[Translation]

June 12, 2017

To Shareholders with Voting Rights:

Disclosures on the Internet pursuant to Laws and Regulations and the Articles of Incorporation regarding the Notice of the 156th Ordinary General Meeting of Shareholders

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

SEIKO HOLDINGS CORPORATION

Notes to Consolidated Financial Statements

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

(1) Matters relating to scope of consolidation

Number of consolidated subsidiaries: 63
SEIKO WATCH CORPORATION, Seiko Instruments Inc., .Morioka Seiko Instruments, Seiko Precision Inc., SEIKO Solutions Inc.,.Seiko Clock Inc, WAKO Co., Ltd., SEIKO Corporation of America, SEIKO U.K. Limited, SEIKO Hong Kong Ltd., Dalian Seiko Instruments Inc., Seiko Instruments (Thailand) Ltd., Seiko Instruments Singapore Pte. Ltd., SEIKO Precision (Thailand) Co., Ltd., and others.

SII Semiconductor Taiwan Corporation was included in the scope of consolidation as from the 4th quarterly consolidated accounting period due to incorporation.

SEIKO SOLUTIONS (THAILAND) Co., Ltd. was excluded from the scope of consolidation as from the 3rd quarterly consolidated accounting period, as it became of little significance due to the commencement of dissolution.

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

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

Number of affiliates accounted for by the equity method: 4
SEIKO OPTICAL PRODUCTS CO., LTD., OHARA INC., and others.

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

(3) Standards and methods for evaluating significant assets

(i) Inventories	Basically stated at cost using the moving-average method (for values stated on the balance sheet, writing down the book values in response to decreased profitability)
(ii) Securities	
Available-for-sale securities	
Securities with market value	Market value method based on the market price as of the consolidated closing date (differences in valuation are included directly in net assets and the costs of securities sold are calculated using the moving-average method)
Securities without market value	Stated at cost using the moving-average method
(iii) Derivatives	Market value method

(4) Depreciation methods for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)	As for domestic consolidated companies, basically the straight-line method is used for buildings (excluding equipment attached to buildings), and the declining-balance method for those other than buildings (except that the straight-line method is used for the equipment attached to buildings, and structures that were acquired on or after April 1, 2016); as for consolidated subsidiaries outside Japan, basically the straight-line method is used. As for domestic consolidated companies, a useful life and a residue value are basically evaluated using the same standards as set forth in the Corporation Tax Act.
(ii) Intangible non-current assets (excluding leased assets)	The straight-line method is used. A useful life is basically evaluated using the same standards as set forth in the Corporation Tax Act. However, as for software for in-house use, the straight-line method is used with a usable period of 5 years.
(iii) Leased assets	
Leased assets relating to finance lease with transfer of ownership	The same depreciation method as applied to the property, etc. owned by the Company is used.
Lease assets relating to finance lease without transfer of ownership	The straight-line method is used with a useful life of the lease period and with a residue value of zero.

(5) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts	In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.
(ii) Provision for loss on investments to subsidiaries and affiliates	In order to prepare for possible losses on investments to subsidiaries and affiliates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The provision for loss on investments to subsidiaries and affiliates of 4 million yen is directly reduced from the amount of investment securities.
(iii) Provision for bonuses	In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the consolidated fiscal year under review.
(iv) Provision for goods warranties	As for some of the consolidated subsidiaries outside Japan, an amount estimated according to their respective historical percentages is posted.
(v) Provision for environmental measures	In order to prepare for possible expenditure aimed at future environmental measures, an estimated amount to be incurred is posted.
(vi) Provision for gift certificate exchange losses	In order to prepare for possible losses relating to gift certificates collected after cancelling their inclusion in liabilities, provision is made for an estimated redemption amount according to the historical percentage of collection of such gift certificates.

(vii) Provision for loss on business withdrawal	In order to prepare for possible losses relating to the business withdrawal, an estimated loss amount is posted.
(viii) Provision for directors' retirement benefits	Some of the domestic consolidated companies passed a resolution to discontinue their respective directors' retirement benefit systems during the fiscal year ended March 2005 and that ended March 2014. Accordingly, the amount of retirement benefits for incumbent officers is posted corresponding to the terms of office till the end of the Ordinary General Meeting of Shareholders during the relevant consolidated fiscal year.

