Reinforcing the management foundation

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

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

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

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

[Seventh Mid-Term Management Plan]

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

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

1) Long-term vision

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

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

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

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

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

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

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

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

4) Positioning of plan

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

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

(a) Consolidated income forecast (Billions of yen)

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

(b) Net sales by segment (Billions of yen)

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

(c) Operating profit by segment (Billions of yen)

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

(d) Others (Billions of yen)

	Actual FY2018	Mid-Term Management Plan FY2021
Equity capital ratio	36.0%	40.0%
Net interest-bearing debt	72.1	Maintain current level

## 2 【Business Risks】

Risks that may seriously affect the operating results and/or financial position of the Group are outlined below. Matters concerning the future are judged as of March 31, 2019.

### (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.

### (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.

### (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.

### (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.

### (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.

### (6) Increase in price of resources

If resources such as crude oil and other raw materials surge due to changes in the supply and demand environment, manufacturing costs may rise that causes an impact on business results.

### (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.

### (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.

### (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 80% of interest rates of the existing long-term loans payable has already been fixed. Although there is no significant risk of interest rate fluctuations, interest rate trends for future procurement may affect business results of the Group.

(11) Market price fluctuations

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

(12) Environmental issues

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

(13) Information securities

The Group prevents information leaks through measures such as establishment of internal regulations and employee education concerning protection and management of personal information and confidential information obtained in business operations. However, it cannot be guaranteed that there is no possibility of information leaks due to unforeseen circumstances. In the event of such situation, there is a possibility this will affect business results of the Group due to a decline of the Group's social credibility and a substantial cost burden to respond to such situation.

(14) Natural disasters

In the case where domestic and overseas manufacturing bases and facilities of the Group suffer damage due to natural disasters such as earthquakes and typhoons, there is a possibility this will affect business results due to manufacturing disruption, stagnation of sales, logistics and procurement functions, etc.

### 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:

See 1 【Business Policy, Business Environment, Issues to Address, etc.】 for the 6th Mid-Term Management Plan and the business results for the fiscal year ended March 31, 2019.

Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2019.

(Significant accounting policies and estimates)

The Group’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. The significant accounting policies applied by the Group in the preparation of the consolidated financial statements are explained in “V. Financial Information [Notes- important matters that are the basis for preparation of consolidated financial statements].”

#### (1) Business results

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

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

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

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

Results for each segment are as follows:

#### Watches Business

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

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

#### Electronic Devices Business

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

#### Systems Solutions Business

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

#### Others

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

### (2) Financial Condition

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 ending March 31, 2019. Accordingly, the comparative numbers as of March 31, 2018 are numbers of reclassification.

#### -Assets

Total assets at the close of the fiscal year ended March 31, 2019 amounted to 303.0 billion yen, a decrease of 2.2 billion yen from the close of the previous fiscal year. Total current assets came to 138.9 billion yen, an increase of 0.7 billion yen from the close of the previous fiscal year. This was due to increases of 0.7 billion yen in work in process and 0.8 billion yen in raw materials and supplies, offsetting a decrease of 0.6 billion yen in notes and accounts receivable - trade. Under non-current assets, decreases of 0.8 billion yen in property, plant and equipment, 0.7 billion yen in intangible assets and 0.8 billion yen in investment securities under investments and other assets resulted in total non-current assets of 164.0 billion yen, a decrease of 2.9 billion yen relative to the close of the previous fiscal year.

#### -Liabilities

For liabilities, total loans came to 104.4 billion yen, due to decreases of 0.3 billion yen in short-term loans payable, 1.7 billion yen in current portion of long-term loans payable and 4.9 billion yen in long-term loans payable. As a result, total liabilities amounted to 192.6 billion yen, a decrease of 7.5 billion yen from the close of the previous fiscal year.

#### -Net assets

With regard to net assets, total net assets increased by 5.2 billion yen over the close of the previous fiscal year to become 110.4 billion yen, owing to a decrease of 1.5 billion yen in valuation difference on available-for-sale securities, offsetting an increase of 6.1 billion yen in retained earnings.

### (3) Overview of Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2019 came to 33.8 billion yen, a decline of 67 million 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 17.5 billion yen (compared to a positive cash flow of 27.8 billion yen for the previous fiscal year), a decrease of 10.3 billion yen year on year. This was the result of the Company posting 11.7 billion yen in income before income taxes, factoring in depreciation amounting to 8.9 billion yen, as well as a 1.1 billion-yen decrease in notes and accounts receivable - trade, a 0.9 billion-yen increase in inventories (posted as a decrease), a 0.5 billion-

yen decrease in notes and accounts payable - trade (posted as a decrease), and 2.4 billion yen in income taxes payable (posted as a decrease).

-Cash flows from investing activities

Net cash used in investing activities came to negative 7.0 billion yen (compared to a negative cash flow of 17.4 billion yen for the previous fiscal year) due to cash flows consisting mainly of 6.3 billion yen in purchase of property, plant and equipment (posted as a decrease) and 1.0 billion yen in proceeds from sales of property, plant and equipment.

-Cash flows from financing activities

Net cash used in financing activities came to negative 10.6 billion yen (compared to a negative cash flow of 11.7 billion yen for the previous fiscal year) due mainly to repayments of long- and short-term loans payable and borrowings that combined for a net amount of 7.1 billion yen (posted as a decrease), as well as 3.1 billion yen in cash dividends paid (posted as a decrease).

The trends of the cash flow indicators are as follows:

Indicators \ Fiscal year	FY2014	FY2015	FY2016	FY2017	FY2018
Equity capital ratio (%)	27.1	28.7	29.8	34.1	36.0
Equity capital ratio on market value (%)	37.5	28.0	28.5	34.7	35.8
Interest-bearing debt to cash flows ratio (Years)	8.1	8.3	31.7	4.0	6.0
Interest coverage ratio	5.2	6.9	2.4	21.6	17.7

(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:  $\text{Interest-bearing debt (Short- and long-term loans payable)} / \text{Operating cash flows}$

-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.

The financial resources for capital and the liquidity of funds of the Group are as follows:

The Group, in accordance with its basic policy for capital and financial measures of the Sixth Mid-Term Management Plan, promoted to improve equity capital, reduce interest-bearing debts, and implement continuous and stable dividend payment.

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 and research and development expenses. The Group's principle sources of funds are cash flows from operating activities and financing through interest-bearing debts. As a result of efforts to reduce interest-bearing debts over the period of the Sixth Mid-Term Management Plan, net interest-bearing debts as of March 31, 2019 were 72.1 billion yen, (a year-on-year decrease of 6.9 billion yen), overachieving the target of the Sixth Mid-Term Management Plan. The Group also improved its equity capital ratio to 36.0% and achieved its target level.

With regard to the liquidity of funds, cash and cash equivalents as of March 31, 2019 were 33.8 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.

The positioning of the Seventh Mid-Term Management Plan is "aggressive approach." The Company and the Group aim to win by stepping up investment for further growth.

In addition, the Company strives financial strategies stated below during the Seventh Mid-Term Management Plan:

-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.

#### 4 【Critical Contracts for Operation】

There are no contracts for which disclosure is required.

#### 5 【Research and Development Activities】

Research and development expenses for the entire Group for the fiscal year ended March 31, 2019 were 4.1 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 2.8 billion yen and 1.3 billion yen, respectively.

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

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

##### (1) Electronic Devices Business

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

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

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

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

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

### III 【Information about Facilities】

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

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

#### 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, 2019

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	216	-	148	-	365	137
Rental facilities for subsidiaries (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores, etc.	3,511	-	200	16,377 (1)	20,089	-
Other rental facilities (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores for rent, Office buildings, etc.	117	-	0	1,502 (93)	1,619	-

## (2) Domestic subsidiaries

As of March 31, 2019

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	1,083	1,689	910	1,349 (111)	5,034	604
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Electronic Devices	Office buildings, etc.	166	7	64	-	239	247
Takatsuka Unit of Seiko Instruments Inc. (Matsudo-shi, Chiba) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	2,929	1,639	126	4,824 (59)	9,518	385
Sendai Unit of Seiko Instruments Inc. (Aoba-ku, Sendai-shi, Miyagi)	Electronic Devices	Manufacturing facilities for batteries, etc.	2,073	702	135	1,440 (94)	4,351	242
Akita Unit of Seiko Instruments Inc. (Daisen-shi, Akita) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	870	465	13	532 (132)	1,881	131
Ohno Unit of Seiko Instruments Inc. (Ichikawa-shi, Chiba)	Electronic Devices	Manufacturing facilities for cutting tools and precision parts	431	31	48	2,025 (15)	2,537	66
Tochigi Unit of SII Crystal Technology Inc. (Tochigi-shi, Tochigi)	Electronic Devices	Manufacturing facilities for quartz crystals	389	800	513	28 (40)	1,731	86
Nasu-Shiobara Unit of SEIKO NPC CORPORATION (Nasu-Shiobara-shi, Tochigi)	Electronic Devices	Manufacturing facilities for semiconductors	291	215	41	770 (100)	1,318	199
Makuhari Head Office of SEIKO Solutions Inc. (Mihama-ku, Chiba-shi, Chiba)	Systems Solutions	Office buildings and development facilities for systems solutions products	47	0	2,955	-	3,002	608
Shirakawa Estate Co., Ltd. (Chuo-ku, Tokyo, etc.)	Others	Stores for rent and office buildings	1,332	-	1	11,365 (1)	12,699	-

