[Translation]

June 8, 2018

To Shareholders with Voting Rights:

Disclosures on the Internet pursuant to Laws and Regulations and the Articles of Incorporation regarding the Notice of the 157th Ordinary General Meeting of Shareholders

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

SEIKO HOLDINGS CORPORATION

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: 56
SEIKO WATCH CORPORATION, Seiko Instruments Inc., Morioka Seiko Instruments, 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.

IIM Corporation was included in the scope of consolidation as from the 1st quarterly consolidated accounting period due to the acquisition of its shares. SII Semiconductor Europe GmbH was included in the scope of consolidation as from the 2nd quarterly consolidated accounting period due to its incorporation.

Seiko Nextage Co., Ltd. and SEIKO Nextage Hong Kong Limited were excluded from the scope of consolidation as from the 1st quarterly consolidated accounting period, as they became of little significance due to the commencement of their liquidation. S.I.E. Netherlands B.V. completed its liquidation in the 1st quarterly consolidated accounting period.

SII Semiconductor Corporation, SII Semiconductor U.S.A. Corporation, SII Semiconductor Korea Corporation, SII Semiconductor Hong Kong Limited, SII Semiconductor Taiwan Corporation and SII Semiconductor Europe GmbH were excluded from the scope of consolidation as from the 4th quarterly consolidated accounting period due to the partial sale of shares held therein, and SII Semiconductor Corporation has been made an affiliate accounted for by the equity method. SII Semiconductor Corporation changed its trade name to ABLIC Inc. on January 5, 2018.

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: 6
SEIKO OPTICAL PRODUCTS CO., LTD., OHARA INC., ABLIC Inc., and others.

ABLIC Inc. (formerly SII Semiconductor Corporation) was excluded from the scope of consolidation as from the 4th quarterly consolidated accounting period due to the partial sale of shares held therein, and has become an affiliate accounted for by the equity method. THE CLOCK HOUSE CO.,LTD has become an affiliate accounted for by the equity method as from the end of the consolidated fiscal year under review due to the acquisition of its shares.

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 loss on lease agreements	An estimated amount of loss to be incurred during the periods when real estate lease agreements cannot be terminated is posted.
(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.
(vii) 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.
(viii) Provision for loss on business withdrawal	In order to prepare for possible losses relating to the business withdrawal, an estimated loss amount is posted.
(ix) 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 or the like, and with regard to interest-rate swaps that meet the requirements for exceptional accounting ("*tokurei-shori*"), exceptional accounting is employed.
(ii) Means of hedging and hedged items	Forward exchange contracts and foreign currency deposits to hedge foreign exchange-rate fluctuation risks regarding foreign currency-denominated trade payables and receivables; and interest-rate swaps to avoid fluctuation risks regarding loans payable on floating interest rates.
(iii) Hedging policy	Forward exchange contracts, foreign currency deposits and interest-rate swaps are hedged to avoid exchange- and interest-rate fluctuation risks present in hedged items in accordance with the internal rules of the respective companies, and no speculative transactions are conducted.
(iv) Assessment of hedge effectiveness	For interest-rate swaps, hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging. However, the assessment of hedge effectiveness is omitted if the material conditions of the means of hedging and the hedged items are the same.

(9) Accounting for employees' retirement benefits

In order to prepare to pay retirement benefits to employees, the net defined benefit liability is posted based on the estimated amount of retirement benefit obligations minus the amount of plan assets as of the end of the consolidated fiscal year under review. To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review. The actuarial differences that resulted are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 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 Presentation Method

<Consolidated Statements of Income>

(1) “Share of loss of entities accounted for using equity method” that was included in “Other” of “Non-operating expenses” in the previous consolidated fiscal year became “Share of profit of entities accounted for using equity method” in the consolidated fiscal year under review, and was separately itemized as “Non-operating income” as from the consolidated fiscal year under review because the amount became more significant.

