

# SEIKO

Moving ahead. Touching hearts.

## NOTICE OF THE 156TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

**Date and Time** Thursday, June 29, 2017,  
at 10 a.m. Japan time

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

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SEIKO HOLDINGS CORPORATION

Stock Exchange Code 8050

## [Translation]

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

(Stock Exchange Code 8050)

June 12, 2017

To Shareholders with Voting Rights:

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

# NOTICE OF THE 156TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

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

You are cordially invited to attend the 156th Ordinary General Meeting of Shareholders of SEIKO HOLDINGS CORPORATION (the “Company”). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing, or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights in either of the methods described on pages 2 and 3 by 6 p.m. on Wednesday, June 28, 2017, Japan time.

## 1. Date and Time: Thursday, June 29, 2017, at 10 a.m. Japan time

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

## 3. Meeting Agenda:

**Matters to be reported:** The Business Report, Non-consolidated Financial Statements, Consolidated Financial Statements and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements, for the Company's Fiscal Year Ended on March 31, 2017 (from April 1, 2016 to March 31, 2017)

**Proposals to be resolved:** **Proposal 1: Distribution of Surplus**  
**Proposal 2: Share Consolidation**  
**Proposal 3: Partial Amendment to the Articles of Incorporation**  
**Proposal 4: Election of Ten (10) Directors**

## 4. Decisions Concerning Convocation

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

## Regarding disclosures on the Internet

◎Among the documents to be provided with this Notice, the following items are posted on the Company's website (at the URL provided below) via the Internet pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company; therefore, they are not included in the documents attached hereto:

- (i) "Notes to Consolidated Financial Statements" for Consolidated Financial Statements
- (ii) "Notes to Non-Consolidated Financial Statements" for Non-Consolidated Financial Statements

Documents attached hereto are some of the documents that the Board of Corporate Auditors and the Accounting Auditor have audited when they prepare respective audit reports.

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

**English: <http://www.seiko.co.jp/en/ir/>, Japanese: <http://www.seiko.co.jp/ir/>**

## Notice regarding Exercise of Voting Rights

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

### Shareholders attending the meeting in person



**Date and time of the meeting**

**Thursday, June 29, 2017, at 10 a.m.,  
Japan time**

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

### Shareholders not attending the meeting in person

#### Exercise of voting rights in writing (by mail)



**Deadline**

**Must reach the Company by 6 p.m. on Wednesday,  
June 28, 2017, Japan time**

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

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



**Deadline**

**By 6 p.m. on Wednesday, June 28, 2017, Japan time**

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

## Notice regarding Exercise of Voting Rights via the Internet

### 1 Exercise of voting rights via the Internet

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

<http://www.it-soukai.com/>

- (2) The deadline for exercising voting rights is 6 p.m. on Wednesday, June 28, 2017, Japan time, and votes must be entered by the above deadline. Please exercise your voting rights promptly.
- (3) If you exercise a voting right both in writing and via the Internet, the vote submitted through the Internet will be taken as the valid vote. If you exercise a voting right multiple times via the Internet, the vote last submitted will be taken as the valid vote.
- (4) The password (including the password that may be changed by a shareholder) is valid only for this general meeting of shareholders. A new password will be issued at the time of convocation of the next general meeting of shareholders.
- (5) Please note that shareholders are responsible for any expenses incurred for accessing the Internet.

#### Notes

The password is a means to verify the identification of the person casting the vote. Please note that the Company will not ask for your password.

If a wrong password is entered a certain number of times, it will be locked and may no longer be used. If you have had your password locked, please take the procedures in accordance with the screen instructions.

Although the operability of the voting website is checked with a general Internet access device, you may not be able to use the voting website depending on the device you use to access the website.

### 2 Contact information

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

#### 1 Inquiries regarding the operation of the voting website:

Toll free, accessible only in Japan **0120-768-524** (9:00 - 21:00 on weekdays)

#### 2 Other inquiries regarding administration of shares:

Toll free, accessible only in Japan **0120-288-324** (9:00 - 17:00 on weekdays)

### 3 Conditions related to systems

- (1) The screen resolution is at least 800 dots (horizontal) x 600 dots (vertical) (SVGA).
- (2) The following applications have been installed:
  - A. Microsoft® Internet Explorer Ver. 5.01 SP2 or higher
  - B. Adobe® Acrobat® Reader™ Ver. 4.0 or higher, or Adobe® Reader® Ver. 6.0 or higher
- (3) The website can be used securely, as it uses an encryption technology (SSL 128bit) to prevent alteration or theft of information submitted in exercising voting rights.

For  
reference

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

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# Reference Documents for the General Meeting of Shareholders

## Agenda of the Ordinary General Meeting of Shareholders

### Proposal 1 Distribution of surplus

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

#### Matters related to the year-end dividend

##### 1 Type of dividend assets

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Cash

##### 2 Allotment of dividend property to shareholders and its total amount

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Amount per common share: 7.5 yen

Total amount of dividends: 1,550,510,783 yen

##### 3 Effective date of distribution of surplus

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June 30, 2017

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## Proposal 2 Share Consolidation

### 1 Reason for proposal

The Japanese Stock Exchange Conference has announced the “Action Plan for Aggregation of Trading Units” and seeks to unify the trading units for common stock issued by all domestic listed corporations at 100 shares by October 1, 2018.

As a corporation listed on the Tokyo Stock Exchange, the Company recognizes the aim of the Japanese Stock Exchange Conference and has decided to change the share unit number, or trading unit, for shares of the Company, from 1,000 shares to 100 shares. At the same time, the Company proposes to implement a share consolidation in order to maintain the investment unit level recommended by the Tokyo Stock Exchange (from 50,000 yen to less than 500,000 yen).

### 2 Details of share consolidation

#### (1) Class of shares subject to, and ratio of, share consolidation

The Company proposes to consolidate every five shares of its common stock into one share.

If fractional shares of less than one share are created through the share consolidation, the Company will dispose of all such shares collectively pursuant to the Companies Act, and will deliver the proceeds therefrom to the former holders of such fractional shares in amounts proportional to the former holdings of said shareholders.

#### (2) Effective date of share consolidation

**October 1, 2017**

#### (3) Total number of authorized shares as of the effective date of share consolidation

**149,200,000 shares**

### 3 Other matters

The proposed share consolidation will be executed subject to the approval of “Proposal 3: Partial amendment to the Articles of Incorporation.” The Company requests that other procedural matters be left to the discretion of the Board of Directors.

## Proposal 3 Partial amendment to the Articles of Incorporation

### Reason for proposal

- (1) The Company proposes to change the total number of authorized shares from 746,000,000 shares to 149,200,000 shares in proportion to the ratio of share consolidation (one share to five shares) in order to optimize the total number of authorized shares, subject to the approval of “Proposal 2: Share Consolidation” as proposed. The Company also recognizes the aim of the “Action Plan for Aggregation of Trading Units” announced by the Japanese Stock Exchange Conference, and proposes to change the share unit number from 1,000 shares to 100 shares in order to change the trading unit for shares of the Company.  
The proposed changes will entail the addition of a supplemental provision to the Articles of Incorporation stating that the new provisions will take effect on October 1, 2017, which is the effective date of the share consolidation as presented in Proposal 2, and the said supplemental provision will be deleted as of the same date. (Articles 6 and 8, and the supplemental provision of the proposed amendment)
- (2) In order to enable flexibility in the operation of the Board of Directors meetings, the Company proposes to change the convener and chairperson thereof to the Representative Director predetermined by the Board of Directors. (Article 27 of the proposed amendment)
- (3) The Company proposes to newly establish provisions for exempting its Directors and Corporate Auditors from liability based on the liability exemption system granted to directors and corporate auditors as provided for in Articles 426 and 427 of the Companies Act, in order to allow its Directors and Corporate Auditors to fully perform the functions expected of them, and to procure capable human resources on a continuous basis. The Company has obtained the consent of each Corporate Auditor to the establishment of Article 32 of the proposed amendment. (Articles 32 and 42 of the proposed amendment)
- (4) In addition to the above, the relevant articles will be renumbered as a result of the above amendments, and terms and expressions will be inserted, deleted or modified in part. (Articles 10, 12, 15, 19, 22, 24, 30, 31, 35, 37, 38, 40 and 41 of the proposed amendment)

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
CHAPTER II SHARES	CHAPTER II SHARES
(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be <u>746,000,000</u> .	(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be <u>149,200,000</u> .
(Share Unit Number) Article 8 The number of shares constituting one share unit of the Company shall be <u>1,000</u> .	(Share Unit Number) Article 8 The number of shares constituting one share unit of the Company shall be <u>100</u> .

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
<p>(Additional Purchase of Shares of Less Than One Unit) Article 10 Shareholders of the <u>company</u> holding shares of less than one unit shall be entitled to demand that the Company sell such number of shares as the shares may, together with the number of shares less than one unit, constitute the share unit number, in accordance with the <u>“Share Handling Regulations”</u> (“Additional Purchase”).</p> <p>(Share Handling Regulations) Article 12 Registration of transfers of shares, purchase and Additional Purchase of shares of less than one unit, and other matters related to shares of the Company shall be governed by the <u>“Share Handling Regulations”</u> prescribed by the Board of Directors, <u>in addition to these Articles of Incorporation.</u></p> <p style="text-align: center;">CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p> <p>(Convener and Chairperson) Article 15 1. The President shall convene and chair the general meetings of shareholders. 2. If the President is unable to so act, one of the other Directors <u>in an order predetermined by the Board of Directors</u> shall convene <u>or</u> chair the general meeting of shareholders.</p> <p>(Minutes of the General Meetings of Shareholders) Article 19 Minutes of the general meetings of shareholders shall be prepared and kept by the <u>company in accordance with the provisions of Article 318 of the Companies Act.</u></p>	<p>(Additional Purchase of Shares of Less Than One Unit) Article 10 Shareholders of the <u>Company</u> holding shares of less than one unit shall be entitled to demand that the Company sell such number of shares as the shares may, together with the number of shares less than one unit, constitute the share unit number, in accordance with the <u>Share Handling Regulations</u> (the “Additional Purchase”).</p> <p>(Share Handling Regulations) Article 12 Registration of transfers of shares, purchase and Additional Purchase of shares of less than one unit, and other matters related to shares of the Company shall be governed by the <u>Share Handling Regulations</u> prescribed by the Board of Directors, <u>in addition to the applicable laws and regulations, and these Articles of Incorporation.</u></p> <p style="text-align: center;">CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p> <p>(Convener and Chairperson) Article 15 1. The President shall convene and chair the general meetings of shareholders. 2. If the President is unable to so act, one of the other Directors <u>in an order predetermined by the Board of Directors</u> shall convene and chair the general meeting of shareholders.</p> <p>(Minutes of the General Meetings of Shareholders) Article 19 Minutes of the general meetings of shareholders shall be prepared <u>in writing</u> and kept by the <u>Company in accordance with the provisions of applicable laws and regulations.</u></p>