## (3) Overseas Subsidiaries

As of March 31, 2019

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	-	45	309	-	355	68
SEIKO U.K. Limited (Maidenhead U.K.)	Watches	Office buildings	242	6	48	1,130 (22)	1,428	56
SEIKO Hong Kong Ltd. (Kowloon Hong Kong)	Watches	Office buildings	721	-	-	-	721	114
SEIKO Australia Pty. Ltd. (Macquarie Park Australia)	Watches	Office buildings	144	-	104	487 (11)	735	47
Seiko Instruments Singapore Pte. Ltd. (Singapore Singapore)	Watches	Manufacturing facilities for watches movements	104	1,309	273	-	1,687	502
	Electronic Devices	Manufacturing facilities for electronic components, etc.	485	7	120	-	613	55
Dalian Seiko Instruments Inc. (Dalian China)	Watches	Manufacturing facilities for watches movements	1,469	846	80	-	2,395	573
	Electronic Devices	Manufacturing facilities for precision parts	578	1,305	90	-	1,974	349
Seiko Instruments (Thailand) Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for hard disk drive components, etc.	1,140	1,060	197	688 (154)	3,086	1,005
SEIKO Precision (Thailand) Co., Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for precision parts, etc.	622	228	120	375 (78)	1,347	1,066

(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 land, etc. owned by Seiko Instruments Inc.

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

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

The Company

As of March 31, 2019

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

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

Domestic Subsidiaries

As of March 31, 2019

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

### 3 【Plans for New Additions or Disposals】

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

(1) New additions

Company (Location)	Segment	Description	Planned amount		Method of financing	Planned schedule		Ability after completion
			Total (Millions of yen)	Paid (Millions of yen)		Start	Completion	
The Company (Chuo-ku, Tokyo)	Corporate	Rental facilities	1,630	-	Own capital	February 2020	September 2021	Additional
The Company (Shizukuishi-cho, Iwate-gun, Iwate)	Corporate	Rental facilities for subsidiaries	1,500	-	Own capital	July 2019	March 2020	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, 2019)	Number of shares issued as of the filing date (June 27, 2019)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common share	41,404,261	41,404,261	Tokyo Stock Exchange (First Section)	Number of shares for share unit: 100 shares
Total	41,404,261	41,404,261	-	-

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

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

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

## (3) 【Shareholding by shareholder category】

As of March 31, 2019

Classification	Status of shares (1 unit=100shares)							Shares under one unit	
	National and local governments	Financial institutions	Securities company	Other corporations	Foreign shareholders		Individuals and others		Total
					Non-individuals	Individuals			
Number of shareholders	-	35	33	110	186	16	9,938	10,318	-
Number of shares hold (units)	-	83,848	9,625	78,212	79,952	166	161,569	413,372	67,061
Ownership percentage of shares (%)	-	20.28	2.33	18.92	19.34	0.04	39.09	100	-

- (Notes) 1. Of 167,563 shares of treasury stock, 1,080 units are included in “Financial institutions” column, 595 units in “Individuals and others” column and 63 units in “Shares under one unit” column.
2. “Financial institutions” include 1,080 units of shares owned by Trust & Custody Services Bank, Ltd. (Trust E account) as a trust property of the “Board Benefit Trust (BBT).”
3. Of the shares registers in the name of Japan Securities Depository Center, Inc., 4 units are included in “Other corporations” column and 77 units are included in “Shares under one unit”.

## (4) 【Major shareholders】

As of March 31, 2019

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 Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,800	4.4
Hideo Hattori	Shinagawa-ku, Tokyo	1,620	3.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	1,179	2.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	1,037	2.5
GOLDMAN SACHS INTERNATIONAL (Standing agent: Goldman Sachs Japan Co. Ltd.)	133 FLEET STREET LONDON EC4A 2BB U.K. (10-1, Roppongi 6-chome, Minato-ku, Tokyo)	983	2.4
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	850	2.1
SHIMIZU CORPORATION	16-1, Kyobashi 2-chome, Chuo-ku, Tokyo	744	1.8
Total		18,544	44.9

(Note) On March 25, 2019, Mizuho Bank, Ltd. and three of its joint holders, Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd. and Asset Management One Co., Ltd. issued a Large Shareholding Report that each of the four companies holds shares of the Company listed below as of March 15, 2019. However, the information in the report is not described in the above table since the Company does not confirm the actual status of shareholdings as of March 31, 2019. The major contents of the reports are as follows.

Name	Address	Share ownership (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo	500	1.2
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	79	0.2
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	108	0.3
Asset Management One Co., Ltd.	8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,567	3.8

(5) 【Voting rights】

1) 【Issued shares】

As of March 31, 2019

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 110,900	-	-
Shares with full voting rights (Others)	Common share 41,226,300	412,263	-
Shares under one unit	Common share 67,061	-	Shares under one unit (100 shares)
Total shares issued	41,404,261	-	-
Total voting rights held by all shareholders	-	412,263	-

(Notes) 1. The “Shares with full voting rights (Others)” column includes 108,000 shares of the Company held in the Board Benefit Trust (BBT) (1,080 voting rights) and 400 shares under the name of Japan Securities Depository Center, Incorporated (four voting rights).

2. The “Shares less than one unit” column includes 63 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, 2019

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	59,500	-	59,500	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	-	110,900	-	110,900	0.3

(Note) 108,000 shares of the Company's shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

(6) 【Officer/ employee share ownership program】

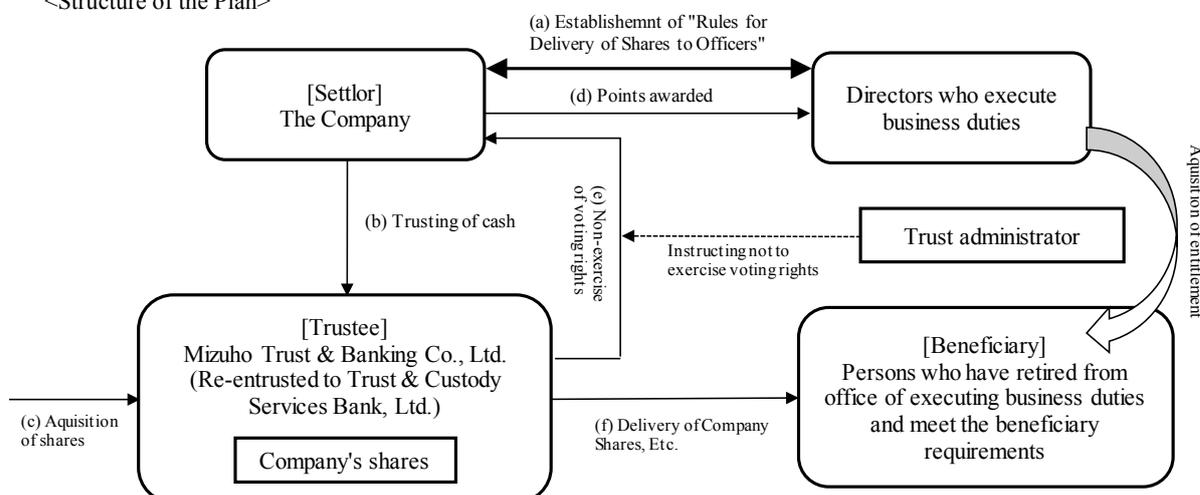
(Introduction of the stock compensation plan for the company's directors who execute business duties)

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

1) Outline of the Plan

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

<Structure of the Plan>



- (a) Subject to the passing of a resolution of the compensation for officers concerning the Plan at this General Meeting of Shareholders, the Company established the “Rules for Delivery of Shares to Officers” within the scope approved by the meeting.
  - (b) The Company will deposit cash in trust within the scope approved by this General Meeting of Shareholders as set forth in (a).
  - (c) The Trust will acquire the Company’s shares through stock markets or by subscribing to treasury shares of the Company by using the cash deposited in trust as set forth in (b).
  - (d) The Company will award points to each Director who executes business duties in accordance with the “Rules for Delivery of Shares to Officers.”
  - (e) In accordance with the instructions of the trust administrator independent from the Company, the Trust will not exercise voting rights for the Company’s shares in the Trust account.
  - (f) The Trust will deliver Company’s shares to a Director who executes business duties and has retired from office and who meets the beneficiary requirements stipulated in the “Rules for Delivery of Shares to Officers” (a “Beneficiary”), in proportion to the number of points awarded to the Beneficiary. However, if an Executive Director meets the requirements stipulated in the “Rules for Delivery of Shares to Officers,” the Company may pay him or her cash equivalent to the market value of the Company’s shares for a certain percentage of his or her points, instead of delivering such shares.
- 2) Total number or total amount of shares to be acquired by the Directors who execute business duties
- The Company contributed 240 million yen as of August 26, 2016, and Trust & Custody Services Bank, Ltd. (Trust E account) acquired 540,000 shares of the Company at 170 million yen. Whether the Trust E account will acquire shares of the Company in the future is undecided.
- The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. The number of treasury shares held in the Trust E account as of March 31, 2019 was 108,000 shares.
- 3) Scope of persons who are entitled to beneficiary rights or other rights under the Plan
- Persons who meet beneficiary requirements prescribed in the the “Rules for Delivery of Shares to Officers,” among those who retired from the Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors).