(6) Accounting standards for significant income and expenses

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

Regarding the portions of work that were definitely completed by the end of the consolidated fiscal year under review, a percentage-of-completion method is used, and for other portions of work, a work-completion method is used.

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

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

(8) Significant hedge accounting methods

(i) Hedge accounting method	Deferred hedge accounting is employed. However, regarding domestic consolidated companies, basically deferral hedge accounting ("*furiate-shori*") is employed for foreign currency receivables/payables with forward exchange contracts, and with regard to interest-rate swaps that meet the requirements for exceptional accounting ("*tokurei-shori*"), exceptional accounting is employed.
(ii) Means of hedging and hedged items	Forward exchange transactions to hedge foreign exchange-rate fluctuation risks regarding foreign currency-denominated trade payables and receivables; and interest-rate swaps to avoid fluctuation risks regarding loans payable on floating interest rates.
(iii) Hedging policy	Derivatives are used to avoid exchange-rate fluctuation risks present in foreign currency receivables/payables, and interest fluctuation risks present in loans payable, to the extent of actual demands, and are not used to conduct speculative transactions. Derivatives are managed in accordance with the internal rules of

	each company.
(iv) Assessment of hedge effectiveness	For interest-rate swaps, hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging.

(9) Accounting for employees' retirement benefits

In order to prepare to pay retirement benefits to employees, the net defined benefit liability is posted based on the estimated amount of retirement benefit obligations minus the amount of plan assets as of the end of the consolidated fiscal year under review. To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review. The actuarial differences that resulted are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 10 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference. Prior service costs are basically recognized by the straight-line method over various periods that are not more than the average remaining service period of employees at the time of the accrual thereof. Unrecognized actuarial differences and unrecognized prior service costs after tax effect adjustment are posted in "Remeasurements of defined benefit plans", "Accumulated other comprehensive income" in "Net assets".

(10) Matters relating to accounting for consumption taxes, etc.

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

(11) Matters relating to application of consolidated tax system

Consolidated tax system is applied.

(12) Method and period of amortization of goodwill

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

2. Notes to Changes in Accounting Policy

<Application of Practical Solution regarding a Change in Depreciation Method due to Tax Reform 2016>

Incidental to the reform of the Corporation Tax Act, the Company has applied the "Practical Solution regarding a Change in Depreciation Method due to Tax Reform 2016" (Practical Issues Task Force No. 32; June 17, 2016) to the consolidated fiscal year under review. As a result, the depreciation method for buildings and equipment attached to buildings, and structures acquired on or after April 1, 2016 has been switched from the declining balance method to the straight line method.

None of these changes has any material impact on the Consolidated Financial Statements during the consolidated fiscal year under review.

3. Additional Information

<Application of Implementation Guidance on Recoverability of Deferred Tax Assets>

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (The Accounting Standards Board of Japan (ASBJ) Implementation Guidance No. 26 of March 28, 2016) has been applied from the consolidated fiscal year under review.

<Board Benefit Trust (BBT) for Executive Directors>

The Company adopted on August 26, 2016 a BBT (Board Benefit Trust), a new performance-based stock compensation plan (the "Plan") for its Executive Directors (excluding Non-Executive Directors and Outside Directors) pursuant to a resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016, in order to enhance their awareness of contributing to better business performance and higher corporate value in the middle- to long-term.

(i) Outline of the scheme

The Plan allows the Company's Executive Directors who satisfy certain requirements to receive the Company shares, in accordance with the Rules for Delivery of Shares to Officerspre-established by the Company.

The Company awards points to each Executive Director based on such factors as his or her position, and the degree of achievement of the medium- and long-term performance target during the relevant fiscal year, and delivers Company shares in proportion to the number of points determined at the time of his or her retirement from office. However, if an Executive Director satisfies the relevant requirements stipulated in the Rules for Delivery of Shares to Officers, the Company will pay him or her cash equivalent to the market value of the Company shares for a certain percentage of his or her points, in lieu of delivering such shares. Shares to be delivered to the Executive Directors, including shares to be granted in the future, will be purchased with funds placed in trust in advance, and managed separately as trust assets.