(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
<p data-bbox="187 266 659 314">CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS</p> <p data-bbox="139 343 299 367">(Term of Office)</p> <p data-bbox="139 368 240 393">Article 22</p> <ol data-bbox="139 394 707 775" style="list-style-type: none"><li data-bbox="139 394 707 495">1. The term of office of Directors shall expire at the closing of the ordinary general meeting of shareholders concerning the last business year ending within two (2) years after their election.</li><li data-bbox="139 497 707 672">2. <u>If the number of Directors does not fall below the statutory number of directors as a result of a vacancy, the Company may choose not to elect a Director to fill the vacancy. The term of office of a Director who has been elected to fill a vacancy shall expire when the term of office of his or her predecessor would have otherwise expired.</u></li><li data-bbox="139 674 707 775">3. <u>The term of office of a Director who has been elected to increase the number of Directors shall expire when the term of office of the other incumbent Directors will expire.</u></li></ol> <p data-bbox="139 802 359 827">(Directors with Titles)</p> <p data-bbox="139 828 240 852">Article 24</p> <p data-bbox="139 854 707 955">The Board of Directors may, by its resolutions, <u>elect</u> one Chairman, one President, and a small number each of Executive Vice Presidents, Senior Executive Directors, and Executive Directors.</p> <p data-bbox="139 982 707 1031">(Convocation and Chairperson of Board of Directors Meetings)</p> <p data-bbox="139 1032 240 1056">Article 27</p> <ol data-bbox="139 1058 707 1134" style="list-style-type: none"><li data-bbox="139 1058 707 1134">1. Unless otherwise stipulated by applicable laws or regulations, <u>the Chairman</u> shall convene and chair the Board of Directors meetings.</li></ol> <p data-bbox="320 1161 526 1185">(Newly established)</p>	<p data-bbox="822 266 1294 314">CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS</p> <p data-bbox="772 343 932 367">(Term of Office)</p> <p data-bbox="772 368 873 393">Article 22</p> <ol data-bbox="772 394 1341 597" style="list-style-type: none"><li data-bbox="772 394 1341 495">1. The term of office of Directors shall expire at the closing of the ordinary general meeting of shareholders concerning the last business year ending within two (2) years after their election.</li><li data-bbox="772 497 1341 597">2. <u>The term of office of a Director who has been elected to increase the number of Directors or to fill a vacancy shall expire when the term of office of the other incumbent Directors will expire.</u></li></ol> <p data-bbox="772 802 993 827">(Directors with Titles)</p> <p data-bbox="772 828 873 852">Article 24</p> <p data-bbox="772 854 1341 955">The Board of Directors may, by its resolutions, <u>appoint</u> one Chairman, one President, and a small number each of Executive Vice Presidents, Senior Executive Directors, and Executive Directors.</p> <p data-bbox="772 982 1341 1031">(Convener and Chairperson of Board of Directors Meetings)</p> <p data-bbox="772 1032 873 1056">Article 27</p> <ol data-bbox="772 1058 1341 1285" style="list-style-type: none"><li data-bbox="772 1058 1341 1159">1. Unless otherwise stipulated by applicable laws or regulations, <u>a Representative Director</u> shall convene and chair the Board of Directors meetings.</li><li data-bbox="772 1161 1341 1285">2. <u>If there are more than one Representative Directors, one of the Representative Directors predetermined by the Board of Directors shall convene and chair the Board of Directors meetings.</u></li></ol>

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
<p data-bbox="167 263 737 439">2. If there is a vacancy in the position of <u>Chairman</u> or <u>the Chairman</u> is unable to so act, <u>the President</u> shall convene and chair the Board of Directors meeting, or if <u>the President is unable to so act</u>, then one of the other Directors in an order predetermined by the Board of Directors shall convene and chair the Board of Directors meeting.</p> <p data-bbox="167 467 636 515">(Minutes of the Board of Directors Meetings) Article 30</p> <p data-bbox="167 518 737 669">Minutes of the Board of Directors meetings shall be prepared in writing in accordance with the provisions of the applicable laws and regulations, and kept by the <u>company</u> after the Directors and Corporate Auditors present thereat have affixed their names and seals thereto.</p> <p data-bbox="167 697 574 745">(Regulations of the Board of Directors) Article 31</p> <p data-bbox="167 748 737 824">Operation of the Board of Directors shall be governed by the Regulations of the Board of Directors prescribed by the Board of Directors.</p> <p data-bbox="349 923 554 951">(Newly established)</p>	<p data-bbox="804 263 1374 439">3. If there is a vacancy in the position of <u>the convener</u> and chairperson of a <u>Board of Directors meeting under the provisions of the preceding two paragraphs</u>, or if such person is unable to so act, one of the other Directors in an order predetermined by the Board of Directors shall convene and chair the Board of Directors meeting.</p> <p data-bbox="804 467 1273 515">(Minutes of the Board of Directors Meetings) Article 30</p> <p data-bbox="804 518 1374 669">Minutes of the Board of Directors meetings shall be prepared in writing in accordance with the provisions of the applicable laws and regulations, and kept by the <u>Company</u> after the Directors and Corporate Auditors present thereat have affixed their names and seals thereto.</p> <p data-bbox="804 697 1211 745">(Regulations of the Board of Directors) Article 31</p> <p data-bbox="804 748 1374 873">Operation of the Board of Directors shall be governed by the Regulations of the Board of Directors prescribed by the Board of Directors, <u>in addition to the applicable laws and regulations, or these Articles of Incorporation.</u></p> <p data-bbox="804 901 1150 949">(Exemption of Directors' Liability) Article 32</p> <p data-bbox="804 952 1374 1129">1. <u>The Company may, by a resolution of its Board of Directors and pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, exempt a Director (including a former Director) from liability under Article 423, paragraph 1 thereof, to the extent permitted by the applicable laws and regulations.</u></p> <p data-bbox="804 1132 1374 1335">2. <u>The Company may, pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, execute an agreement with a Director (excluding Executive Directors, etc.) that limits his or her liability under Article 423, paragraph 1 thereof; provided that the amount of liability pursuant to such agreement shall be limited to the amount prescribed by the applicable laws and regulations.</u></p>

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
<p>CHAPTER V CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS</p> <p>Articles <u>32</u> to <u>33</u> (Provisions omitted)</p> <p>(Term of Office) Article <u>34</u></p> <ol style="list-style-type: none"><li>1. The term of office of Corporate Auditors shall expire at the closing of the ordinary general meeting of shareholders concerning the last business year ending within four (4) years after their election.</li><li>2. <u>If the number of Corporate Auditors does not fall below the statutory number of corporate auditors as a result of a vacancy, the Company may choose not to elect a Corporate Auditor to fill the vacancy.</u> The term of office of <u>a Corporate Auditor who has been elected to fill a vacancy</u> shall expire when the term of office of <u>his or her predecessor</u> would have otherwise expired.</li></ol> <p>Article <u>35</u> (Provisions omitted)</p> <p>(Board of Corporate Auditors) Article <u>36</u></p> <p>The Board of Corporate Auditors may determine the matters related to the execution of duties of the Corporate Auditors, in addition to the matters prescribed by the applicable laws and regulations, or <u>the Articles of Incorporation</u>; provided that the Corporate Auditors shall not be precluded from exercising their authority.</p> <p>(Resolution of the Board of Corporate Auditors) Article <u>37</u></p> <p>Resolutions of the Board of Corporate Auditors shall be adopted by a majority of all Corporate Auditors.</p> <p>Article <u>38</u> (Provisions omitted)</p>	<p>CHAPTER V CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS</p> <p>Articles <u>33</u> to <u>34</u> (No amendment)</p> <p>(Term of Office) Article <u>35</u></p> <ol style="list-style-type: none"><li>1. The term of office of Corporate Auditors shall expire at the closing of the ordinary general meeting of shareholders concerning the last business year ending within four (4) years after their election.</li><li>2. The term of office of <u>a Corporate Auditor who has been elected to fill a vacancy of a Corporate Auditor who has retired before expiration of his or her term of office</u> shall expire when the term of office of <u>the Corporate Auditor who has retired</u> would have otherwise expired.</li></ol> <p>Article <u>36</u> (No amendment)</p> <p>(Board of Corporate Auditors) Article <u>37</u></p> <p>The Board of Corporate Auditors may determine the matters related to the execution of duties of the Corporate Auditors, in addition to the matters prescribed by the applicable laws and regulations, or <u>these Articles of Incorporation</u>; provided that the Corporate Auditors shall not be precluded from exercising their authority.</p> <p>(Resolution of the Board of Corporate Auditors) Article <u>38</u></p> <p>Resolutions of the Board of Corporate Auditors shall be adopted by a majority of all Corporate Auditors, <u>unless otherwise prescribed by the applicable laws and regulations.</u></p> <p>Article <u>39</u> (No amendment)</p>