## 2 【Dividend Policy】

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

For the fiscal year ended March 31, 2019, the Company decided to pay an interim dividend of 37.5 yen per share and a year-end dividend of 37.5 yen per share based on the above policy.

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.

Dividends for the 158th 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 13, 2018	1,550	37.50
Annual General Meeting of Shareholders held on June 27, 2019	1,550	37.50

### 3 【Explanation about Corporate Governance, etc.】

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

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

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

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

The Board of Directors consists of officers listed in (2) 【Information about Officers】 and is chaired by the Representative Director and President. 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.

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

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

Chairperson	President	Yoshinobu Nakamura
Members	Chairman & Group CEO	Shinji Hattori
	Outside Director	Tsuyoshi Nagano
	Outside Director	Yasuko Terauchi
	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

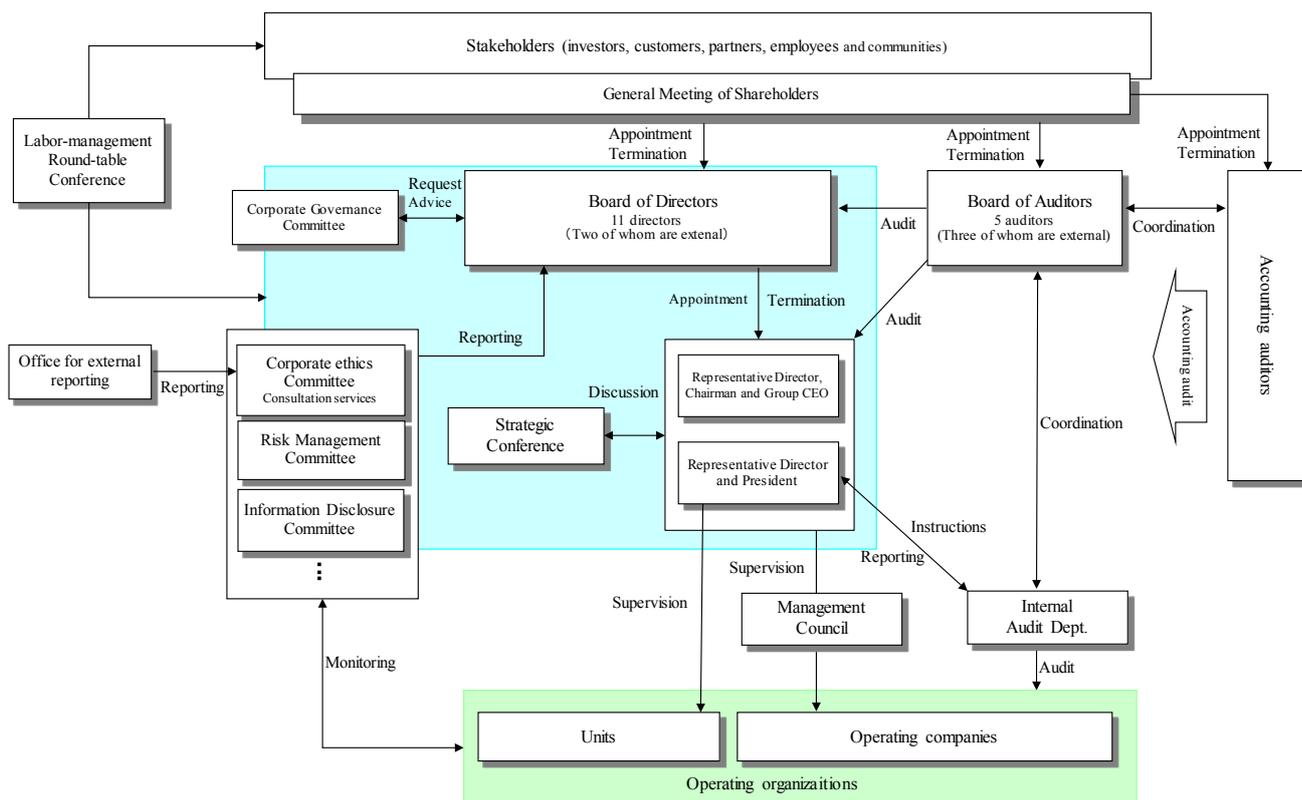
i) The Company shall ensure a system where, besides the Internal Audit Department, the General Affairs Department, the Accounting Department and the Finance & Corporate Strategy Planning Department will assist audits by Corporate Auditors from time to time based on respective instructions of Corporate 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 structure of the Company's corporate governance is as follows:



(Note) Other than the above, the Company has advisory contracts with law firms for legal advice.

### 3) Overview of agreements limiting liability

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

### 4) The quorum of Directors or qualifications required and the resolution requirements for appointment and dismissal

Quorum of Directors: 13 (Article 20 of the Articles of Incorporation)

Qualifications required: None

Resolution requirements for appointment and dismissal:

The Articles of Incorporation stipulates that the resolution requirements for the appointment of Directors shall require approval by a majority of voting rights of shareholders present at a meeting where shareholders holding one-third (1/3) of voting rights owned by shareholders eligible for exercising voting rights. (Article 21, Paragraph 2 of the Articles of Incorporation)

### 5) Matters to be resolved at General Meetings of Shareholders that can also be resolved by the Board of Directors

#### (a) Acquiring treasury shares (Article 7 of the Articles of Incorporation)

The Company has determined in its Articles of Incorporation that the Company may acquire its own shares through market transactions by a resolution of the Board of Directors, so that the Company can conduct flexible and agile capital policies.

#### (b) Exemption from liabilities of the Directors and Corporate Auditors (Articles 32 and 42, Articles of Incorporation)

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 by a resolution of the Board of Directors, so that the Company can return profits flexibly to shareholders.

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

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

## (2) 【Information about Officers】

## 1) Officers

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

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Chairman & Group CEO	Shinji Hattori	January 1, 1953	<p>April 1975      Joined Mitsubishi Corporation</p> <p>July 1984      Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)</p> <p>January 1996    Director of Seiko Precision Inc.</p> <p>June 2001      President of Seiko Precision Inc.</p> <p>June 2003      President &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>April 2017      Chairman &amp; CEO of SEIKO WATCH CORPORATION (to present)</p>	(Note 5)	2,279,289
President	Yoshinobu Nakamura	October 21, 1949	<p>April 1972      Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)</p> <p>June 2001      Director of Seiko Precision Inc.</p> <p>June 2003      Director of the Company</p> <p>June 2004      Executive Director &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 (to present)</p> <p>April 2018      Chairman of Seiko Instruments Inc. (to present)</p>	(Note 5)	18,400
Senior Executive Director	Akihiro Okuma	September 9, 1960	<p>April 1984      Joined the Company</p> <p>May 2010      Director of Seiko Clock Inc.</p> <p>June 2013      Director of the Company</p> <p>January 2015    Director and Managing Executive Officer of SEIKO Solutions Inc.</p> <p>June 2016      Executive Director of the Company</p> <p>January 2017    Outside Director of OHARA INC. (to present)</p> <p>April 2017      Director and Executive Vice President of SEIKO Solutions Inc. (to present)</p> <p>April 2018      Director and Managing Executive Officer of Seiko Instruments Inc.</p> <p>June 2019      Senior Executive Director of the Company (to present)</p>	(Note 5)	5,000
Executive Director	Hiromi Kanagawa	September 30, 1962	<p>April 1985      Joined the Company</p> <p>April 2012      General Manager, Sales &amp; Marketing Department I, Sales &amp; Marketing Division II, SEIKO WATCH CORPORATION</p> <p>April 2014      Senior Vice President of SEIKO WATCH CORPORATION</p> <p>June 2016      Director of the Company</p> <p>January 2018    General Manager, Corporate Culture Department of the Company (to present)</p> <p>April 2019      Executive Director of SEIKO Time System Inc. (to present)</p> <p>June 2019      Executive Director of the Company (to present)</p>	(Note 5)	2,400