“Share of loss of entities accounted for using equity method” in the previous consolidated fiscal year was 6 million yen.

(2) “Foreign exchange losses” that were included in “Other” of “Non-operating expenses” in the previous consolidated fiscal year was separately itemized as from the consolidated fiscal year under review because the amount became more significant.

“Foreign exchange losses” in the previous consolidated fiscal year was 294 million yen.

3. Notes to Consolidated Balance Sheet

(1) Assets provided as security and secured obligations

Assets provided as security

Cash and deposits	27 million yen
Deposits (Investments and other assets)	424 million yen
Total	451 million yen

Secured obligations

Accounts payable - other	1 million yen
Gift certificates (Current liabilities; Other)	88 million yen
Total	89 million yen

(2) Guarantee obligation

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

Employee (housing fund) 14 million yen

(3) Amount of discount on negotiable instruments receivable 471 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, 417 million yen is for lending stock.

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

(Note 1) The total number of issued shares has decreased by 165,617,000 as the Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017.

(Note 2) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 108,000 shares of the Company held in the Board Benefit Trust (BBT). The increase in common shares (4,000 shares) held as treasury shares is the result of the purchase of fraction shares, and the purchase of fraction shares associated with the share consolidation. The decrease in common shares (748,000 shares) held as treasury shares is the result of the share consolidation.

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

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2017 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).
(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 14, 2017 includes a dividend of 4 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(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 28, 2018	Common Share	1,550	Retained earnings	37.50	March 31, 2018	June 29, 2018

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

5. 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, 2018, are as follows.

Items, for which ascertaining market values is 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	34,229	34,229	-
(2) Notes and accounts receivable - trade	38,109	38,109	-
(3) Accounts receivable - other	3,537	3,537	-
(4) Investment securities (i) Shares in subsidiaries and affiliates (ii) Available-for-sale securities	 17,303 23,185	 25,765 23,185	 8,462 -
(5) Notes and accounts payable - trade	(24,921)	(24,921)	-
(6) Electronically recorded obligations - operating	(7,956)	(7,956)	-
(7) Short-term loans payable	(49,916)	(49,916)	-
(8) Current portion of long-term loans payable	(21,476)	(21,504)	-28
(9) Accounts payable - other	(12,598)	(12,598)	-
(10) Long-term loans payable	(40,075)	(40,105)	-29
(11) Derivatives	(321)	(321)	-

(*) 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 446 million yen on the Consolidated Balance Sheet) and shares in unlisted subsidiaries and affiliates (posted as 5,839 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”.

6. 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 2018 was 356 million yen (rent income was posted as non-operating income and expenses are posted as non-operating expenses), and transfers to the provision for environmental measures were 133 million yen (posted as “business structure improvement expenses” in extraordinary losses).

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	
13,953	331	14,284	14,182

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

(Note 2) The key substance of the increases/decreases during the consolidated fiscal year under review is an increase in the rate of rent (197 million yen) and an increase in leased property associated with the increase in new consolidated subsidiaries (183 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.

7. Notes to Per-Share Information

Net assets per share		2,523.54 yen
Net income per share		280.01 yen
(Calculation basis)	Profit attributable to owners of parent	11,541 million yen
	Profit attributable to owners of parent, available to common shares	11,541 million yen
	Average number of shares during the fiscal year under review	41,217 thousand shares

(Note 1) For the purpose of calculating the net income per share, the treasury shares remaining in trust posted as treasury shares in the "Shareholders' equity" section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.
For the purpose of calculating the net income per share, the average number of treasury shares, so deducted, during the fiscal year under review was 108,000 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 108,000 shares.

(Note 2) The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net assets per share and net income per share represent figures on the assumption that the share consolidation was performed at the beginning of the consolidated fiscal year under review.