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
<p>(Minutes of the Board of Corporate Auditors Meetings) Article <u>39</u> Minutes of the Board of Corporate Auditors meetings shall be prepared in writing in accordance with the provisions of the applicable laws and regulations, and kept by the <u>company</u> after the Corporate Auditors present thereat have affixed their names and seals thereto.</p> <p>(Regulations of the Board of Corporate Auditors) Article <u>40</u> Operation of the Board of Corporate Auditors shall be governed by the Regulations of the Board of Corporate Auditors prescribed by the Board of Corporate Auditors.</p>	<p>(Minutes of the Board of Corporate Auditors Meetings) Article <u>40</u> Minutes of the Board of Corporate Auditors meetings shall be prepared in writing in accordance with the provisions of the applicable laws and regulations, and kept by the <u>Company</u> after the Corporate Auditors present thereat have affixed their names and seals thereto.</p> <p>(Regulations of the Board of Corporate Auditors) Article <u>41</u> Operation of the Board of Corporate Auditors shall be governed by the Regulations of the Board of Corporate Auditors prescribed by the Board of Corporate Auditors, <u>in addition to the applicable laws and regulations, or these Articles of Incorporation.</u></p>
<p>(Newly established)</p>	<p>(Exemption of Directors' Liability) Article <u>42</u></p>
	<p>1. <u>The Company may, by a resolution of its Board of Directors and pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, exempt a Corporate Auditor (including a former Corporate Auditor) from liability under Article 423, paragraph 1 thereof, to the extent permitted by the applicable laws and regulations.</u></p> <p>2. <u>The Company may, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, execute an agreement with a Corporate Auditor that limits his or her liability under Article 423, paragraph 1 thereof; provided that the amount of liability pursuant to such agreement shall be limited to the amount prescribed by the applicable laws and regulations.</u></p>
<p>CHAPTER VI ACCOUNTING</p>	<p>CHAPTER VI ACCOUNTING</p>
<p>Articles <u>41</u> to <u>44</u> (Provisions omitted)</p>	<p>Articles <u>43</u> to <u>46</u> (No amendment)</p>
<p>(Newly established)</p>	<p><u>Supplementary provision</u> Article <u>1</u></p>
	<p><u>Amendments to Articles 6 and 8 shall take effect as of October 1, 2017. This supplementary provision shall be deleted after the lapse of the effective date of such amendments.</u></p>

## Proposal 4 Election of Ten (10) Directors

The Company proposes the election of ten (10) Directors, as the term of office of all twelve (12) Directors will expire at the closing of this General Meeting of Shareholders.

The candidates for Director are as follows:

Number	Name	Date of Birth	Current Position	Classification
1	Shinji Hattori	January 1, 1953	Chairman & Group CEO	Reappointed
2	Yoshinobu Nakamura	October 21, 1949	President	Reappointed
3	Akihiro Okuma	September 9, 1960	Executive Director	Reappointed
4	Hiromi Kanagawa	September 30, 1962	Director	Reappointed
5	Shimesu Takizawa	July 2, 1963	Director	Reappointed
6	Shuji Takahashi	August 29, 1957	Director	Reappointed
7	Akio Naito	November 9, 1960	Director	Reappointed
8	Shuntaro Ishii	August 4, 1958	Director	Reappointed
9	Carsten Fischer	September 7, 1962	Director	Candidate for outside Director Reappointed Independent Director
10	Nobuhiro Endo	November 8, 1953	—	Candidate for outside Director Newly Appointed Independent Director

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## Shinji Hattori (January 1, 1953)

Reappointed

### Number of shares of the Company held

11,396,448

### Career, positions, responsibilities and significant concurrent positions

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



### Reasons for nomination as candidate for director

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

2

## Yoshinobu Nakamura (October 21, 1949)

Reappointed



### Number of shares of the Company held

82,000

### Career, positions, responsibilities and significant concurrent positions

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

### Reasons for nomination as candidate for director

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

3

## Akihiro Okuma (September 9, 1960)

Reappointed



### Number of shares of the Company held

15,000

### Career, positions, responsibilities and significant concurrent positions

April 1984	Joined the Company
September 2007	General Manager, General Affairs Department of SEIKO WATCH CORPORATION
July 2009	General Manager, Human Resources Department of the Company
May 2010	Director of Seiko Clock Inc.
June 2013	Director of the Company
January 2015	Director and Managing Executive Officer of SEIKO Solutions Inc.
June 2016	Executive Director of the Company (to present)
January 2017	Outside Director of OHARA INC. (to present)
April 2017	Executive Director in charge of Secretariat, Human Resources, General Affairs, IT Planning, and Long-Term Management Strategies of the Company (to present)
April 2017	Director and Executive Vice President of SEIKO Solutions Inc. (to present)

### Reasons for nomination as candidate for director

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

4

## Hiromi Kanagawa (September 30, 1962)

Reappointed

### Number of shares of the Company held

7,000

### Career, positions, responsibilities and significant concurrent positions

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



### Reasons for nomination as candidate for director

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

5

## Shimesu Takizawa (July 2, 1963)

Reappointed

### Number of shares of the Company held

4,000

### Career, positions, responsibilities and significant concurrent positions

April 1987	Joined the Company
August 1993	Seconded to SEIKO U.K. Limited
June 2010	General Manager, Finance & Accounting Department of the Company
June 2016	Director in charge of Corporate Strategy & Planning, Finance & Accounting, and Legal & Intellectual Property of the Company (to present)
March 2017	General Manager, Corporate Strategy & Planning Department of the Company (to present)
April 2017	Director, Executive Vice President of Seiko Instruments Inc. (to present)



### Reasons for nomination as candidate for director

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



6

## Shuji Takahashi (August 29, 1957)

Reappointed

### Number of shares of the Company held

12,000

### Career, positions, responsibilities and significant concurrent positions

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



### Reasons for nomination as candidate for director

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

7

## Akio Naito (November 9, 1960)

Reappointed

### Number of shares of the Company held

27,000

### Career, positions, responsibilities and significant concurrent positions

April 1984	Joined the Company
January 2002	Managing Director of SEIKO Australia Pty. Ltd.
April 2006	General Manager, Legal & Intellectual Property Department of the Company
June 2011	Director of the Company
June 2013	Executive Director of the Company
June 2016	Director of the Company (to present)
June 2016	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION (to present)
May 2017	Chairman, President and CEO of SEIKO Corporation of America (to present)



### Reasons for nomination as candidate for director

The Company nominates Mr. Akio Naito as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged in legal & intellectual properties, and general affairs as a member of the Company Group since joining the Company; and (ii) currently being in charge of the U.S. Watches Business as Director, Senior Executive Vice President of SEIKO WATCH CORPORATION.

8

## Shuntaro Ishii (August 4, 1958)

Reappointed

### Number of shares of the Company held

16,000

### Career, positions, responsibilities and significant concurrent positions

April 1983	Joined the Company
October 2005	General Manager, Merchandising Department of SEIKO WATCH CORPORATION
August 2009	General Manager, Finance & Accounting Department of the Company
June 2010	Director of the Company
June 2013	Executive Director of the Company
August 2013	Director of the Company (to present)
August 2013	Director, Executive Vice President of Seiko Instruments Inc.
June 2016	Director, Senior Executive Vice President of Seiko Instruments Inc.
June 2017	Representative Director, Senior Executive Vice President of Seiko Instruments Inc. (to present)



### Reasons for nomination as candidate for director

The Company nominates Mr. Shuntaro Ishii as a candidate for Director, expecting him to perform full functions as a Board member to supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in merchandising, finance & accounting, and corporate strategy & planning as a member of the Company Group since joining the Company; and (ii) currently being in charge of the Electronic Devices Business as Representative Director, Senior Executive Vice President of Seiko Instruments Inc.

9

## Carsten Fischer (September 7, 1962)

Candidate for outside Director

Reappointed Independent Director

### Number of shares of the Company held

30,000

### Career, positions, responsibilities and significant concurrent positions

October 1979	Joined Hans Schwarzkopf GmbH (Hamburg)
March 1996	President and C.E.O. of Schwarzkopf & Henkel K.K.
January 1999	President and C.E.O. of Wella Japan Co., Ltd.
July 2003	Executive-Vice President of Wella AG
July 2004	Corporate Officer and President, Professional Care at Procter & Gamble Company
January 2007	Corporate Executive Officer of Shiseido Company, Limited
April 2010	Senior Corporate Executive Officer of Shiseido Company, Limited
April 2012	Representative Director and Senior Corporate Executive Officer of Shiseido Company, Limited
June 2015	Outside Director of the Company (to present)
July 2016	Outside Director of Kate Spade & Company (to present)



### Reasons for nomination as candidate for outside director

The Company nominates Mr. Carsten Fischer as a candidate for Outside Director, expecting him to provide valuable comments for the Company's Board of Directors from an objective perspective based on his professional marketing knowledge and experience cultivated in his career as a management member of global corporations and to perform appropriate supervisory functions.

10

# Nobuhiro Endo

(November 8, 1953)

Candidate for outside Director

Newly Appointed Independent Director



## Number of shares of the Company held

0

## Career, positions, responsibilities and significant concurrent positions

April 1981	Joined NEC Corporation
April 2006	Senior Vice President, Executive General Manager of Mobile Network Operations of NEC Corporation
April 2009	Executive Vice President of NEC Corporation
June 2009	Executive Vice President and Member of the Board of NEC Corporation
April 2010	President (Representative Director) of NEC Corporation
April 2016	Chairman of the Board (Representative Director) of NEC Corporation (to present)
June 2016	Outside Director of JAPAN POST INSURANCE Co., Ltd. (to present)

## Reasons for nomination as candidate for outside director

The Company nominates Mr. Nobuhiro Endo as a candidate for Outside Director, expecting him to provide valuable comments for the Company's Board of Directors from an objective perspective based on his knowledge and experience cultivated in his career as a management member of corporations over many years, and to perform appropriate supervisory functions.

(Notes)

- There is no special relationship of interest between the Company and each candidate for Director.
- Messrs. Carsten Fischer and Nobuhiro Endo are candidates for Outside Director as defined in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
- The Company has reported Mr. Carsten Fischer to the Tokyo Stock Exchange as an independent officer under the rules thereof. If his reappointment is approved at this Ordinary General Meeting of Shareholders, Mr. Fischer will continue to be an independent officer. Further, Mr. Nobuhiro Endo satisfies the requirements of an independent officer under the rules of the Tokyo Stock Exchange, and will be reported thereto as an independent officer if his appointment is approved at this Ordinary General Meeting of Shareholders.
- Mr. Carsten Fischer is currently Outside Director of the Company, and he will have served in this position for two years at the conclusion of this Ordinary General Meeting of Shareholders.
- NEC Corporation ("NEC"), for which Mr. Nobuhiro Endo serves as Chairman of the Board (Representative Director), was found by the Japan Fair Trade Commission (the "JFTC") on July 12, 2016 to have acted in violation of the Antimonopoly Act, concerning transactions with Tokyo Electric Power Company Holdings, Inc. (formerly Tokyo Electric Power Corporation) on telecommunications equipment for electric power systems. In addition, the JFTC issued a cease and desist order and an order to pay a surcharge against NEC on February 2, 2017 for activities in violation of the Antimonopoly Act with respect to transactions for fire-fighting emergency radio systems, and on February 15, 2017 with respect to transactions for hybrid optical communication equipment and equipment for transmission lines for Chubu Electric Power Co., Inc. After recognizing the fact, Mr. Endo has been committed to promoting recurrence prevention measures and performing his duties by further enhancing the Company's compliance system, and reinforcing the development and operation of the internal control system.
- If Messrs. Carsten Fischer and Nobuhiro Endo are elected Outside Directors, the Company plans, subject to the approval of "Proposal 3: Partial amendment to the Articles of Incorporation" as proposed, to execute an agreement with each of them that limits their liability for damages under Article 423, paragraph 1 of the Companies Act pursuant to the provisions of its Articles of Incorporation, and Article 427, paragraph 1 of the Companies Act. The limit on the liability for damages under the said agreement will be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act.