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
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>March 2017 General Manager, Corporate Strategy &amp; Planning Department (currently Finance &amp; Corporate Strategy Planning Department) of the Company</p> <p>April 2017 Director, Executive Vice President of Seiko Instruments Inc. (to present)</p> <p>June 2018 Outside Director of Jedat Inc. (to present)</p> <p>June 2019 Executive Director of the Company (to present)</p> <p>June 2019 General Manager, Accounting Department of the Company (to present)</p>	(Note 5)	1,100
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. (to present)</p> <p>June 2019 General Manager, Real Estate Department of the Company (to present)</p>	(Note 5)	300
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 2018 Senior General Manager, Secretaries Office and General Affairs Department of the Company (to present)</p> <p>June 2019 Director of the Company (to present)</p>	(Note 5)	100
Director	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 in charge of Watches Business of the Company (to present)</p> <p>April 2017 President &amp; COO &amp; CMO of SEIKO WATCH CORPORATION (to present)</p>	(Note 5)	3,300

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>	(Note 5)	4,500
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. (to present)</p> <p>April 2016      Chairman of the Board Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>June 2019      Chairman of the Board of Tokio Marine Holdings, Inc. (to present)</p> <p>June 2019      Outside Director of the Company (to present)</p>	(Note 5)	-
Outside Director	Yasuko Teraura	October 16, 1970	<p>April 2000      Registered as an attorney</p> <p>October 2006      Certified as a New York State attorney</p> <p>March 2010      Established Endeavour Law Office, Partner Attorney of Endeavour Law Office (to present)</p> <p>June 2014      Outside Director of Nturen Co., Ltd. (to present)</p> <p>June 2019      Outside Director of the Company (to present)</p>	(Note 5)	-

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Corporate Auditor	Seiichi Mikami	June 25, 1956	April 1979 July 2001 March 2008 June 2010 January 2013	Joined the Company General Manager, Finance & Accounting Department of SEIKO WATCH CORPORATION Director of Seiko Watch Corporation Corporate Auditor of the Company (to present) Outside Corporate Auditor of Ohara Inc. (to present)	(Note 4)	6,600
Corporate Auditor	Haruhiko Takagi	January 10, 1959	April 1982 June 2004 June 2007 November 2009 May 2010 April 2014 June 2016	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)	(Note 4)	5,000
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. President of The Cardiovascular Institute (to present)	(Note 4)	-
Outside Corporate Auditor	Hideki Amano	November 26, 1953	April 1976 September 1980 September 1992 September 2011 July 2015 July 2016 March 2017 June 2018 June 2019	Joined Arthur Andersen (currently KPMG AZSA LLC) Registered as a certified public accountant Representative Partner of Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC) Vice President (Audit Division) of KPMG AZSA LLC Executive Senior Partner of KPMG AZSA LLC (retired in June 2016) Outside Director of TOPPAN FORMS CO., LTD. (to present) Outside Audit & Supervisory Board Member of Kao Corporation (to present) Audit & Supervisory Board Members (External) of Ajinomoto Co., Inc. (to present) Outside Corporate Auditor of the Company (to present)	(Note 6)	-

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)	
Outside Corporate Auditor	Masatoshi Yano	August 3, 1956	April 1980	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)	(Note 6)	-
			April 2007	Executive Officer, General Manager, Head Office of Mizuho Bank, Ltd.		
			April 2009	Managing Executive Officer of Mizuho Bank, Ltd.		
			April 2011	Deputy President of Mizuho Bank, Ltd. (retired in March 2013)		
			June 2015	President of Chuo Fudosan K.K.		
			June 2018	President of Seiwa Sogo Tatemono Co., Ltd. (to present)		
			June 2019	Outside Corporate Auditor of the Company (to present)		
Total	16 persons				2,325,989	

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

2. Corporate Auditors Tomoyasu Asano, Hideki Amano and Masatoshi Yano are outside corporate auditors of the Company.
3. The Company has reported Directors Tsuyoshi Nagano and Yasuko Teraura, and Corporate Auditors Tomoyasu Asano, Hideki Amano and Masatoshi Yano to the Tokyo Stock Exchange as independent officers.
4. The term of office of the Directors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2020.
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, 2021.
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, 2023.

## 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.

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

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

The Company nominated Mr. Hideki Amano as Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his many years of experience and insight as a certified public accountant. Mr. Amano previously worked at KPMG AZSA LLC, the accounting auditor of the Company. However, Mr. Amano did not directly engage in

audit work for the Company, and has not been involved in operation of the audit firm since he retired from the said audit firm in June 2016.

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

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

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

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

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

(3) 【Status of audit】

1) Status of audit by Corporate Auditors

The Company has adopted a Corporate Auditor System. The Board of Auditors meetings are regularly held with five Corporate Auditors (including three Outside Corporate Auditors), where audit policies and assignment of duties are established, and Corporate Auditors report to each other on the implementation status and results of audits. In addition, they receive reports from Directors, etc., and the accounting auditor on the execution status of their duties and request explanations as necessary. In accordance with audit policies and the assignment of duties established by the Board of Auditors, each Corporate Auditor communicates with Directors and employees, etc., and strives to collect information and develop the auditing environment. At the same time, each Corporate Auditor attends the Board of Directors meetings and other important meetings, receives reports from Directors and employees, etc., on the execution status of their duties, requests explanations as necessary, reviews important approval documents, etc., and investigates the status of the business and assets of the Company. Furthermore, with regard to subsidiaries, Corporate Auditors communicate and exchange information with Directors and Corporate Auditors, etc., of subsidiaries, and receive business reports as necessary. 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. Seiichi Mikami and Mr. Haruhiko Takagi, Standing Corporate Auditors, have experience as officers in charge of Finance & Accounting in the Company or its subsidiaries and have reasonable-degrees of knowledge about finance and accounting. Mr. Hideaki Amano, Outside Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge about finance and accounting.

2) Status of internal audit

The Internal Audit Department, consisting of 12 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) Certified public accountants having executed accounting audit works

Junichi Obi

Akira Nishino

Osamu Takagi

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

12 certified public accountants, 2 successful applicants who have passed the Certified Public Accountants examination and 3 other people.

(d) 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.

(e) 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

The Company has complied with transitional provisions in items (i) through (iii) of the notes of preparation of Form No. 2 (56) d (f) from the revised “Cabinet Office Ordinance on Disclosure of Corporate Affairs” following the “Cabinet Office Ordinance Partially Amending the Cabinet Office Ordinance on Disclosure of Corporate Affairs” (Cabinet Office Ordinance No. 3, January 31, 2019).

(a) Details of compensation to independent auditors

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for no-audit services (Millions of yen)
The Company	63	2	67	-
Consolidated subsidiaries	161	6	135	3
Total	225	8	202	3

(Previous fiscal year)

The details of non-audit work for which the Company paid compensation to certified public accountants consist of supporting projects of the Company.

(Current fiscal year)

Not applicable.

(b) Other material compensation to independent auditors

(Previous fiscal year)

The Company has paid 8 million yen in compensation for non-audit services to the Company’s accounting auditors, KPMG AZSA LLC Group (including KPMG and its group firms, which belong to the same network as KPMG AZSA LLC).

The consolidated subsidiaries have paid 118 million yen in compensation for audit services and 40 million yen in compensation for non-audit services to the Company’s accounting auditors, KPMG AZSA LLC Group (including KPMG and its group firms, which belong to the same network as KPMG AZSA LLC).

(Current fiscal year)

The Company has paid 0 million yen in compensation for non-audit services to the Company’s accounting auditors, KPMG AZSA LLC Group (including KPMG and its group firms, which belong to the same network as KPMG AZSA LLC).

The consolidated subsidiaries have paid 115 million yen in compensation for audit services and 33 million yen in compensation for non-audit services to the Company’s accounting auditors, KPMG AZSA LLC Group (including KPMG and its group firms, which belong to the same network as KPMG AZSA LLC).

(c) 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.

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

The reasons why the Board of Corporate Auditors of the Company has given consent, pursuant to Article 399, Paragraph 1 of the Companies Act, to compensation for the independent auditor are as follows:

The Board of Auditors determined that the compensation to the independent auditor is appropriate as a result of its detailed examination of the content of the audit plan, the status of duties performed by the independent auditor in the previous fiscal year, the grounds for calculating the estimate of compensation and so forth.