8. Notes to Business Combination

Business divestiture
(Partial share transfer of a consolidated subsidiary (sub-subsidiary))

(1) Overview of business divestiture

(i) Name of the enterprise to which the divested business was transferred
Development Bank of Japan Inc. ("DBJ")

(ii) Substance of the divested business
Subsidiary: SII Semiconductor Corporation ("SSJ") and its subsidiaries
Nature of business: Development, manufacture, and sale of semiconductors
SSJ changed its trade name to ABLIC Inc. on January 5, 2018.

(iii) Primary reasons for the business divestiture
The semiconductor business (the "Target Business") of Seiko Instruments Inc. ("SII"), our subsidiary, has been providing outstanding products based on watch-related technologies, including EEPROM and analog semiconductor products such as Power Management ICs. SII and DBJ concluded an agreement on September 8, 2015 (the "Agreement") to transfer the Target Business to SSJ, a semiconductor business company that was to be established as a joint investment by SII and DBJ, including the option to transfer a portion of the equity in SSJ held by SII to DBJ after two years, for future sustainable growth in the semiconductor market, which was under growing competitive pressure on a global level.

The above option having been exercised pursuant to the Agreement, SII concluded a share transfer agreement with DBJ on December 1, 2017 and transferred a portion of the equity in SSJ to DBJ on January 5, 2018.

(iv) Date of business divestiture (Date of share transfer)
January 5, 2018

(v) Overview of the business divestiture including the legal form thereof
Legal form: Share transfer
Number of shares for transfer, and transfer price
Number of shares for transfer: 555,000 shares (ratio to the number of issued shares: 30.0%)
Transfer price: 5,527 million yen
Post-transfer ownership ratio: 30.0%

(2) Overview of accounting conducted for business divestiture

(i) Amount of gain or loss on transfer
Gain on business transfer: 9,373 million yen

(ii) Fair book values of the assets and liabilities pertaining to the transferred business, and the major breakdown thereof

Current assets:	20,997 million yen
Non-current assets:	9,724 million yen
Total assets:	30,722 million yen
Current liabilities:	10,694 million yen
Non-current liabilities:	12,588 million yen
Total liabilities:	23,283 million yen

(iii) Accounting
The business divestiture was accounted for pursuant to the "Accounting Standard for Business Divestitures" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".

(3) Reporting segment in which the divested business was included
Electronic devices business

(4) Estimated amount of profit or loss pertaining to the divested business, which is reported on the consolidated statements of income for the consolidated fiscal year under review

Net sales:	25,193 million yen
Operating income:	5,013 million yen

9. Notes to Significant Post-Balance Sheet Events

Not applicable.

10. 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.

Notes to Non-Consolidated Financial Statements

1. Notes to Significant Accounting Policies

(1) Standards and methods for evaluating securities

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

(ii) Available-for-sale securities:
Securities 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 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.

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

(v) 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 shares in subsidiaries and affiliates.

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

(5) Hedge accounting method

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

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

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

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

(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 Presentation Method

<Non-Consolidated Statements of Income>

(1) "Service contract fees" in "Non-operating income" that were separately itemized in the previous fiscal year is included in "Other" of "Non-operating income" as from the fiscal year under review because the amount became less significant.

"Service contract fees" in the fiscal year under review were 105 million yen.

(2) "Property lease expenses" in "Non-operating expenses" that were separately itemized in the previous fiscal year were offset with "House rent and other rental revenues" in "Non-operating income". In the fiscal year under review, "Property lease expenses" became "House rent and other rental revenues" and are included in "Other" in "Non-operating income" because the amount became less significant.

"House rent and other rental revenues" in the fiscal year under review were 8 million yen.

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

(1) Accumulated depreciation of Property, plant and equipment 8,617 million yen

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

Short-term receivables	51,092 million yen
Short-term payables	3,541 million yen
Long-term receivables	9,986 million yen
Long-term payable	1,473 million yen
Operating income	10,911 million yen
Operating expenses	2,441 million yen
Transactions other than operating transactions	3,116 million yen

(3) Revaluation of land for business use

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

(i) 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.