[For reference]

<Decision process of the nomination of the Director candidates>

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

The nomination of the Director candidates listed in Proposal 4 was determined by the Board of Directors after being deliberated on by that committee.

## **1** Matters related to current status of the Corporate Group

### **(1) Business developments and results**

During the fiscal year ended March 31, 2017, the world economy slowed in the first half against the backdrop of factors including a stall in the U.S. economy, concerns about the economic slowdown in China, and confusion in financial markets due to the U.K.'s planned exit from the EU. However, there was a moderate recovery in the second half, as the U.S. economy made steady progress on expectations that policies of the new U.S. president would generate higher growth, while the Chinese economy propped up the world economy.

The Japanese economy continued to stall in the first half, due to the impact of yen appreciation and a decline in consumption by foreign tourists. However, the second half saw a weakening of the yen and higher stock prices. Also, signs of a recovery began to appear in personal consumption, which had been stagnant. Meanwhile, there is an expected risk of lower stock prices and a higher yen due to uncertainty in the global economic outlook stemming from deflated expectations for the U.S. policies and growing protectionism in various countries.

For the fiscal year ended March 31, 2017, the Company reported consolidated net sales of 257.1 billion yen, a year-on-year decrease of 39.5 billion yen, or 13.3%. On a per-segment basis, sales under the Watches Business

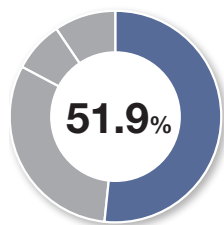
and the Electronic Devices Business declined year on year, due to the impact of yen appreciation and other factors, while the Systems Solutions Business grew compared to the previous fiscal year. On an overall consolidated basis, domestic net sales came to 134.8 billion yen (a year-on-year decrease of 7.5%), and overseas net sales were 122.2 billion yen (a year-on-year decrease of 18.9%). Overseas net sales comprised 47.6% of net sales overall.

In terms of income, operating income decreased 5.8 billion yen compared to the previous fiscal year to 7.4 billion yen (a year-on-year decrease of 43.7%), due to a decrease in net sales and other factors. Ordinary income declined by 5.2 billion yen from the previous fiscal year to become 6.6 billion yen (a year-on-year decrease of 43.8%), despite improvement in non-operating income and expenses mainly due to reduction of interest expenses. Gain on sales of non-current assets of 0.4 billion yen was posted as extraordinary income, and settlement payment related to patent contracts of 0.5 billion yen, restructuring expenses of 0.4 billion yen and others were posted as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests came to 5.3 billion yen (a year-on-year decrease of 55.6%).

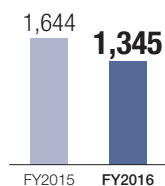
Results for each segment are as follows.

## Watches Business

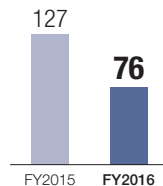
Composition of net sales



Net sales (Billions of yen)



Operating income (Billions of yen)



\*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

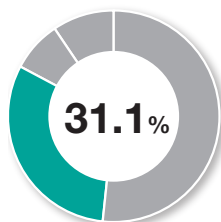
Net sales under the Watches Business came to 134.5 billion yen, a year-on-year decrease of 29.8 billion yen, or 18.2%. In Japan, sales fell due to factors including a decline in consumption by foreign tourists and sluggish sales of high-end products due to stagnant personal consumption. Ladies' models in the Grand Seiko mainstay product line saw strong performance, while sales of the men's models were down year on year. Sales of the Astron and Prospex struggled, falling from the previous fiscal year, while sales of the Presage and Alba fared well, remaining mostly at the same level as the previous fiscal year. Sales are shifting to a recovery

trend, albeit moderately, as the decline in consumption by foreign tourists begins to slow and sales of trendy products to Japanese consumers show signs of picking up. On the overseas front, sales shrank due to factors including the impact of yen appreciation, as well as a falling off in department store distribution channels in the U.S. market. On a local currency basis, performance was strong and sales grew in markets in many countries and regions, including Germany and the Netherlands in Europe, and Thailand and Australia in Asia and Oceania. In addition, Seiko Boutiques were opened in Miami in the U.S. and Beijing and Guangzhou in China. Sales of watch movements fell substantially from the previous fiscal year due to the impact of a change in distribution of products handled, as well as the slump in the markets of the U.S. and China.

With regard to income, the decrease in net sales resulted in a year-on-year decrease of 5.1 billion yen in operating income, bringing it to 7.6 billion yen (a year-on-year decrease of 40.1%).

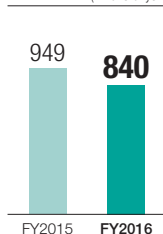
## Electronic Devices Business

Composition of net sales

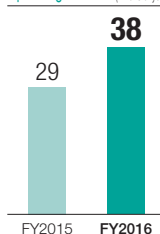


\*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

Net sales (Billions of yen)



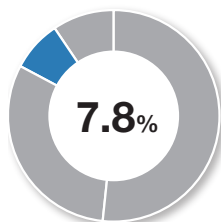
Operating income (Billions of yen)



Net sales under the Electronic Devices Business came to 84.0 billion yen (a year-on-year decrease of 11.4%), and operating income to 3.8 billion yen (a year-on-year increase of 30.6%). Semiconductors mainly for smartphone components performed steadily on a volume basis. Performance was also strong for some products including high performance metal products for semiconductor manufacturing facilities. However, net sales in the segment overall declined year on year due to factors including the impact of yen appreciation and the transfer of the wide format printer business in the previous fiscal year.

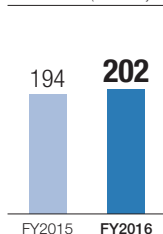
## Systems Solutions Business

Composition of net sales

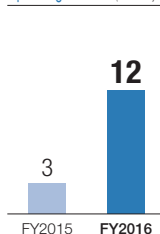


\*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

Net sales (Billions of yen)



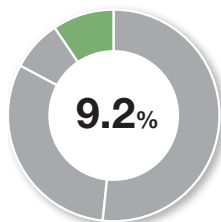
Operating income (Billions of yen)



Net sales under the Systems Solutions Business came to 20.2 billion yen (a year-on-year increase of 4.3%), and operating income to 1.2 billion yen (a year-on-year increase of 252.3%). Sales were favorable in some businesses such as data services, mainly in payment-related businesses, and mobile solutions for home security.

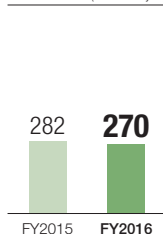
## Others

Composition of net sales

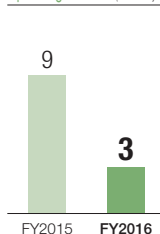


\*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

Net sales (Billions of yen)



Operating income (Billions of yen)



Net sales under Others amounted to 27.0 billion yen (a year-on-year decrease of 4.2%), and operating income to 0.3 billion yen (a year-on-year decrease of 66.4%). Among segments included in Others, net sales under the Wako Business fell due to a decline in consumption by foreign tourists, while the Clock Business performed strongly due to an increase in net sales in Japan.

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

### **Sixth Medium-Term Management Plan** (from the fiscal year ended March 31, 2017 through the fiscal year ending March 31, 2019)

The Company formulated and is promoting the Sixth Medium-Term Management Plan beginning in the fiscal year ended March 31, 2017, 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 its stakeholders around the world by providing products and services that exceed the highest expectations of our customers.

#### **2 Basic policy**

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

#### **3 Reinforcing profitability and investment for growth**

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

#### **4 Reinforcing the management foundation**

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

## 5 Target figures under the Sixth Medium-Term Management Plan

### (i) Consolidated income forecast

(Billions of yen)

	Actual	Medium-Term Management Plan	
	FY2016	FY2016	FY2018
Net sales	257.1	290	310
Operating income	7.4	12	17
Ordinary income	6.6	12	18
Net income attributable to owners of parent	5.3	10	12.5

### (ii) Net sales by segment

(Billions of yen)

	Actual	Medium-Term Management Plan	
	FY2016	FY2016	FY2018
Watches Business	134.5	160	190
Electronic Devices Business	84	90	75
Systems Solutions Business	20.2	20	25
Others	27	29	30
Consolidated total	257.1	290	310

### (iii) Operating income by segment

(Billions of yen)

	Actual	Medium-Term Management Plan	
	FY2016	FY2016	FY2018
Watches Business	7.6	12	17
Electronic Devices Business	3.8	3	2.5
Systems Solutions Business	1.2	1	1.5
Others	0.3	1	1
Consolidated total	7.4	12	17



(iv) Balance sheet items

(Billions of yen)

	Actual	Medium-Term Management Plan
	FY2016	FY2018
Total assets	328.8	340
Net assets	107.1	120
Equity capital ratio	29.8%	35%
Net interest-bearing liabilities	101.2	75

## 6 Developments in the fiscal year ended March 31, 2017

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

In the Watches Business, the Company made efforts to increase profit aiming for further growth as a core business of the Group. The Company conducted aggressive marketing activities in markets in Japan, Europe, North America and Asia, focusing on the three global brands, namely, the Grand Seiko, a high-end product that became an independent brand aiming for a further increase in sales, the ASTRON, which is the world's first GPS solar watch, and the PROSPEX sports watch for serious athletes. Nevertheless, in the fiscal year ended March 31, 2017, both sales and operating income in the Watches segment were not able to achieve the target figures for the first year of the Medium-Term Management Plan. Even under these severe circumstances, the Company will not reduce investments to improve the value of these brands and will continue investments for future growth, with a goal of "developing SEIKO to be a true global brand aiming for 2020 and becoming the leading company in the global watch market" from a mid- and long-term perspective.