(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	Stock-type compensation	
Directors (excluding Outside Directors)	311	241	52	16	10
Corporate Auditors (excluding Outside Corporate Auditors)	39	39	-	-	2
Outside Directors and Outside Corporate Auditors	48	48	-	-	5

(Notes) 1. The foregoing includes one Director who retired from his office at the close of the 157th Ordinary General Meeting of Shareholders held on June 28, 2018.

2. The total amount of basic compensation and bonuses for Directors has been set at 420 million yen or less per year by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016.

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

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

5. Amount of performance-based compensation (eligible recipients: eight Directors who execute business duties) shown in the above table is the amount of expense recognized for the current fiscal year.

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

The amount of stock compensation expense recognized

Six Directors who execute business duties: 0 million yen

2) Compensation from the Company and its subsidiaries

Name	Total compensation (Millions of yen)	Classification	Category	Total amount of each type (Millions of yen)		
				Fixed compensation	Performance-linked compensation	
				Basic compensation	Bonus	Stock-type compensation
Shinji Hattori	160	Director	The Company	60	15	4
		Director	Consolidated subsidiary: SEIKO WATCH CORPORATION	61	15	4

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

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

3) Basic policy of the compensation of officers

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

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

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

4) Compensation system for officers

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

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

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

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

## 5) Calculation method for performance-linked compensation

### (Bonuses)

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

### (Stock compensation)

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

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

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

### (Bonuses) Performance achievement ratio for the fiscal year ended March 31, 2019

	Consolidated net sales	Consolidated operating profit
Target values (Billions of yen)	250.0	8.0
Results (Billions of yen)	247.3	9.4
Performance achievement ratio	98.92%	117.50%

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

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

	Consolidated net sales (cumulative)	Consolidated operating profit (cumulative)
Target values (Billions of yen)	880.0	38.0
Results (Billions of yen)	772.9	27.6
Performance achievement ratio	87.83%	72.63%

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

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

6) Determination process of officers' compensation

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

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

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

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

At a meeting of the Corporate Governance Committee held in March 2019, the officers' compensation system was reviewed and the adequacy of the compensation level, performance indicators, and other factors was verified. The performance-linked compensation payment amount for the current fiscal year was reported to the Corporate Governance Committee and the Board of Directors.

(5) 【Status of shares held】

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

1) Standards of classification of investment shares

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

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

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

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

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

Most recently, the Company verified shares that fall under the above classification at the Board of Directors meeting held in August 2018. As a result, it was confirmed that the Company should continue to hold relevant shares to reinforce the business relationship, as the issuers of such shares are clients that are essential for maintaining and expanding the Group’s businesses going forward.

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

	Number of shares	Total amount recorded in the balance sheet (Millions of yen)
Unlisted shares	7	330
Shares other than unlisted stocks	1	20,340

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

Not applicable.

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

Not applicable.

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

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
	20,340	22,692		

3) Shares for investment held solely for investment purpose

Not applicable.

## V 【Financial Information】

### 1. 【Consolidated Financial Statements】

#### (1) 【Consolidated Financial Statements】

##### (a) 【Consolidated balance sheet】

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	*1 34,229	*1 33,844
Notes and accounts receivable - trade	38,109	37,456
Merchandise and finished goods	38,381	38,119
Work in process	10,701	11,448
Raw materials and supplies	7,928	8,737
Accounts receivable - other	3,537	3,116
Other	6,589	7,419
Allowance for doubtful accounts	(1,206)	(1,153)
<b>Total current assets</b>	<b>138,271</b>	<b>138,989</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,303	71,913
Machinery, equipment and vehicles	80,147	81,388
Tools, furniture and fixtures	30,419	31,772
Other	1,766	1,820
Accumulated depreciation	(145,116)	(148,177)
Land	*4 49,199	*4 48,998
Construction in progress	779	924
<b>Total property, plant and equipment</b>	<b>89,498</b>	<b>88,640</b>
Intangible assets		
Goodwill	9,149	8,289
Other	8,887	8,957
<b>Total intangible assets</b>	<b>18,036</b>	<b>17,247</b>
Investments and other assets		
Investment securities	*5 46,774	*5 45,913
Deferred tax assets	4,015	4,243
Other	*1 8,908	*1 8,165
Allowance for doubtful accounts	(208)	(163)
<b>Total investments and other assets</b>	<b>59,490</b>	<b>58,159</b>
<b>Total non-current assets</b>	<b>167,025</b>	<b>164,047</b>
<b>Total assets</b>	<b>305,297</b>	<b>303,036</b>

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,921	26,449
Electronically recorded obligations - operating	7,956	6,438
Short-term loans payable	49,916	49,610
Current portion of long-term loans payable	21,476	19,698
Accounts payable - other	*1 12,598	*1 12,402
Income taxes payable	1,275	1,281
Provision for bonuses	3,534	3,644
Provision for goods warranties	445	440
Provision for loss on lease contracts	348	348
Other provision	350	444
Asset retirement obligations	51	-
Other	*1 11,589	*1 12,213
<b>Total current liabilities</b>	<b>134,467</b>	<b>132,972</b>
Non-current liabilities		
Long-term loans payable	40,075	35,106
Deferred tax liabilities	2,521	2,451
Deferred tax liabilities for land revaluation	*4 3,614	*4 3,614
Provision for loss on lease contracts	1,832	1,483
Provision for environmental measures	351	349
Provision for gift certificate exchange losses	157	155
Provision for long-term goods warranties	77	82
Provision for retirement benefits for directors (and other officers)	36	36
Provision for loss on business withdrawal	57	32
Other provision	38	97
Retirement benefit liability	10,810	10,602
Asset retirement obligations	676	888
Other	5,410	4,748
<b>Total non-current liabilities</b>	<b>65,660</b>	<b>59,647</b>
<b>Total liabilities</b>	<b>200,127</b>	<b>192,620</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	67,975	74,124
Treasury shares	(334)	(335)
<b>Total shareholders' equity</b>	<b>84,886</b>	<b>91,034</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,639	10,099
Deferred gains or losses on hedges	(294)	(104)
Revaluation reserve for land	*4 8,190	*4 8,190
Foreign currency translation adjustment	468	878
Remeasurements of defined benefit plans	(879)	(876)
<b>Total accumulated other comprehensive income</b>	<b>19,123</b>	<b>18,186</b>
Non-controlling interests	1,159	1,194
<b>Total net assets</b>	<b>105,170</b>	<b>110,415</b>
<b>Total liabilities and net assets</b>	<b>305,297</b>	<b>303,036</b>

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

(Millions of yen)

	FY2017	FY2018
Net sales	268,529	247,293
Cost of sales	*2 *3 166,231	*2 *3 150,955
Gross profit	102,297	96,338
Selling, general and administrative expenses	*1 *2 91,461	*1 *2 86,943
Operating profit	10,836	9,394
Non-operating income		
Interest income	152	188
Dividend income	735	774
Share of profit of entities accounted for using equity method	734	1,941
Other	1,634	1,889
Total non-operating income	3,255	4,794
Non-operating expenses		
Interest expenses	1,293	985
Other	1,886	1,791
Total non-operating expenses	3,180	2,777
Ordinary profit	10,911	11,410
Extraordinary income		
Gain on sales of non-current assets	-	257
Gain on sales of memberships	-	106
Gain on sale of businesses	9,373	-
Total extraordinary income	9,373	363
Extraordinary losses		
Provision of reserve for loss on lease contracts	2,181	-
Business structure improvement expenses	1,955	-
Impairment loss	*4 177	-
Loss on liquidation of subsidiaries and associates	142	-
Total extraordinary losses	4,456	-
Profit before income taxes	15,828	11,774
Income taxes - current	2,338	2,409
Income taxes - deferred	470	35
Total income taxes	2,809	2,445
Profit	13,019	9,329
Profit attributable to non-controlling interests	1,477	79
Profit attributable to owners of parent	11,541	9,249

【Consolidated statement of comprehensive income】

(Millions of yen)

	FY2017	FY2018
Profit	13,019	9,329
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,692)	(1,712)
Deferred gains or losses on hedges	(320)	187
Foreign currency translation adjustment	202	491
Remeasurements of defined benefit plans, net of tax	93	44
Share of other comprehensive income of entities accounted for using equity method	1,199	56
Total other comprehensive income	*1 (2,518)	*1 (933)
Comprehensive income	10,501	8,396
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,996	8,312
Comprehensive income attributable to non-controlling interests	1,504	83

## (c) 【Consolidated statement of changes in equity】

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,245	59,535	(329)	76,451
Changes of items during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			11,541		11,541
Purchase of treasury shares				(4)	(4)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	8,440	(4)	8,435
Balance at end of current period	10,000	7,245	67,975	(334)	84,886