(ii) Company shares remaining in trust

In conjunction with the introduction of the Plan during the 2nd quarterly consolidated accounting period, Trust & Custody Services Bank, Ltd. (trust E account) acquired 540,000 shares in the Company.

The Company has posted its shares remaining in trust as treasury shares in the "Net assets" section, at the book value in trust (excluding the amount of incidental expenses). The book value and the number of such treasury shares as at the end of the consolidated fiscal year under review are 170 million yen and 540,000 shares, respectively.

4. Notes to Changes in Presentation Method

<Consolidated Statements of Income>

(1) "Royalty revenue" that was included in "Other" of "Non-operating income" in the previous consolidated fiscal year was separately itemized as from the consolidated fiscal year under review because the amount became more significant.
"Royalty revenue" in the previous consolidated fiscal year was 322 million yen.

(2) "Foreign exchange losses" in "Non-operating expenses," which was separately itemized in the previous consolidated fiscal year is included in "Non-operating expenses" and presented as "Other" as from the consolidated fiscal year under review because the amount became less significant.

"Foreign exchange losses" in the consolidated fiscal year under review was 294 million yen.

5. Notes to Consolidated Balance Sheet

(1) Assets provided as security and secured obligations

Assets provided as security

Cash and deposits	4,936 million yen
Accounts receivables - trade	4,580 million yen
Merchandise and finished goods	1,667 million yen
Work in process	3,322 million yen
Investment securities	35,101 million yen
Deposits (Investments and other assets)	438 million yen
Total	50,045 million yen

Other than the above items, shares in consolidated subsidiaries (11,569 million yen) that were offset and deleted due to consolidation are provided as security.

Secured obligations

Short-term loans payable	8,000 million yen
Current portion of long-term loans payable	6,300 million yen
Long-term loans payable	32,400 million yen
Accounts payable - other	2 million yen
Gift certificates (Current liabilities; Other)	85 million yen
Total	46,787 million yen

(2) Guarantee obligation

Guarantees and quasi-guarantees 28 million yen

(3) Amount of discount on negotiable instruments receivable 699 million yen

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

(i) Method of revaluation

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

(ii) Date of revaluation: March 31, 2001

(5) Out of investment securities, 377 million yen is for lending stock.

6. Notes to Consolidated Statements of Changes in Equity

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

(Thousands of shares)

	Number of shares at the beginning of the consolidated fiscal year under review	Number of shares increased during the consolidated fiscal year under review	Number of shares decreased during the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Issued shares				
Common shares	207,021	—	—	207,021
Total	207,021	—	—	207,021
Treasury shares				
Common shares (Note)	387	544	—	931
Total	387	544	—	931

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 540,000 shares of the Company held in the Board Benefit Trust (BBT) as a result of the introduction of the BBT plan. The increase in common shares (544,000 shares) held as treasury shares is the result of the purchase of fraction shares, and the acquisition of treasury shares by the Board Benefit Trust (BBT).

(2) Matters relating to dividend

(i) Amount of dividend paid

Resolution	Type of shares	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2016	Common share	1,550	7.50	March 31, 2016	June 30, 2016
Board of Directors meeting on November 8, 2016	Common share	1,550	7.50	September 30, 2016	December 5, 2016

(Note) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 8, 2016 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

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

Resolution	Type of shares	Total dividend (million yen)	Source for dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2017	Common stock	1,550	Retained earnings	7.50	March 31, 2017	June 30, 2017

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

7. Notes to Financial Instruments

(1) Matters relating to status of financial instruments

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

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

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

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

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

Amounts posted on the Consolidated Balance Sheet, market values, and the corresponding differences between the two as of March 31, 2017, are as follows.

Items, for which ascertaining market values are extremely difficult, are not included in the table below.