In the Electronic Devices segment, the Company sought to generate profit and improve profitability by distributing its management resources mainly to the core business. Since the organization and improvement of unprofitable businesses, that the Company has been working on for several years, advanced, profitability significantly increased from the previous fiscal year. Although sales were not able to achieve the target figures for the first year of the Medium-Term Management Plan partly because of the yen's appreciation, operating income exceeded the target figures for the first year of the plan.

In the Systems Solutions Business, the Company reinforced the business foundation as the third core business and made efforts to reinforce profitability. The payment-related business drove profits and the mobile-related business expanded the business scale. Supported by the penetration of business management focusing on profit, and advances in management rationalization after the integration was completed, both sales and operating income exceeded the target figures for the first year of the plan.

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In the businesses included in Others, the Company made efforts to ensure stable profitability in order to continue stable corporate earnings. While the Clocks Business firmly grew centering on sales for the domestic market, the Wako Business and the System Clocks Business faced issues of stable profitability, resulting in sales and operating income being below the target figures for the first year of the plan as a whole.

#### (ii) Reinforcing the management foundation

In order to reinforce corporate communication, the Company engaged in active branding activities through sports, music and social contribution to raise the value of the SEIKO brand.

Regarding the policy for capital measures, the Company will distribute an annual dividend of 15 yen per share aiming for continuous and stable dividends, which is a basic policy. While the capital adequacy ratio improved to 29.8%, the Company will make further improvements to reach 35%, the target figures for the last fiscal year of the plan. Regarding the policy for financial measures, the Company made continuous efforts to reduce interest-bearing liabilities; however, net interest-bearing liabilities of 101.2 billion

yen were recorded. The Company will advance further reduction efforts aiming at 75.0 billion yen, which is the target figure for the last year of the plan.

In order to reinforce corporate governance, including in response to the Corporate Governance Code, the Company made efforts to reinforce internal systems such as introducing a performance-based remuneration system for officers and establishing a corporate governance committee centered on independent outside officers.

In order to reinforce organizational and group functions, the Company led the planning for the Group's management policies or implementation strategies, and reinforced their support for the operating companies, resulting in an improvement of profitability for the businesses at issue, and an integration of functions within the Group. In order to develop various human resources, which is a basic personnel policy, the Company will raise global human resources and executive candidates who will lead the next generation and aggressively promote measures to further women's active participation.

### (3) Financing

There are no matters of special note.

### (4) Capital expenditures

The Company invested 2,752 million yen in the Watches Business, 4,866 million yen in the Electronic Devices Business, and 1,975 million yen in the Systems Solutions Business respectively, primarily to reinforce and renew manufacturing and other facilities.

## (5) Trends in assets and profit/loss

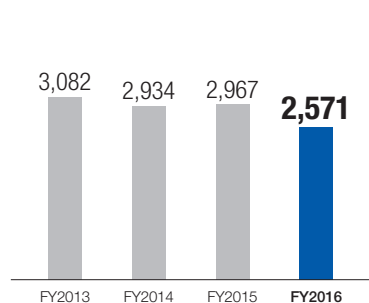
The operating results and assets in the fiscal year ended March 31, 2017 and the past three years are as follows.

### (i) Consolidated

Item	FY2013	FY2014	FY2015	FY2016
Net sales (Millions of yen)	308,286	293,472	296,705	257,115
Ordinary income (Millions of yen)	10,165	12,373	11,879	6,671
Net income attributable to owners of parent (Millions of yen)	7,422	21,778	12,142	5,392
Net income per share (Yen)	36	105	59	26
Total assets (Millions of yen)	366,753	333,701	329,115	328,857
Net assets (Millions of yen)	64,766	92,589	102,692	107,161
Book-value per share (Yen)	304	438	457	476

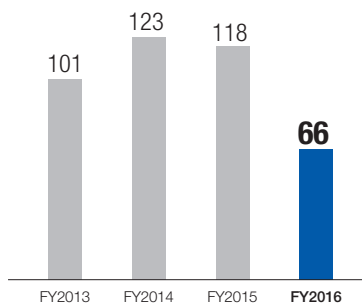
#### Net sales

(Billions of yen)



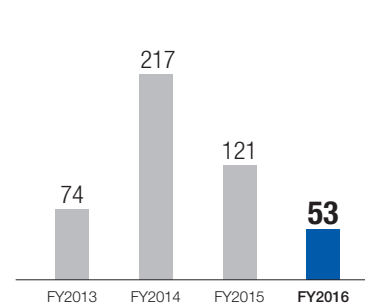
#### Ordinary income

(Billions of yen)



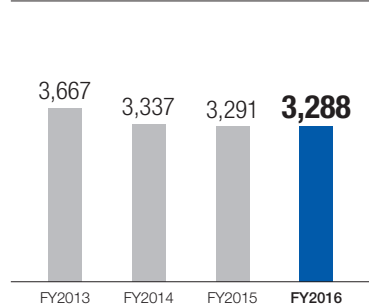
#### Profit attributable to owners of parent

(Billions of yen)



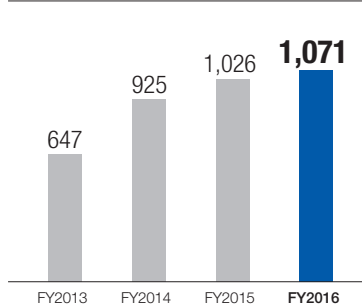
#### Total assets

(Billions of yen)



#### Net assets

(Billions of yen)



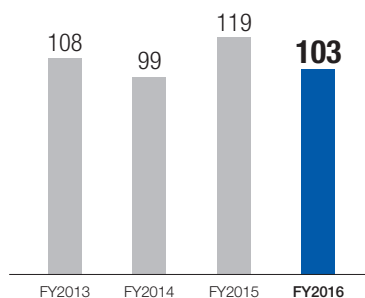
(ii) Non-consolidated

Item	FY2013	FY2014	FY2015	FY2016
Operating revenue (Millions of yen)	10,836	9,972	11,984	10,361
Ordinary income (Millions of yen)	3,390	1,730	4,393	2,324
Net income (Millions of yen)	3,349	14,953	3,370	3,271
Earnings per share (Yen)	16	72	16	16
Total assets (Millions of yen)	181,108	158,703	147,145	161,853
Net assets (Millions of yen)	40,230	56,267	54,964	59,346
Book-value per share (Yen)	195	272	266	288

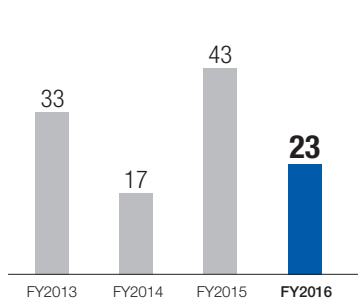
Note 1 "Earnings per share" is calculated on the basis of the average number of shares during the fiscal year.

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

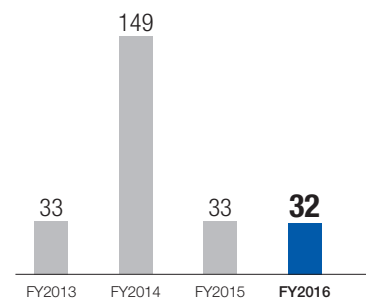
Operating income (Billions of yen)



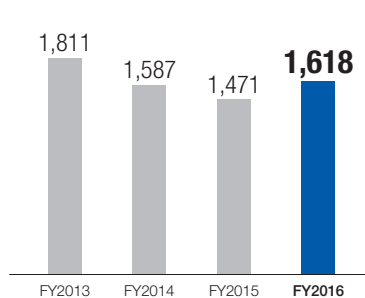
Ordinary income (Billions of yen)



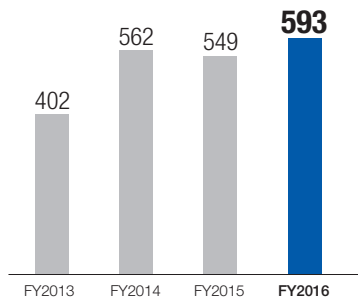
Net income (Billions of yen)



Total assets (Billions of yen)



Net assets (Billions of yen)



## (6) Status of major parent companies and subsidiaries

### (i) Relationship with parent companies

Not applicable.

### (ii) Status of major subsidiaries

Company Name	Paid-in Capital	Capital Contribution Ratio	Details of Major Business Activities
SEIKO WATCH CORPORATION	5,000 million yen	100.0%	Sales of watches
SEIKO Corporation of America	US\$111,000	100.0%(*)	Sales of watches and other products
SEIKO Hong Kong Ltd.	HK\$129,300,000	100.0%(*)	Sales of watches and other products
Seiko Instruments Inc.	9,756 million yen	100.0%	Manufacturing and sales of precision instruments, electronic devices, and other products
Morioka Seiko Instruments Inc.	1,000 million yen	100.0%(*)	Manufacturing watches
SII Semiconductor Corporation	9,250 million yen	60.0%(*)	Manufacturing and sales of semiconductors
Seiko Instruments (H.K.) Ltd.	HK\$128,700,000	100.0%(*)	Manufacturing and sales of precision instruments, electronic devices, and other products
Seiko Instruments Singapore Pte. Ltd.	S\$32,288,000	100.0%(*)	Manufacturing and sales of precision instruments, electronic devices, and other products
SEIKO Solutions Inc.	500 million yen	100.0%	Development, sales, etc. of information and telecommunication systems, etc.

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

Note 2: The status of a specified wholly-owned subsidiary as of the last day of the fiscal year ended March 31, 2017 is as follows:

Name of the specified wholly-owned subsidiary	Seiko Instruments Inc.
Address of the specified wholly-owned subsidiary	8, Nakase 1-chome, Mihama-ku, Chiba-shi, Chiba, Japan
Book value of shares of the specified wholly-owned subsidiary in the books of the Company and its wholly-owned subsidiaries	33,783 million yen
Total assets of the Company	161,853 million yen

## (7) Major business segments of the Corporate Group

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

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

## (8) Major business locations of the Corporate Group

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

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

## (9) Status of employees of the Corporate Group

The number of employees of the Company and its consolidated subsidiaries is 13,065 (a decrease of 372 from the previous fiscal year-end).