(4) Notes to lending stock

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

(5) Notes to Statements of Income

"Transfers to provision for loss on investments to subsidiaries and affiliates" of "Extraordinary losses" consists of: reversal of the provision for loss on investments to subsidiaries and affiliates (9 million yen); transfers to an allowance for doubtful accounts of subsidiaries and affiliates (886 million yen); transfers to provision for loss on subsidiaries and affiliates (238 million yen); and reversal of the provision for loss on subsidiaries and affiliates (324 million yen).

(6) Notes to Statements of Changes in Equity

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

Common shares	166,948 shares

The number of shares above includes 108,000 shares of the Company held in the Board Benefit Trust (BBT) as a result of the introduction of the BBT plan.

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

4. Notes to Tax Effect Accounting

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

Deferred tax assets	
Provision for bonuses	26 million yen
Allowance for doubtful accounts	3,082 million yen
Loss on valuation of shares in subsidiaries	6,103 million yen
Provision for loss on investments to subsidiaries and affiliates	1 million yen
Provision for loss on subsidiaries and affiliates	696 million yen
Impaired loss on non-current assets	713 million yen
Assets for adjustment of profit and loss due to transfer	1,222 million yen
Long-term accounts payable - other	18 million yen
Loss carried forward	2,198 million yen
Other	231 million yen
Deferred tax assets - subtotal	14,295 million yen
Valuation-related reserves	-13,307 million yen
Deferred tax assets - total	987 million yen
Deferred tax liabilities	
Assets for adjustment of profit and loss due to transfer	20 million yen
Valuation difference on available-for-sale securities	4,656 million yen
Other	28 million yen
Deferred tax liabilities - total	4,705 million yen
Net deferred tax assets (liabilities)	-3,718 million yen

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

5. 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-in, etc.	Property lease-in	901	Accrued expenses	3

(2) Subsidiaries and affiliates, etc.

Attributes	Name of company	Ratio of holding of voting rights, etc. (%)	Relationship with related party	Content of transaction	Transaction amount (million yen)	Item	Term-end balance (million yen)
Subsidiary	SEIKO WATCH CORPORATION	(direct) 100.0	Interlocking directorate	Royalty revenue	2,140	Accounts receivable - other	1,157
				Proceeds from management guidance	1,194	Accounts receivable - other	26
	WAKO Co., Ltd.	(direct) 100.0	Interlocking directorate	Property lease-out	840	Accrued income	113
	Seiko Precision Inc.	(direct) 100.0	Interlocking directorate	Release of obligations	686	—	—

(Note 1) Transaction terms and policies to determine them

1) The terms for property lease-in are determined based on the same standards as for general transaction terms after considering market price. In the Statements of Income, the property rents payable are offset with property rents receivable.
2) Royalty 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 receivable, those of owned property leased out for business use are determined linked to relevant income, and those leased out as office or the like are determined based on a professional valuation. In the Statements of Income, property rents receivable are offset with property rents payable.
5) The release of obligations occurred as a result of the individually attributed amount of consolidated corporation tax not being transferred between members of the consolidated taxation group.

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

6. Notes to Per-Share Information

Net assets per share		1,358.87 yen
Net income per share		91.26 yen
(Calculation basis)	Profit	3,763 million yen
	Profit available to common shares	3,763 million yen
	Average number of shares during the fiscal year under review	41,238 thousand shares

(Note 1) For the purpose of calculating the net income per share, the treasury shares remaining in trust posted as treasury shares in the "Shareholders' equity" section are included in

the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.
For the purpose of calculating the net income per share, the average number of treasury shares, so deducted, during the fiscal year under review was 108,000 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 108,000 shares.

(Note 2) The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net assets per share and net income per share represent figures on the assumption that the share consolidation was performed at the beginning of the fiscal year under review.

7. 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.

8. 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.