(Millions of yen)

	Amounts posted on the Consolidated Balance Sheet (*)	Market value (*)	Difference
(1) Cash and deposits	35,355	35,355	-
(2) Notes and accounts receivable - trade	39,730	39,730	-
(3) Accounts receivable - other	3,679	3,679	-
(4) Investment securities (i) Shares in subsidiaries and affiliates (ii) Available-for-sale securities	 15,693 28,507	 12,746 28,507	 -2,946 -
(5) Notes and accounts payable - trade	(21,196)	(21,196)	-
(6) Electronically recorded obligations - operating	(7,021)	(7,021)	-
(7) Short-term loans payable	(49,468)	(49,468)	-
(8) Current portion of long-term loans payable	(30,038)	(30,100)	-62
(9) Accounts payable - other	(13,311)	(13,311)	-
(10) Long-term loans payable	(54,055)	(54,281)	-225
(11) Derivatives	98	98	-

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

(Note 1)
Calculation methods for the market value of financial instruments and transactions involving securities and derivatives

(1) Cash and deposits, (2) Notes and accounts receivable - trade, and (3) Accounts receivable - other:
These are settled within a short time frame and therefore have a market value nearly equivalent to their book value; as such, these are posted according to their book value.

(4) Investment securities:
Equities are based on their value on exchanges.

(5) Notes and accounts payable - trade, (6) Electronically recorded obligations - operating, (7) Short-term loans payable, and (9) Accounts payable - other:
These are settled within a short time frame and therefore have a market value nearly equivalent to their book value; as such, these are posted according to their book value.

(8) Current portion of long-term loans payable, and (10) Long-term loans payable:
The market value of long-term loans payable is calculated by taking into account the total amount of principal and interest and discounting it by the assumed interest rate that would be applied when new borrowings are conducted. The market value of long-term loans payable that are subject to exceptional accounting treatment for interest-rate swaps is calculated by discounting the total amount of principal and interest, which is treated as one with the interest-rate swap in question, by a logically estimated interest rate that would be applied when similar borrowings are conducted.

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

(Note 2)
Unlisted shares (posted as 1,008 million yen on the Consolidated Balance Sheet) and shares in unlisted subsidiaries and affiliates (posted as 2,922 million yen on the Consolidated Balance Sheet) have no market price, and it is recognized that ascertaining their market value is extremely difficult. As such, these items are not included in "(4) Investment securities".

8. Notes to Leased Property

The Company and some of its subsidiaries own real property for lease and others in Tokyo and other regions. Income or expenses from the leased property during the fiscal year ended March 2017 was 322 million yen (rent income was posted as non-operating income and expenses are posted as non-operating expenses), and gain on sales of non-current assets was 6 million yen (posted as non-operating income).

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

(Millions of yen)

Amounts posted on the Consolidated Balance Sheet			Market value on the consolidated closing date
Balance at the beginning of the consolidated fiscal year under review	Amount of increases/decreases during the consolidated fiscal year under review	Balance at the end of the consolidated fiscal year under review	
14,047	-94	13,953	13,649

(Note 1) Amounts posted on the Consolidated Balance Sheet were the acquisition costs minus accumulated depreciation and accumulated impaired loss.
(Note 2) Major reasons for increases/decreases during the consolidated fiscal year under review are an increase due to the acquisition of leased property (1,424 million yen), and a decrease due to transfers from leased property to assets for business use (1,470 million yen).
(Note 3) Calculation method of market value
Basically the amount based on a real-estate appraisal report prepared by a real-estate appraiser.

9. Notes to Per-Share Information

Net assets per share		476.10 yen
Profit per share		26.14 yen
(Calculation basis)	Profit attributable to owners of parent	5,392 million yen
	Profit attributable to owners of parent, available to common shares	5,392 million yen
	Average number of shares during the fiscal year under review	206,294 thousand shares

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

For the purpose of calculating the profit per share, the average number of treasury shares, so deducted, during the fiscal year under review was 337,000 shares, and for the purpose of calculating the net assets per share, the number of treasury shares, so deducted, as at the end of the fiscal year under review was 540,000 shares.

10. Notes to Significant Post-Balance Sheet Events

Not applicable.

11. Presentation of Amounts

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

<u>Notes to Non-Consolidated Financial Statements</u>

1. Notes to Significant Accounting Policies

(1) Standards and methods for evaluating securities

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

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

Securities without market value:
Stated at cost using the moving-average method

(2) Standards and methods for evaluating derivatives

(i) Derivatives:
Market value method

(3) Depreciation methods for non-current assets

(i) Property, plant and equipment (excluding leased assets):
The straight-line method is used for buildings (excluding equipment attached to buildings), and equipment attached to buildings, and structures acquired on or after April 1, 2016, and the declining-balance method for other property, plant and equipment. A useful life and a residue value are evaluated using the same standards as set forth in the Corporation Tax Act.