## (10) Major lenders and amounts borrowed

(Millions of yen)

Lenders	Outstanding Balance of Loans
Mizuho Bank, Ltd.	49,578
Sumitomo Mitsui Banking Corporation	22,417
Aozora Bank, Ltd.	9,975
The Chiba Bank, Ltd.	9,606

## 2 Matters related to the Company shares

(1) Total number of shares authorized to be issued  
746,000,000 shares

(2) Total number of shares issued and outstanding  
(including 286,538 treasury shares)  
207,021,309 shares

(3) Number of shareholders at the end of the  
fiscal year ended March 31, 2017  
14,065

### (4) Major shareholders (top 10)

Name	Number of shares held (shares)	Percentage of shares held (%)
Sanko Kigyo K.K.	23,677,501	11.5
Etsuko Hattori	18,069,542	8.7
Shinji Hattori	11,396,448	5.5
The Dai-ichi Life Insurance Company, Limited	9,000,000	4.4
Hideo Hattori	8,104,276	3.9
Japan Trustee Services Bank, Ltd. (Trust Account)	5,520,000	2.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,467,000	2.6
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	4,488,000	2.2
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	3,753,000	1.8
SHIMIZU CORPORATION	3,721,000	1.8

Note 1: Percentages of shares held have been rounded to one decimal place.

Note 2: The foregoing was stated based on the shareholders' register as of March 31, 2017.

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

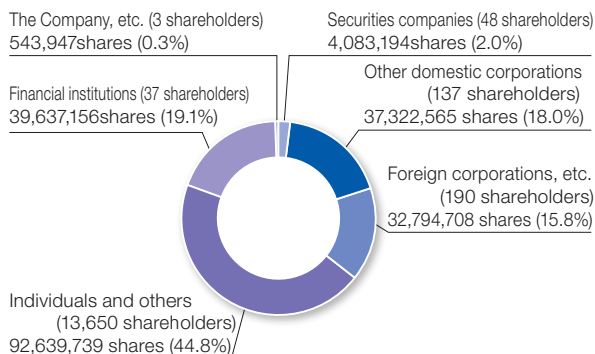
Filer: Mizuho Bank, Ltd. and three joint holders

Filing date: January 11, 2017

Number of share certificates held: 10,383,639 shares

Percentage of share certificates held: 5.02%

### Breakdown by type of shareholder



\* The "Company, etc." refers to shares owned by the Company and its subsidiaries and affiliates.

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

Not applicable.

## 4 Matters related to officers

### (1) Name, etc. of Directors and Corporate Auditors (as of March 31, 2017)

Name	Position and responsibility at the Company	Significant concurrent positions at other entities
Shinji Hattori	Chairman & Group CEO	President & CEO of SEIKO WATCH CORPORATION (Outside) Director of JAPAN POST INSURANCE Co., Ltd.
Yoshinobu Nakamura	President	
Shuji Takahashi	Executive Director in charge of Public Relations and Secretariat	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION
Akihiro Okuma	Executive Director in charge of Human Resources, General Affairs, and IT Planning	Director and Managing Executive Officer of SEIKO Solutions Inc. (Outside) Director of OHARA INC.
Hiromi Kanagawa	Director in charge of Sports Branding, and Corporate Culture	
Shimesu Takizawa	Director in charge of Corporate Strategy & Planning, Finance & Accounting, and Legal & Intellectual Property General Manager of the Corporate Strategy & Planning Department	
Akio Naito	Director	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION Chairman of SEIKO Corporation of America
Yoshihide Fujii	Director	Chairman of Seiko Instruments Inc. Chairman of SII Semiconductor Corporation
Hitoshi Murakami	Director	President of Seiko Instruments Inc.
Shuntaro Ishii	Director	Director, Senior Executive Vice President of Seiko Instruments Inc.
Hirohiko Umemoto	Director	President of BIC Co., Ltd.
Akio Harada	Director	(Outside) Director of Sumitomo Corporation (Outside) Director of Yamazaki Baking Co., Ltd. Representative director of Japan Criminal Policy Society, general incorporated foundation Representative director of International Civil and Commercial Law Centre Foundation, public interest incorporated foundation Chairman, Management Committee, Nuclear Damage Compensation and Decommissioning Facilitation Corporation Lawyer
Carsten Fischer	Director	(Outside) Director of Kate Spade & Company
Seiichi Mikami	Standing Corporate Auditor	(Outside) Corporate Auditor of OHARA INC.
Haruhiko Takagi	Standing Corporate Auditor	
Yoshiaki Yamauchi	Corporate Auditor	(Outside) Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD. Certified public accountant
Yoshiro Aoki	Corporate Auditor	
Tomoyasu Asano	Corporate Auditor	Director, Senior Managing Executive Officer of The Dai-ichi Life Holdings, Inc. (Outside) Auditor of Tokyu Fudosan Holdings Corporation



Note 1: Messrs. Akio Harada and Carsten Fischer, Directors, are outside directors set forth in Article 2, item 15 of the Companies Act.  
 Note 2: Messrs. Yoshiaki Yamauchi, Yoshiro Aoki, and Tomoyasu Asano, Corporate Auditors, are outside company auditors set forth in Article 2, item 16 of the Companies Act.  
 Note 3: The Company has reported to the Tokyo Stock Exchange Messrs. Akio Harada and Carsten Fischer, Directors, and Mr. Yoshiaki Yamauchi, Corporate Auditor, as independent officers.  
 Note 4: Mr. Yoshiaki Yamauchi, Corporate Auditor, is a certified public accountant, and has high-degree knowledge about finance and accounting.  
 Note 5: The Dai-ichi Life Insurance Company, Limited, a subsidiary of The Dai-ichi Life Holdings, Inc., at which Mr. Tomoyasu Asano, outside company auditor, concurrently holds a position, is the lender of the Company. There are no other special relationships of interest between the Company and the entities at which outside directors or outside company auditors hold concurrent positions.  
 Note 6: Mr. Satoshi Doi, Director, resigned from his office as of June 2, 2016.  
 Note 7: Mr. Akio Naito, Director, retired from Outside Director of OHARA INC. as of January 26, 2017.  
 Note 8: Mr. Hirohiko Umemoto, Director, retired from Representative Director, Chief Operating Officer of SEIKO WATCH CORPORATION and Senior Executive Director of Seiko Instruments Inc. as of June 1, 2016.  
 Note 9: Mr. Akio Harada, Director, retired from Outside Audit & Supervisory Board Member of Shiseido Company, Limited as of March 28, 2017.  
 Note 10: Mr. Akio Harada, Director, passed away on April 6, 2017 and retired from his office.

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

Classification	Number of payees	Amount of compensation, etc.	Remarks
Director	14	249 million yen	
Corporate Auditor	7	68 million yen	
<b>Total</b>	<b>21</b>	<b>315 million yen</b>	

Note 1: The foregoing includes one Director who retired from his office as of June 2, 2016 and two Corporate Auditors who retired from their offices at the close of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016.

Note 2: The amount of compensation, etc. above does not include the expenses recorded for the fiscal year ended March 31, 2017 of the "BBT (Board Benefit Trust)", which is a performance-based share compensation system that records expenses for several years depending on the subject period of compensation. The amount of expenses recorded for the fiscal year ended March 31, 2017 is 13 million yen (payees: 6 Executive Directors).

## (3) Matters related to outside officers

### ① Main activities of outside officers

Classification	Name	Main activities
Director	Akio Harada	He attended 8 of the 13 Board of Directors meetings held during the fiscal year ended March 31, 2017, and made necessary remarks on discussion items and deliberation items, mainly from the expert viewpoint of a lawyer.
Director	Carsten Fischer	He attended 12 of the 13 Board of Directors meetings held during the fiscal year ended March 31, 2017, and made necessary remarks on discussion items and deliberation items, mainly based on his broad experience through managing global companies and as a marketing expert.
Corporate Auditor	Yoshiaki Yamauchi	He attended all of 13 Board of Directors meetings and 10 of the 11 Audit Committee meetings held during the fiscal year ended March 31, 2017, and made remarks, as necessary, mainly from the expert viewpoint of a certified public accountant.
Corporate Auditor	Yoshiro Aoki	He attended all of 13 Board of Directors meetings and all of 11 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2017, and made remarks, as necessary, mainly based on his broad experience through managing companies.
Corporate Auditor	Tomoyasu Asano	He attended all of 10 Board of Directors meetings and all of 8 Board of Corporate Auditors meetings held after his assumption of office of Corporate Auditor in June 2016, and made remarks, as necessary, mainly based on his broad experience through managing insurance companies.

### ② Aggregate amount of compensation, etc. for outside officers

Number of payees	Amount of compensation, etc.	Compensation, etc. for officers paid by the Company's subsidiaries
6	45 million yen	4 million yen

Note: The foregoing includes one Corporate Auditor who retired from his office at the close of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016.

## 5 Matters related to the Accounting Auditor

### (1) Name of the accounting auditor

KPMG AZSA LLC

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

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

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

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

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

The Board of Corporate Auditors evaluated audit records during the fiscal year ended March 31, 2016, and confirmed the content of the audit plan, the performance status of the auditing auditor, and rationale of the estimate compensation during the fiscal year ended March 31, 2017; as a result, the Board of Corporate Auditors agreed to the amount of compensation, etc. for the accounting auditor as set forth in Article 399, paragraph 1 of the Companies Act.