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	14,962	39	8,190	(402)	(1,121)	21,668	9,042	107,161
Changes of items during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								11,541
Purchase of treasury shares								(4)
Net changes of items other than shareholders' equity	(3,322)	(334)	-	870	242	(2,544)	(7,882)	(10,426)
Total changes of items during period	(3,322)	(334)	-	870	242	(2,544)	(7,882)	(1,990)
Balance at end of current period	11,639	(294)	8,190	468	(879)	19,123	1,159	105,170

Fiscal year ended March 31, 2019

(Millions of yen)

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

(Millions of yen)

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

## (d) 【Consolidated statement of cash flows】

(Millions of yen)

	FY2017	FY2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	15,828	11,774
Depreciation	10,128	8,980
Increase (decrease) in allowance for doubtful accounts	162	(76)
Increase (decrease) in retirement benefit liability	(757)	(275)
Interest and dividend income	(887)	(962)
Interest expenses	1,293	985
Foreign exchange losses (gains)	203	(94)
Share of loss (profit) of entities accounted for using equity method	(734)	(1,941)
Impairment loss	177	-
Loss (gain) on sale of businesses	(9,373)	-
Loss (gain) on sales of non-current assets	-	(257)
Loss on retirement of non-current assets	276	92
Decrease (increase) in notes and accounts receivable - trade	(2,438)	1,132
Decrease (increase) in inventories	1,990	(976)
Increase (decrease) in notes and accounts payable - trade	9,310	(518)
Other, net	6,862	1,926
Subtotal	32,043	19,788
Interest and dividend income received	887	963
Proceeds from dividend income from entities accounted for using equity method	213	327
Interest expenses paid	(1,291)	(988)
Extra retirement payments	*4 (2,299)	*4 (170)
Income taxes paid	(1,667)	(2,412)
Net cash provided by (used in) operating activities	27,885	17,508

	(Millions of yen)	
	FY2017	FY2018
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,954)	(6,341)
Proceeds from sales of property, plant and equipment	124	1,061
Purchase of investment securities	(966)	(0)
Proceeds from sales of investment securities	6	33
Payments of loans receivable	(725)	(522)
Collection of loans receivable	646	508
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (1,095)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	*3 (3,264)	-
Other, net	(5,201)	(1,831)
<b>Net cash provided by (used in) investing activities</b>	<b>(17,430)</b>	<b>(7,093)</b>
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	943,237	910,847
Decrease in short-term loans payable	(942,950)	(911,281)
Proceeds from long-term loans payable	24,200	16,300
Repayments of long-term loans payable	(32,476)	(23,058)
Cash dividends paid	(3,100)	(3,100)
Other, net	(669)	(377)
<b>Net cash provided by (used in) financing activities</b>	<b>(11,759)</b>	<b>(10,670)</b>
Effect of exchange rate change on cash and cash equivalents	67	229
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,237)</b>	<b>(26)</b>
Cash and cash equivalents at beginning of period	35,333	33,911
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>(184)</b>	<b>(41)</b>
Cash and cash equivalents at end of period	*1 33,911	*1 33,843

**【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: 56

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

(Major unconsolidated subsidiaries)

AOBA WATCH SERVICE Co. Ltd.

(Reasons for exclusion from scope of consolidation)

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

2. Matters relating to the application of the equity method

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

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

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

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

4. Matters relating to accounting policies

(1) Accounting policy for measuring significant assets

1) Securities

Available-for-sale securities

Securities with market value

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

Securities without market value

Stated at cost using the moving-average method

2) Derivatives

Market value method

3) Inventories

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

(2) Depreciation methods for significant depreciable assets

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

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

As for domestic consolidated companies, a useful life and a residue value are basically evaluated using the same standards as set forth in the Corporation Tax Act.

2) Intangible assets (excluding leased assets)

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

3) Leased assets

Leased assets relating to finance lease with transfer of ownership

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

Lease assets relating to finance lease without transfer of ownership

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

(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 environmental measures

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

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.

(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 10 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference. Prior service costs are basically recognized by the straight-line method over various periods that are not more than the average remaining service period of employees at the time of the accrual thereof.

(5) Accounting standards for significant income and expenses

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

Portions of work that were definitely completed by the end of the consolidated fiscal year under review  
Percentage-of-completion method

Other portions of work

Work-completion method

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

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

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

(7) Significant hedge accounting methods

1) Hedge accounting method

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

2) Means of hedging and hedged items

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

3) Hedging policy

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

4) Assessment of hedge effectiveness

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

(8) Method and period of amortization of goodwill

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

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

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

(10) Accounting policy for consumption taxes, etc.

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

(11) Matters relating to application of consolidated tax system

Consolidated tax system is applied.

(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 30, 2018, the Accounting Standards Board of Japan)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018, the Accounting Standards Board of Japan)

(1) Overview

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

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

(2) Scheduled effective date

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

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

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

For the overseas consolidated subsidiaries

“Leases” (IFRS 16)

(1) Overview

The accounting standard requires the lessee to recognize all leases, in principle, as assets and liabilities on their balance sheets. There is no significant change to accounting treatment for the lessor.

(2) Scheduled effective date

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2020.

(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)

(Changes associated with “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, issued on February 16, 2018) from the beginning of the fiscal year under review ended March 31, 2019, resulting in a change in presentation method whereby deferred tax assets and deferred tax liabilities is presented under investments and other assets, and under non-current liabilities respectively.

As a result, in the consolidated balance sheet for the previous fiscal year, “deferred tax assets” in “current assets” decreased by 4,216 million yen, and “deferred tax assets” in “investments and other assets” increased by 1,923 million yen. In addition, “deferred tax liabilities” in “current liabilities” decreased by 2 million yen, and “deferred tax liabilities” in “non-current liabilities” decreased by 2,290 million yen.

Deferred tax assets and deferred tax liabilities of the same taxable entity are shown by offsetting against each other, and accordingly total assets decreased by 2,292 million yen as compared with before the change.

Matters described in Note 8 to the “Accounting Standard for Tax Effect Accounting” (excluding the total amount of the valuation allowance) and Note 9 to said standard as stipulated in Paragraphs 3 to 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting have been added in the notes to tax effect accounting; provided, however, that matters concerning the previous fiscal year are not reflected in accordance with the transitional treatment stipulated in Paragraph 7 of the Partial Amendments to the Accounting Standard for Tax Effect Accounting.

(Notes - Consolidated balance sheet)

\*1. Pledged assets and secured liabilities

Pledged assets			(Millions of yen)
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Cash and deposits	27	28	
Deposits (Investments and other assets)	424	404	
Total	451	432	

Secured liabilities			(Millions of yen)
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Accounts payable - other	1	1	
Gift certificates (Current liabilities; Other)	88	78	
Total	89	80	

2. Guarantee obligations

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

			(Millions of yen)
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Employees (housing fund)	14	5	

3. Discounted trade notes receivable

			(Millions of yen)
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Amount of discount on trade notes receivable	471	813	

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

(1) Method of revaluation

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

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

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

			(Millions of yen)
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Investment securities	417	440	

(Notes - Consolidated statement of income)

\*1. Major components of selling, general and administrative expenses

	Previous fiscal year (from April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Advertising and promotion expenses	16,393	16,905
Provision of allowance for doubtful accounts	57	71
Salaries and wages	34,639	32,454
Provision for bonuses	1,986	1,879
Retirement benefit expenses	1,383	1,470

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

Previous fiscal year (from April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
4,669	4,190

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

Previous fiscal year (from April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
85	31

\*4. Impairment loss

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

Previous fiscal year (from April 1, 2017 to March 31, 2018)

Location	Usage	Type	Amount (Millions of yen)
Matsudo-shi, Chiba, etc.	Operating assets, etc.	Buildings and structures	19
		Machinery, equipment and vehicles	74
		Tools, furniture and fixtures	13
		Construction in progress	60
		Intangible assets (Other)	9
		Investments and other assets (Other)	0

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.

(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, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities		
Amount arising during the period	(5,176)	(2,702)
Reclassification adjustments	-	(1)
Before tax-effect adjustment	(5,176)	(2,704)
Amount of tax effects	1,483	991
Valuation difference on available-for-sale securities	(3,692)	(1,712)
Deferred gains or losses on hedges		
Amount arising during the period	(578)	204
Reclassification adjustments	124	64
Before tax-effect adjustment	(453)	268
Amount of tax effects	133	(81)
Deferred gains or losses on hedges	(320)	187
Foreign currency translation adjustment		
Amount arising during the period	200	491
Reclassification adjustments	1	-
Foreign currency translation adjustment	202	491
Remeasurements of defined benefit plans		
Amount arising during the period	(58)	(151)
Reclassification adjustments	164	194
Before tax-effect adjustment	105	42
Amount of tax effects	(12)	1
Remeasurements of defined benefit plans	93	44
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	1,199	56
Share of other comprehensive income of entities accounted for using equity method	1,199	56
Total other comprehensive income	(2,518)	(933)

(Notes - Consolidated statement of changes in equity)

Previous fiscal year (from April 1, 2017 to March 31, 2018)

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 (Note 1)	207,021	—	165,617	41,404
Total	207,021	—	165,617	41,404
Treasury shares:				
Common share (Note 2)	931	4	748	188
Total	931	4	748	188

(Note 1) The total number of issued shares has decreased by 165,617 thousand as the Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017.