(ii) Intangible non-current assets (excluding leased assets)
The straight-line method is used. A useful life is evaluated using the same standards as set forth in the Corporation Tax Act. However, as for software for in-house use, the straight-line method is used with a usable period of 5 years.

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

(4) Accounting standards for significant allowances and provisions

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

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

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

(iv) Provision for loss on investments to subsidiaries and affiliates:
In order to prepare for possible losses on investments to subsidiaries and affiliates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The provision for loss on investments to subsidiaries and affiliates of 2,414 million yen is directly reduced from the amount of shares in subsidiaries and affiliates.

(v) Provision for loss on subsidiaries and affiliates:
In order to prepare for possible losses exceeding the book value of investments to any subsidiary or affiliate, an amount deemed necessary is provided for the loss exceeding the amount of receivables from such subsidiary or affiliate.

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

(5) Hedge accounting method

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

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

(iii) Hedging policy
Derivatives are used to avoid exchange-rate fluctuation risk present in trade payables and interest fluctuation risk present in borrowings and other means of fund raising, to the extent of actual demands, and are not used to conduct speculative transactions. Derivative transactions are managed in accordance with internal rules of each company.

(iv) Assessment of hedge effectiveness
For interest-rate swaps, hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging.

(6) Accounting for consumption tax, etc.

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

(7) Other Important Matters that are the Basis for Preparation of Financial Statements

Consolidated tax system is applied.

2. Notes to Changes in Accounting Policy

<Application of Practical Solution regarding a Change in Depreciation Method due to Tax Reform 2016>

Incidental to the reform of the Corporation Tax Act, the Company has applied the "Practical Solution regarding a Change in Depreciation Method due to Tax Reform 2016" (Practical Issues Task Force No. 32; June 17, 2016) to the fiscal year under review. As a result, the depreciation method for buildings and equipment attached to buildings, and structures acquired on or after April 1, 2016 has been switched from the declining balance method to the straight line method Due to these changes, the operating income, ordinary income, and profit before income taxes for the fiscal year under review increased by 19 million yen, respectively, compared to those under the previous method.

3. Additional Information

<Application of Implementation Guidance on Recoverability of Deferred Tax Assets>

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (The Accounting Standards Board of Japan (ASBJ) Implementation Guidance No. 26 of March 28, 2016) has been applied from the fiscal year under review

<Board Benefit Trust (BBT) for Executive Directors>

We have omitted this information, as we have included the same information in the "Additional Information" section of the Notes to Consolidated Financial Statements.

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

(1) Assets provided as security and secured obligations

Assets provided as security

Investment securities	28,128 million yen
Shares in subsidiaries and affiliates	2,131 million yen
Total	30,259 million yen

Secured obligations

Short-term loans payable	8,000 million yen
Current portion of long-term loans payable	4,300 million yen
Long-term loans payable	17,900 million yen
Total	30,200 million yen

(2) Accumulated depreciation of Property, plant and equipment 8,192 million yen

(3) Monetary claims, monetary debts and transactions with subsidiaries and affiliates

Short-term receivables	30,594 million yen
Short-term payables	3,573 million yen
Long-term receivables	9,100 million yen
Long-term payable	1,453 million yen
Operating income	10,087 million yen
Operating expenses	1,954 million yen
Transactions other than operating transactions	2,579 million yen

(4) Revaluation of land for business use

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

(i) Date of revaluation: March 31, 2001

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

(5) Notes to lending stock

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

(6) Notes to Statements of Income

“Transfers to provision for loss on investments to subsidiaries and affiliates” of “Extraordinary losses” consists of: transfers to provision for loss on investments to subsidiaries and affiliates (290 million yen) and an allowance for doubtful accounts of subsidiaries and affiliates (10 million yen); reversal of an allowance for doubtful accounts of subsidiaries and affiliates (1,710 million yen); and transfers to provision for loss on subsidiaries and affiliates (1,530 million yen).