### (4) Non-audit operations

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

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

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

## 6 Systems and policies of the Company

### 1 Overview of a resolution to establish systems to ensure the proper operations of the Company

- (1) System to ensure that the duties of Directors and employees are executed in compliance with laws and regulations and the Articles of Incorporation  
In order for Directors and employees to comply with corporate ethics, laws and regulations, and internal rules, the Company shall establish the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” to thoroughly ensure their compliance with corporate ethics and laws and regulations, as follows:
  - 1) The President shall repeatedly convey the spirit of the “Basic Principles of Corporate Ethics” to all Directors and employees to ensure that compliance with corporate ethics and the laws and regulations are the basis for every corporate activity.
  - 2) The “Corporate Ethics Committee” chaired by the President shall discuss corporate ethical issues that might significantly affect the Company and its subsidiaries (the “Company Group”) and matters related to revisions of the system to comply with corporate ethics, and report the discussion results to the Board of Directors.
  - 3) The Company shall develop a system where any Director or employee who finds any action suspected of violating the laws and regulations can promptly report it to the “Corporate Ethics Committee”, and establish a “Corporate Ethics Helpline” as means for transmitting information.
  - 4) The Company shall continuously provide training sessions on corporate ethics for Directors and employees to foster and enhance their awareness of compliance with corporate ethics and laws and regulations.
- (2) System to store and manage information regarding execution of the duties of Directors
  - (i) Pursuant to the “Internal Document Management Rules”, the Company shall record information regarding execution of the duties of Directors in a document or electromagnetic medium, and properly store and manage it.
  - (ii) Directors and Corporate Auditors may inspect such document or medium at any time pursuant to the “Internal Document Management Rules”.
- (3) Regulations and systems for loss risk management of the Company and its subsidiaries
  - (i) Pursuant to the “Risk Management Rules”, the Company shall set forth the basic policy for risk management of the Company Group and develop a risk management system.
  - (ii) The Company shall establish the “Risk Management Committee” chaired by the President in order to build, develop and monitor risk management processes, including understanding business risks that might affect the activities of the Company Group, and identifying, analyzing, evaluating and monitoring risks.
  - (iii) The Risk Management Committee shall report the status of each risk to the Board of Directors, regularly or as necessary, pursuant to the “Risk Management Rules”.
- (4) System to ensure that the duties of Directors of the Company and its subsidiaries are efficiently executed
  - (i) The Company shall develop a Medium-Term Business Plan as the target to be shared by Directors and employees of the Company Group. It shall also review the progress of annual budgets consisting of the plan quarterly using the management accounting method, and discuss and implement remedial measures therefor, thereby promoting the efficiency of operations.

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- (ii) In order to respect autonomous and independent management of its subsidiaries while contributing to the proper and efficient operation of the Group management, the Company shall develop basic management rules therefor. It shall also establish the “Management Council” comprising standing Directors of the Company and respective President of major subsidiaries, to share the management policy and management information of the Group.
  - (iii) The Company shall clarify the assignment of duties among the Directors, and the responsibility and authority of each division/department, thereby securing the efficient execution of duties.
- (5) System to ensure the proper operations of the Corporate Group comprising the Company and its subsidiaries
- (i) The Company shall assist its subsidiaries to develop a system to comply with corporate ethics, and laws and regulations, and other systems to ensure their proper operations.
  - (ii) Each subsidiary shall share the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” established by the Company, and manage its operations pursuant to them. The Company shall set forth the rules for reporting any violation of laws and regulations by any subsidiary, and assist its subsidiaries to develop their internal reporting systems.
  - (iii) Pursuant to the “Consolidated Business Management Rules”, the Company shall request that each subsidiary consult in advance with, and report to, the Company regarding significant management-related matters, and whenever necessary, shall dispatch its officers or employees as Directors or Corporate Auditors of the subsidiary to properly supervise and audit the subsidiary.
  - (iv) Pursuant to the “Consolidated Business Management Rules”, each subsidiary shall report its business results, financial position and other important matters to the Company, and whenever necessary, the President of the relevant subsidiary shall report the execution status of the operations to the Company’s Board of Directors.
  - (v) The Company’s Internal Audit Department shall conduct internal audits on each subsidiary regarding the execution status of the operations, compliance with laws and regulations, and the Articles of Incorporation, and risk management.
- (6) Matters related to employees to assist the duties of Corporate Auditors
- (i) There shall be a system where the Internal Audit Department will assist the duties of Corporate Auditors.
  - (ii) Employees posted to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.
  - (iii) Regarding any replacement of the General Manager of the Internal Audit Department, the President shall discuss with the Board of Corporate Auditors in advance, and respect the Board of Corporate Auditors’ opinions.
- (7) System for reporting to Corporate Auditors
- (i) Each Director and employee of the Company shall regularly report the status of finance, compliance with corporate ethics, risk management, and internal audits to Corporate Auditors; if any Director/employee finds any fact likely to significantly damage the Company or its subsidiaries or any violation of laws and regulations or internal rules, he/she shall immediately report it to Corporate Auditors.
  - (ii) The Company shall develop a reporting system where if any Director, Corporate Auditor or employee of a subsidiary finds any material violation of laws and regulations or internal rules regarding the execution of operations of the Company or the subsidiary, or any fact likely to significantly damage the Company, he/she or the person who was reported by him/her shall report it to the Company’s Corporate Auditors.

- (iii) The Company shall develop necessary systems so that the person who made the report in the preceding two paragraphs might not be treated disadvantageously because of having made such report.
  - (iv) In conducting internal audits, the General Manager of the Internal Audit Department shall cooperate with standing Corporate Auditors in advance, and make efforts to report important matters to standing Corporate Auditors in a timely manner. In addition, the General Manager shall report the results of internal audits to standing Corporate Auditors without delay, and regularly report them to the Board of Corporate Auditors.
- (8) Other systems to ensure that audits by Corporate Auditors are effectively conducted
- (i) The Company shall ensure a system where, besides the Internal Audit Department, the General Affairs Department and the Finance & Accounting 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.

## 2 Overview of the implementation status of the system to ensure proper operations

- (1) System for compliance with corporate ethics and laws and regulations
- (i) The Company convenes a Corporate Ethics Committee chaired by the President twice a year to discuss corporate ethical issues and the system for compliance with corporate ethics, including those relating to its subsidiaries, and reports the result of discussions to the Board of Directors.
  - (ii) The Company has established a “Corporate Ethics Helpline” internally and at a law firm as a contact point to receive consultations or whistle-blowing from employees regarding violations of laws and regulations within the Company. The Company has made sure all employees are well informed about how to use these helplines by posting them on the internal intranet and distributing portable cards, etc.
  - (iii) The Company regularly provides training sessions on corporate ethics to enhance awareness of compliance with corporate ethics and laws and regulations. During the fiscal year ended March 31, 2017, the Company provided training sessions titled “Fraud Risk” for standing officers and “Harassment” for employees.
- (2) Risk management system
- (i) The Company convenes the Risk Management Committee chaired by the President to discuss the Company Group’s risk management system and various risk issues. The Committee also reports the matters discussed thereat and important risks to be addressed horizontally within groups to the Board of Directors.
  - (ii) Regarding responses when risks occur, the “Crisis Management Manual” sets out for the Company’s basic policy therefor and measures to respond to respective risks, such as disasters.

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- (3) System to ensure that the duties of Directors are efficiently executed
- (i) The Company has determined the assignment of duties for each Director upon a resolution of the Board of Directors, and the responsibility and authority of each division/department in accordance with the “Duty Assignment Rules”.
  - (ii) The Company has established a council called the “Strategic Conference for Management” where the President and Executive Directors exchange opinions and share information with other Directors, Corporate Auditors, or General Managers of divisions/departments when they decide on and execute important matters relating to execution of their duties. The Strategic Conference for Management held 43 meetings during the fiscal year ended March 31, 2017.
  - (iii) The Company has provided the “Consolidated Business Management Rules” for the execution of the operations of its subsidiaries in order to perform its management and support functions from the viewpoint of consolidated management.
- (4) System to ensure the proper operations of the Company Group
- (i) Pursuant to the “Consolidated Business Management Rules”, the Company properly discusses with its subsidiaries in advance regarding their business plan, annual budgets, and measures to respond to important corporate ethical issues, receives reports on material business matters from them, and dispatches its officers or employees to subsidiaries, as necessary, to supervise and audit them. As of the end of the fiscal year ended March 31, 2017, the Company has dispatched ten Directors, two Corporate Auditors, and three employees. Furthermore, the President of each subsidiary reports the execution status of its operations to the Company’s Board of Directors as necessary; during the fiscal year ended March 31, 2017, six subsidiaries made such reports.
  - (ii) Each division/department of the Company assists its subsidiaries to develop a system to comply with corporate ethics and laws and regulations, and a system to comply with business operation laws. During the fiscal year ended March 31, 2017, briefings were held to discuss topics such as “Fraud Risk”, “Response to International Taxation”, and “Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors”.
- (5) System to ensure that audits by Corporate Auditors are effectively conducted
- (i) The Internal Audit Department holds a regular meeting once a month with standing Corporate Auditors and reports the performance status of internal audits.
  - (ii) Standing Corporate Auditors attend important meetings such as the Strategic Conference for Management, the Risk Management Committee, and the Corporate Ethics Committee, etc.
  - (iii) The President attends the Board of Corporate Auditors’ meetings to exchange opinions and gather information relating to material business issues, etc.

# Consolidated Financial Statements

## Consolidated Balance Sheet (As of March 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>I. Current assets:</b>	( 153,925)	<b>I. Current liabilities:</b>	( 136,767)
Cash and deposits	35,355	Notes and accounts payable - trade	21,196
Notes and accounts receivables - trade	39,730	Electronically recorded obligations - operating	7,021
Merchandise and finished goods	43,514	Short-term loans payable	49,468
Work in process	13,627	Current portion of long-term loans payable	30,038
Raw materials and supplies	9,035	Accounts payable - other	13,311
Accounts receivable - other	3,679	Income taxes payable	936
Deferred tax assets	3,992	Deferred tax liabilities	20
Other	6,250	Provision for bonuses	3,995
Allowance for doubtful accounts	Δ1,260	Provision for goods warranties	432
		Other provision	213
		Asset retirement obligations	0
		Other	10,131
<b>II. Non-current assets:</b>	( 174,931)	<b>II. Non-current liabilities</b>	( 84,928)
<b>1. Property, plant and equipment:</b>	( 95,998)	Long-term loans payable	54,055
Buildings and structures	72,678	Deferred tax liabilities	7,381
Machinery, equipment and vehicles	83,501	Deferred tax liabilities for land revaluation	3,614
Tools, furniture and fixtures	31,297	Provision for environmental measures	217
Other	2,908	Provision for gift certificate exchange losses	162
Accumulated depreciation	Δ144,359	Provision for long-term goods warranties	77
Land	48,945	Provision for loss on business withdrawal	52
Construction in progress	1,026	Provision for directors' retirement benefits	39
<b>2. Intangible assets:</b>	( 16,336)	Other provision	18
Goodwill	7,298	Net defined benefit liability	12,428
Other	9,038	Asset retirement obligations	702
<b>3. Investments and other assets:</b>	( 62,596)	Other	6,177
Investment securities	48,131	<b>Total liabilities</b>	<b>221,696</b>
Deferred tax assets	8,060	<b>(Net assets)</b>	
Other	6,583	<b>I. Shareholders' equity:</b>	( 76,451)
Allowance for doubtful accounts	Δ178	1 Capital stock	10,000
<b>Total assets</b>	<b>328,857</b>	2 Capital surplus	7,245
		3 Retained earnings	59,535
		4 Treasury shares	Δ329
		<b>II. Accumulated other comprehensive income:</b>	( 21,668)
		1 Valuation difference on available-for-sale securities	14,962
		2 Deferred gains or losses on hedges	39
		3 Revaluation reserve for land	8,190
		4 Foreign currency translation adjustment	Δ402
		5 Remeasurements of defined benefit plans	Δ1,121
		<b>III. Non-controlling interests</b>	( 9,042)
		<b>Total net assets</b>	<b>107,161</b>
		<b>Total liabilities and net assets</b>	<b>328,857</b>