(Note 2) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 108 thousand shares of the Company held in the Board Benefit Trust (BBT). The increase in common shares (4 thousand shares) held as treasury shares is the result of the purchase of fraction shares, and the purchase of fraction shares associated with the share consolidation. The decrease in common shares (748 thousand shares) held as treasury shares is the result of the share consolidation.

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 29, 2017	Common share	1,550	7.50	March 31, 2017	June 30, 2017
Board of Directors meeting on November 14, 2017	Common share	1,550	7.50	September 30, 2017	December 5, 2017

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2017 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 14, 2017 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

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

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2018	Common share	1,550	Retained earnings	37.50	March 31, 2018	June 29, 2018

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

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

1. Issued shares and treasury shares

(Thousands of shares)

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

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

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

2. Dividends

(1) Amount of dividends paid

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

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

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

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

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

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

(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, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Cash and deposits	34,229	33,844
Time deposits with maturities of more than three months	(317)	(0)
Cash and cash equivalents at the end of period	33,911	33,843

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

Previous fiscal year (from April 1, 2017 to March 31, 2018)

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	2,506
Non-current assets	1,183
Goodwill	2,923
Current liabilities	(2,808)
Non-current liabilities	(602)
Acquisition price of shares	3,202
Acquisition price of shares before the Company acquired control	(602)
Additional acquisition price of shares	2,600
Cash and cash equivalents of the new consolidated subsidiary	(1,504)
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	1,095

\*3. Major components of assets and liabilities of consolidated subsidiary disposed of by sales of shares during reporting period

Previous fiscal year (from April 1, 2017 to March 31, 2018)

The relation between major components of assets, liabilities and sales price of consolidated subsidiary disposed of by sales of shares and “Payments for sales of shares of subsidiaries resulting in change in scope of consolidation” is as follows:

	(Millions of yen)
Current assets	20,997
Non-current assets	9,724
Current liabilities	(10,694)
Non-current liabilities	(12,588)
Non-controlling interests	(9,329)
Investment account after sales of shares	(2,229)
Other	273
Gain on transfer of business	9,373
Sales price of shares	5,527
Cash and cash equivalents of the disposed consolidated subsidiary	(8,791)
Balance: Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,264)

\*4 “Extra retirement payments” consist of total amount paid including redundancy payment.

(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. Operating lease transactions

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

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Due within one year	3,425	3,768
Due after one year	16,521	14,572
Total	19,946	18,341

(Financial instruments)

## 1. Overview of financial instruments

### (1) Policy to manage financial instruments

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

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

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

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

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

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

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

#### 1) Management of credit risk

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

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

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

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

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

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

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

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

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

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

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

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

## 2. Market value of financial instruments

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

Previous fiscal year (as of March 31, 2018) (Millions of yen)

	Balance sheet amount	Market value	Difference
(1) Cash and deposits	34,229	34,229	-
(2) Notes and accounts receivable - trade	38,109	38,109	-
(3) Accounts receivable - other	3,537	3,537	-
(4) Investment securities			
(a) Shares of subsidiaries and associates	17,303	25,765	8,462
(b) Available-for-sale securities	23,185	23,185	-
Total assets	116,365	124,827	8,462
(1) Notes and accounts payable - trade	24,921	24,921	-
(2) Electronically recorded obligations - operating	7,956	7,956	-
(3) Short-term loans payable	49,916	49,916	-
(4) Current portion of long-term loans payable	21,476	21,504	28
(5) Accounts payable - other	12,598	12,598	-
(6) Long-term loans payable	40,075	40,105	29
Total liabilities	156,946	157,005	58
Derivative transactions (*)	(321)	(321)	-

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

Current fiscal year (as of March 31, 2019) (Millions of yen)

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

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

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

Assets

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

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

(4) Investment securities:

Equities are based on their value on exchanges. Bonds are based on financial institutions. Refer to “Securities” for matters for each type of securities, classified by holding purpose.

Liabilities

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

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

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

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

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

(Millions of yen)

Classification	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Unlisted shares of subsidiaries and affiliates	5,839	6,573
Unlisted shares	446	421

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, 2018)

(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	34,229	-	-	-
Notes and accounts receivable - trade	38,109	-	-	-
Accounts receivable - other	3,537	-	-	-
Total	75,876	-	-	-

Current fiscal year (as of March 31, 2019)

(Millions of yen)

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

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

Previous fiscal year (as of March 31, 2018)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	49,916	-	-	-	-	-
Current portion of long-term loans payable	21,476	-	-	-	-	-
Long-term loans payable	-	15,951	9,055	6,283	8,785	-
Total	71,393	15,951	9,055	6,283	8,785	-

Current fiscal year (as of March 31, 2019)

(Millions of yen)

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

(Securities)

1. Available-for-sale securities

Previous fiscal year (as of March 31, 2018)

(Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Shares	23,182	7,624	15,557
	Subtotal	23,182	7,624	15,557
Securities whose B/S amount do not exceed their acquisition price	Shares	3	3	(0)
	Subtotal	3	3	(0)
Total		23,185	7,628	15,556

Current fiscal year (as of March 31, 2019)

(Millions of yen)

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

2. Available-for-sale securities sold

Previous fiscal year (as of March 31, 2018)

Not applicable.

Current fiscal year (as of March 31, 2019)

This information is not provided due to its low materiality.

(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 and a defined benefit pension 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, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Retirement benefits obligation at the beginning of the period	15,479	14,959
Service cost	79	127
Interest cost	267	252
Actuarial gains and losses generated	(12)	429
Retirement benefits paid	(1,306)	(890)
Prior service cost generated	-	8
Effect of foreign currency translation	450	(159)
Other	1	0
Retirement benefits obligation at the end of the period	14,959	14,728

(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, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Plan assets at the beginning of the period	7,911	8,468
Expected return on plan assets	220	213
Actuarial gains and losses generated	99	197
Contribution from employers	125	25
Retirement benefits paid	(313)	(396)
Effect of foreign currency translation	427	(167)
Other	(1)	(1)
Plan assets at the end of the period	8,468	8,339

(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, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Net defined benefit liability at the beginning of the period	4,860	4,319
Retirement benefit expenses	358	304
Retirement benefits paid	(1,298)	(405)
Contribution to plans	(6)	(6)
Increase due to newly consolidated subsidiary	405	-
Net defined benefit liability at the end of the period	4,319	4,212

- (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, 2018)	Current fiscal year (as of March 31, 2019)
Retirement benefits obligation for funded plans	8,718	8,787
Plan assets	(8,572)	(8,446)
	146	341
Retirement benefits obligation for unfunded plans	10,663	10,260
Net defined liability and assets reported on the consolidated balance sheet	10,810	10,602
Net defined benefit liability	10,810	10,602
Net defined benefit assets	-	-
Net defined liability and assets reported on the consolidated balance sheet	10,810	10,602

(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, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Service cost	79	127
Interest cost	267	252
Expected return on plan assets	(220)	(213)
Amortization of actuarial gains and losses	108	388
Amortization of prior service cost	(115)	(106)
Retirement benefit expenses calculated using the simplified method	358	304
Non-recurring redundancy payments	749	340
Other	3	2
Total	1,230	1,095

- (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, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Prior service cost	(115)	(115)
Actuarial gains and losses	221	158
Total	105	42

- (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, 2018)	Current fiscal year (as of March 31, 2019)
Unrecognized prior service cost	347	231
Unrecognized actuarial gains and losses	(1,079)	(920)
Total	(732)	(689)

(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, 2018)	Current fiscal year (as of March 31, 2019)
Stocks	43%	39%
Bonds	29%	34%
Cash and deposits	5%	4%
Other	23% (Note)	23% (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, 2018)	Current fiscal year (as of March 31, 2019)
Discount rate	0.3~7.6%	0.3~7.6%

3. Defined contribution plans

The required amounts of contribution to the Group's defined contribution plans were 1,636 million yen for the previous fiscal year (ended March 31, 2018) and 1,381 million yen for the current fiscal year (ended March 31, 2019).