(7) Notes to Statements of Changes in Equity

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

Common shares	826,538 shares

The number of shares above includes 540,000 shares of the Company held in the Board Benefit Trust (BBT) as a result of the introduction of the BBT plan.

5. Notes to Tax Effect Accounting

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

Deferred tax assets	
Provision for bonuses	30 million yen
Allowance for doubtful accounts	2,811 million yen
Loss on valuation of shares in subsidiaries	5,368 million yen
Provision for loss on investments to subsidiaries and affiliates	739 million yen
Provision for loss on subsidiaries and affiliates	722 million yen
Impaired loss on non-current assets	713 million yen
Assets for adjustment of profit and loss due to transfer	1,234 million yen
Long-term accounts payable - other	38 million yen
Loss carried forward	1,913 million yen
Other	161 million yen
Deferred tax assets - subtotal	13,732 million yen
Valuation-related reserves	-12,732 million yen
Deferred tax assets - total	1,000 million yen
Deferred tax liabilities	
Assets for adjustment of profit and loss	20 million yen
due to transfer	6,320 million yen
Valuation difference on available-for-sale	32 million yen
securities	
Other	
Deferred tax liabilities - total	6,374 million yen
Net deferred tax assets (liabilities)	-5,374 million yen

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

6. Notes to Transactions with Related Parties

(1) Parent company and major corporate shareholders

Attributes	Name of company	Ratio of voting rights held (%)	Relationship with related party	Content of transaction	Transaction amount (million yen)	Item	Term-end balance (million yen)
Major shareholder (company, etc.)	Sanko Kigyo K.K.	(Direct) 11.5 (Closer parties or agreed parties) 5.3	Property lease, etc.	Property lease	963	Accrued expenses	1

(2) Subsidiaries and affiliates, etc.

<table>
<tr><th>Attributes</th><th>Name of company</th><th>Ratio of holding of voting rights, etc. (%)</th><th>Relationship with related party</th><th>Content of transaction</th><th>Transaction amount (million yen)</th><th>Item</th><th>Term-end balance (million yen)</th></tr>
<tr><td rowspan="3">Subsidiary</td><td rowspan="2">SEIKO WATCH CORPORATION</td><td rowspan="2">(direct) 100.0</td><td rowspan="2">Interlocking directorate</td><td>Royalty revenue</td><td>2,035</td><td>Accounts receivable - other</td><td>1,084</td></tr>
<tr><td>Proceeds from management guidance</td><td>1,156</td><td>Accounts payable - other</td><td>242</td></tr>
<tr><td>WAKO Co., Ltd.</td><td>(direct) 100.0</td><td>Interlocking directorate</td><td>Property rents</td><td>795</td><td>Accrued income</td><td>112</td></tr>
</table>

(Note) 1. Transaction terms and policies to determine them

1) The terms for property lease are determined based on the same standards as for general transaction terms after considering market price. In the Statements of Income, the property lease is offset with property rents, and posted as expenses for leased property.

2) Royalty revenue is determined based on the standards similar to general transaction terms.

3) Proceeds from management guidance are determined by the Company and relevant consolidated subsidiary upon mutual consultation after considering the content of business operations.

4) Regarding property rents, those of owned property leased for business use are determined linked to relevant income, and those leased as office are determined based on a professional valuation. In the Statements of Income, property rents are offset with expenses for leased properties.

2. Transaction amounts do not include consumption tax, etc.; the term-end balance includes consumption tax, etc.

7. Notes to Per-Share Information

Net assets per share		287.82 yen
Profit per share		15.85 yen
(Calculation basis)	Profit	3,271 million yen
	Profit available to common shares	3,271 million yen
	Average number of shares during the fiscal year under review	206,399 thousand shares

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

For the purpose of calculating the profit per share, the average number of treasury shares, so deducted, during the fiscal year under review was 337,000 shares, and for the purpose of calculating the net assets per share, the number of treasury shares, so deducted, as at the end of the fiscal year under review was 540,000 shares.

8. Notes to Companies subject to Restriction on Consolidated Dividend

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

9. Presentation of Amounts

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