## Consolidated Statements of Income (From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount
<b>I. Net sales</b>	<b>257,115</b>
<b>II. Cost of sales</b>	<b>160,823</b>
Gross profit	96,292
<b>III. Selling, general and administrative expenses</b>	<b>88,804</b>
Operating income	7,487
<b>IV. Non-operating income:</b>	<b>( 2,645)</b>
Interest income	147
Dividend income	734
House rent and other rental revenues	422
Royalty revenue	333
Other	1,007
<b>V. Non-operating expenses:</b>	<b>( 3,460)</b>
Interest expenses	1,779
Other	1,681
Ordinary income	6,671
<b>VI. Extraordinary income:</b>	<b>( 490)</b>
Gain on sales of non-current assets	490
<b>VII. Extraordinary losses:</b>	<b>( 1,046)</b>
Settlement money for patent agreement-related disputes	530
Restructuring expenses	403
Business structure improvement expenses	112
Profit before income taxes	6,115
Income taxes - current	1,668
Income taxes - deferred	0
Profit	6,285
Profit attributable to non-controlling interests	892
Profit attributable to owners of parent	5,392



## Consolidated Statements of Changes in Equity (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,246	57,323	△158	74,411
Changes of items during period					
Dividends of surplus			△3,101		△3,101
Profit attributable to owners of parent			5,392		5,392
Purchase of treasury shares				△1	△1
Treasury stock possession of stock ownership plan trust				△170	△170
Change of scope of consolidation			△54		△54
Change in ownership interest of parent due to transactions with non-controlling interests		△0			△0
Other			△24		△24
Net changes of items other than shareholders' equity					
Total changes of items during period	—	△0	2,212	△171	2,039
Balance at end of current period	10,000	7,245	59,535	△329	76,451

(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	10,719	△28	8,190	1,647	△417	20,110	8,170	102,692
Changes of items during period								
Dividends of surplus								△3,101
Profit attributable to owners of parent								5,392
Purchase of treasury shares								△1
Treasury stock possession of stock ownership plan trust								△170
Change of scope of consolidation								△54
Change in ownership interest of parent due to transactions with non-controlling interests								△0
Other								△24
Net changes of items other than shareholders' equity	4,242	67	—	△2,049	△703	1,557	871	2,429
Total changes of items during period	4,242	67	—	△2,049	△703	1,557	871	4,469
Balance at end of current period	14,962	39	8,190	△402	△1,121	21,668	9,042	107,161

(Note) The amount of -24 million yen in "Other" of the retained earnings is a decrease in connection with the disposal of shares of the Company's affiliates accounted for by the equity method.

# Non-consolidated Financial Statements

## Non-Consolidated Balance Sheet (As of March 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets:</b>	<b>45,297</b>	<b>Current liabilities:</b>	<b>49,333</b>
Cash and deposits	11,843	Short-term loans payable	23,305
Prepaid expenses	537	Current portion of long-term loans payable	20,701
Short-term loans receivable	27,250	Lease obligations (current)	1
Accounts receivable - other	4,859	Accounts payable - other	3,322
Deferred tax assets	300	Accrued expenses	450
Other	528	Income taxes payable	10
Allowance for doubtful accounts	△21	Deposit received	1,201
		Unearned income	257
		Provision for bonuses	81
<b>Non-current assets:</b>	<b>116,556</b>	<b>Non-current liabilities</b>	<b>53,174</b>
<b>Property, plant and equipment</b>	<b>23,091</b>	Long-term loans payable	37,407
Buildings	4,100	Lease obligations (non-current)	10
Furniture and fixtures	805	Deferred tax liabilities	5,674
Land	18,173	Deferred tax liabilities for land revaluation	3,614
Leased assets	12	Provision for loss on subsidiaries and affiliates	2,360
		Provision for Board Benefit Trust	13
<b>Intangible assets:</b>	<b>2,565</b>	Provision for environmental measures	9
Leasehold	1,952	Asset retirement obligations (non-current)	123
Trademark rights	13	Guarantee deposits received	3,839
Software	579	Other	121
Other	20		
<b>Investments and other assets:</b>	<b>90,899</b>	<b>Total liabilities</b>	<b>102,507</b>
Investment securities	28,435	<b>(Net assets)</b>	
Shares of subsidiaries and affiliates	59,889	<b>Shareholders' equity:</b>	<b>36,833</b>
Contributions in subsidiaries and affiliates	0	Capital stock	10,000
Long-term loans receivable from subsidiaries and affiliates	9,100	Capital surplus	6,625
Bankruptcy and reorganization claims	10	Capital reserve	2,378
Long-term prepaid expenses	9	Other capital surplus	4,246
Guaranty money deposited	2,414	<b>Retained earnings</b>	<b>20,512</b>
Other	198	Retained earnings reserve	121
Allowance for doubtful accounts	△9,159	Other retained earnings	
		Retained earnings carried forward	20,390
		<b>Treasury shares</b>	<b>△303</b>
		<b>Valuation and translation adjustments</b>	<b>22,512</b>
		Valuation difference on available-for-sale securities	14,322
		Revaluation reserve for land	8,190
		<b>Total net assets</b>	<b>59,346</b>
<b>Total assets</b>	<b>161,853</b>	<b>Total liabilities and net assets</b>	<b>161,853</b>

## Non-Consolidated Statements of Income (From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount
<b>Operating income:</b>	<b>10,361</b>
Dividend received from subsidiaries and affiliates	5,799
Proceeds from management guidance	1,953
Royalty revenue	2,608
<b>Operating expenses:</b>	<b>8,729</b>
Operating income	1,632
<b>Non-operating income:</b>	<b>1,580</b>
Interest income	434
Dividend income	720
Service contract fee	154
Other	271
<b>Non-operating expenses:</b>	<b>888</b>
Interest expenses	709
Property lease expenses	121
Other	57
<b>Ordinary income</b>	<b>2,324</b>
<b>Extraordinary income:</b>	<b>62</b>
Gain on forgiveness of consolidated tax debt	62
<b>Extraordinary losses:</b>	<b>120</b>
Transfers to provision for loss on investments to subsidiaries and affiliates	120
<b>Profit before income taxes</b>	<b>2,266</b>
Income taxes - current	△439
Income taxes - deferred	△564
Profit	3,271

## Non-Consolidated Statements of Changes in Equity (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings	Total retained earnings
					Retained earnings carried forward		
Balance at beginning of current period	10,000	2,378	4,246	6,625	121	20,220	20,342
Changes of items during period							
Dividends of surplus						Δ3,101	Δ3,101
Profit						3,271	3,271
Purchase of treasury shares							
Treasury stock possession of stock ownership plan trust							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	—	170	170
Balance at end of current period	10,000	2,378	4,246	6,625	121	20,390	20,512

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	Δ131	36,835	9,942	Δ3	8,190	18,129	54,964
Changes of items during period							
Dividends of surplus		Δ3,101					Δ3,101
Profit		3,271					3,271
Purchase of treasury shares	Δ1	Δ1					Δ1
Treasury stock possession of stock ownership plan trust	Δ170	Δ170					Δ170
Net changes of items other than shareholders' equity			4,379	3	—	4,383	4,383
Total changes of items during period	Δ171	Δ1	4,379	3	—	4,383	4,381
Balance at end of current period	Δ303	36,833	14,322	—	8,190	22,512	59,346

# Audit Report

[Translation]

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

## Independent Auditor's Report

May 9, 2017

The Board of Directors  
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC  
Junichi Obi [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Akira Nishino [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Osamu Takagi [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in shareholders' equity and the notes to the consolidated financial statements of SEIKO HOLDINGS CORPORATION for the consolidated fiscal year from April 1, 2016 to March 31, 2017 in accordance with Article 444, Paragraph 4 of the Companies Act.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

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

### *Conflicts of Interest*

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

[Translation]

Certified copy of audit report (on the non-consolidated financial statements) by the Accounting Auditor

Independent Auditor's Report

May 9, 2017

The Board of Directors  
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC  
Junichi Obi [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Akira Nishino [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Osamu Takagi [seal]  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheets, the statements of income, the statements of changes in shareholders' equity and the notes to the financial statements, and accompanying schedules thereto of SEIKO HOLDINGS CORPORATION for the 156th fiscal year from April 1, 2016 to March 31, 2017 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

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

*Conflicts of Interest*

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

[Translation]

## Certified copy of audit report by the Board of Corporate Auditors

### Audit Report

The Board of Corporate Auditors has deliberated on, prepared and submitted this Audit Report as below, based on the audit reports made by the Corporate Auditors concerning the execution of duties by Directors for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017).

#### 1. Methods and contents of the audit by Corporate Auditors and Board of Corporate Auditors

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

In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report and accompanying schedules thereto, and the financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in shareholders' equity, and notes to non-consolidated financial statements) and accompanying schedules thereto, and consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholders' equity, and notes to consolidated financial statements) for the fiscal year ended March 31, 2017.

## 2. Results of audits

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

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

(2) Results of the audit of the non-consolidated financial statements and accompanying schedules thereto  
The methods and results of the audit by KPMG AZSA LLC, Accounting Auditor, are fair and reasonable.

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

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

May 10, 2017

Board of Corporate Auditors  
SEIKO HOLDINGS CORPORATION

Seiichi Mikami [seal]  
Standing Corporate Auditor

Haruhiko Takagi [seal]  
Standing Corporate Auditor

Yoshiaki Yamauchi [seal]  
Outside Corporate Auditor

Yoshiro Aoki [seal]  
Outside Corporate Auditor

Tomoyasu Asano [seal]  
Outside Corporate Auditor