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Deferred tax assets:		
Write-down of inventory	1,463	1,250
Allowance for doubtful accounts	350	332
Provision for bonuses	1,077	1,022
Net defined benefit liability	3,251	3,142
Loss on valuation of securities	608	661
Impairment loss	2,376	2,089
Long-term accounts payable - other	18	15
Unrealized gains on inventories	259	819
Mark-to-market gains from participation in consolidated tax payment	724	547
Net operating losses carried forward (Note 3)	11,246	9,036
Other	5,337	4,343
Subtotal deferred tax assets	26,713	23,262
Valuation allowance for net operating loss carry forwards (Note 3)	-	(6,570)
Valuation allowance for the sum of deductible temporary differences, etc.	-	(4,862)
Subtotal valuation allowance (Note 2)	(14,388)	(11,432)
Total deferred tax assets	12,324	11,829
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	5,127	4,042
Valuation difference of consolidated subsidiaries by the market value method	3,770	3,770
Retained earnings of overseas subsidiaries	909	929
Other	1,022	1,294
Total deferred tax liabilities	10,830	10,037
Net deferred tax assets (liabilities) (Note 1)	1,494	1,792

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

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Deferred tax assets - non-current assets	4,015	4,243
Deferred tax liabilities - non-current liabilities	2,521	2,451

Previous fiscal year (as of March 31, 2018)

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, 2019)

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 decreased by 2,956 million yen, due mainly to extinguishment, etc., of tax losses carried forward.

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

Current fiscal year (Ended March 31, 2019)

(Millions of yen)

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

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

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

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, 2018)

Statutory tax rate	30.86%
Reconciliations:	
Valuation allowance	0.59%
Non-deductible amount (Entertainment expenses, etc.)	0.59%
Amortization of goodwill	1.67%
Different tax rates applied to foreign consolidated subsidiaries	-2.54%
Share of profit of entities accounted for using equity method	-1.23%
Unrealized gains on inventories	-0.77%
Per capita tax	0.57%
Aggregation of income of specified foreign subsidiary companies, etc.	1.08%
Deferred tax reduction adjustments due to changes in tax rates	4.13%
Consolidation adjustments related to transfer of business	-18.28%
Other	1.06%
Actual effective income tax rate after application of tax-effect accounting	17.75%

Current fiscal year (as of March 31, 2019)

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

(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, 2017 to March 31, 2018)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Watches	Electronic Devices	Systems Solutions	Total				
Net sales								
Sales to third parties	138,812	78,171	26,765	243,749	24,779	268,529	-	268,529
Inter-segment sales or transfers	1,344	3,680	646	5,670	3,073	8,743	(8,743)	-
Total	140,156	81,852	27,411	249,420	27,852	277,272	(8,743)	268,529
Segment profits	7,902	5,793	1,605	15,301	551	15,852	(5,015)	10,836
Segment assets	92,032	82,828	19,492	194,353	36,211	230,564	74,732	305,297
Other items								
Depreciation and amortization expense	3,551	4,514	1,213	9,279	469	9,749	378	10,128
Amortization of goodwill	6	18	292	316	-	316	566	883
Investment amounts to equity method companies	618	4,731	-	5,349	5,074	10,423	11,146	21,570
Increase amounts of fixed assets and intangible assets	2,099	4,083	1,420	7,603	634	8,238	278	8,517

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

2. Adjustments are as follows:

- (1) Adjustments to segment profits in the amount of -5,015 million yen include -566 million yen in the amortization of goodwill, 190 million yen that mainly consists of the elimination of inter-segment transactions, and -4,639 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses that fall under the parent company (holding company).
- (2) Adjustments to segment assets in the amount of 74,732 million yen include -70,934 million yen in the elimination of inter-segment liabilities, 197,597 million yen in company-wide assets not appropriated to each reported segment, and -51,930 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 11,146 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, 2018 to March 31, 2019)

(Millions of yen)

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

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

2. Adjustments are as follows:

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

**【Information associated with reported segments】**

Previous fiscal year (from April 1, 2017 to March 31, 2018)

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
143,029	44,855	80,643	268,529

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

(2) Intangible assets (Millions of yen)

Japan	Other	Total
72,357	17,141	89,498

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, 2018 to March 31, 2019)

1. Information for each product or service

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

2. Information for each region

(1) Net sales (Millions of yen)

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

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

(2) Intangible assets (Millions of yen)

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

3. Information for each of main customers

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

**【Disclosure of impairment loss on non-current assets for each reported segment】**

Previous fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reported segment				Other	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Impairment loss	94	110	-	205	-	(27)	177

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

Not applicable.

**【Amortization and unamortized balance of goodwill for each reported segment】**

Previous fiscal year (from April 1, 2017 to March 31, 2018)

(Goodwill)

(Millions of yen)

	Reported segment				Other	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Amortization of goodwill	6	18	292	316	-	566	883
Balance at the end of fiscal year	2	-	2,630	2,633	-	6,515	9,149

(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, 2018 to March 31, 2019)

(Goodwill)

(Millions of yen)

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

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

**【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, 2017 to March 31, 2018)

(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) 11.5% (Closer parties or agreed parties) 5.3%	Property lease-in, etc.	Property lease-in	901	Current liabilities (Other)	3

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

(Millions of yen)

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

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

2. Transaction terms and policies to determine them

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

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

Previous fiscal year (from April 1, 2017 to March 31, 2018)

Not applicable.

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

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

(Per-share information)

(Yen)

	Previous fiscal year (from April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Net assets per share	2,523.54	2,649.99
Basic earnings per share	280.01	224.42
Diluted earnings per share	280.00	224.40

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

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

2. The Company has conducted share consolidation by which five common shares have been consolidated into one share on October 1, 2017. Net assets per share, basic earnings per share and diluted earnings per share for the consolidated business results represent figures on the presumption that said share consolidation is performed at the beginning of the previous fiscal year (FY2017)

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

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Total net assets	105,170	110,415
Amounts deducted from total net assets	1,159	1,194
<i>Of which, non-controlling interests</i>	<i>1,159</i>	<i>1,194</i>
Net assets at the end of the fiscal year related to common shares	104,010	109,221
The number of common shares at the end of the fiscal year used to calculate net assets per share (Thousands of shares)	41,216	41,215

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

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Basic earnings per share:		
Profit attributable to owners of parent	11,541	9,249
Profit attributable to owners of parent pertaining to common stock	11,541	9,249
Average number of shares of common stock outstanding during the period (Thousands of shares)	41,217	41,215
Diluted earnings per share:		
Adjustments to profit attributable to owners of parent	(0)	(0)
<i>Of which, adjustments by potential shares of consolidated subsidiaries</i>	<i>(0)</i>	<i>-</i>
<i>Of which, adjustments by potential shares of affiliates accounted for by the equity method</i>	<i>(0)</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】

## 【Annexed consolidated detailed schedule of borrowings】

Classification	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Average interest rate (%)	Maturity date
Short-term loans payable	49,916	49,610	0.8	—
Current portion of long-term loans payable	21,476	19,698	0.8	—
Current portion of lease obligations	359	361	1.2	—
Long-term loans payable (excluding current portion)	40,075	35,106	1.0	March 31,2025
Lease obligations (excluding current portion)	1,559	1,246	1.2	February 28, 2029
Other interest-bearing debt (Current portion of) guarantee deposits received	80	90	0.1	—
Business security deposit	32	32	0.0	—
Total	113,499	106,144	—	—

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

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

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

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans payable	12,907	9,719	10,985	1,395
Lease obligations	340	289	218	158

Independent Auditors' Audit Report and Internal Control Audit Report

June 27, 2019

The Board of Directors  
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC

Designated Limited P a r t n e r Engagement Partner	Certified Public Accountant	Junichi Obi [seal]
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Designated Limited P a r t n e r Engagement Partner	Certified Public Accountant	Akira Nishino [seal]
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Designated Limited P a r t n e r Engagement Partner	Certified Public Accountant	Osamu Takagi [seal]
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<Financial statements audit>

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, 2019 and 2018, 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 .

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements independently based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

#### <Internal control audit>

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, 2019 of the Company.

#### Management's Responsibility for the Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, as well as the preparation and fair presentation of the internal control report in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

Internal control over financial reporting may not be able to completely prevent or detect misstatement in financial reporting.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the internal control report based on our internal control audit as independent auditor. We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan.

Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence for evaluation results of internal control over financial reporting in the internal control report. Internal control audit procedures are selected and applied based on materiality of impacts on credibility of financial reporting depending on the auditors' judgment. An internal control audit also includes evaluating the overall presentation of the internal control report, including management's statements on the evaluation scope, evaluation procedures and evaluation results of internal control over financial reporting.

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

#### Opinion

In our opinion, the above internal control report, in which SEIKO HOLDINGS CORPORATION indicated that internal control over financial reporting as at March 31, 2019 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.

#### 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 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.