SEIKO

Moving ahead. Touching hearts.

NOTICE OF THE 155TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Date and Time Wednesday, June 29, 2016, 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 10, 2016

To Shareholders with Voting Rights:

Yoshinobu Nakamura
President
Seiko Holdings Corporation
5-11, Ginza 4-chome, Chuo-ku, Tokyo

NOTICE OF THE 155TH 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 155th 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 through 4 by 6 p.m. on Tuesday, June 28, 2016, Japan time.

1 Date and Time: **Wednesday, June 29, 2016, 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, 2016 (from April 1, 2015 to March 31, 2016)

Proposals to be resolved:
Proposal 1: Distribution of Surplus
Proposal 2: Partial amendment to the Articles of Incorporation
Proposal 3: Election of Two (2) Directors
Proposal 4: Election of Three (3) Corporate Auditors
Proposal 5: Revision of the amount of compensation for Directors
Proposal 6: Decision on the amount and content of stock compensation, etc. for Directors
Proposal 7: Revision of the amount of compensation for Corporate Auditors

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.

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

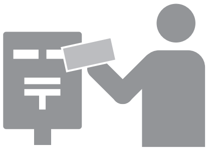
Date and time of the meeting

Wednesday, June 29, 2016, 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 Tuesday, June 28, 2016, 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 Tuesday, June 28, 2016, 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.

⊙ 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 (English: http://www.seiko.co.jp/en/ir/), (Japanese: http://www.seiko.co.jp/ir/).

Notice regarding Exercise of Voting Rights via the Internet

1 Exercise of voting rights via the Internet

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/

The deadline for exercising voting rights is 6 p.m. on Tuesday, June 28, 2016, Japan time, and votes must be entered by the above deadline. Please exercise your voting rights promptly.

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.

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.

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 operationability 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.

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

Cash

2 Allotment of dividend property to shareholders and its total amount

Amount per common share: 7.5 yen
Total amount of dividends: 1,550,541,705 yen

3 Effective date of distribution of surplus

June 30, 2016

Proposal 2 Partial amendment to the Articles of Incorporation

1. Reason for proposal

The Company proposes to change the maximum number of Directors from twelve (12) to thirteen (13), in order to establish a management structure capable of flexibly responding to the diversity of the management environment.

2. Details of amendment to the Articles of Incorporation

Details of amendment are as follows:

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendment
(Number of Directors) Article 20 The number of Directors of the Company shall be <u>twelve (12)</u> or less.	(Number of Directors) Article 20 The number of Directors of the Company shall be <u>thirteen (13)</u> or less.

Proposal 3 Election of Two (2) Directors

The Company proposes the election of two (2) Directors: namely, one Director to replace Mr. Satoshi Doi, Director, who resigned from his office as of June 2, 2016, and one additional Director to ensure the diversity of the Board of Directors.

The resolution of this proposal shall take effect subject to Proposal 2 “Partial amendment to the Articles of Incorporation” taking effect.

The terms of office of the newly elected Directors shall be coterminous with the expiration of the terms of office of other incumbent Directors in accordance with the provisions of the Articles of Incorporation of the Company.

The candidates for Director are as follows:

1 Hiromi Kanagawa (Date of Birth September 30, 1962) Newly Appointed

Number of shares of the Company held

4,000

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
April 2016	Senior General Manager, Brand Promotion Department 1 and Brand Promotion Department 2 of the Company (to present)

2 Shimesu Takizawa (Date of Birth July 2, 1963) Newly Appointed

Number of shares of the Company held

2,000

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 (to present)

(Note)
There is no special relationship of interest between the Company and each candidate for Director.

Proposal 4 Election of Three (3) Corporate Auditors

The terms of office of the three (3) Corporate Auditors, Mr. Masatoshi Suzuki, Mr. Seiichi Mikami and Mr. Tomijiro Morita, will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the election of three (3) Corporate Auditors.

The Company has obtained consent from the Board of Corporate Auditors with regard to this proposal.

The candidates for Corporate Auditor are as follows:

1 Seiichi Mikami (Date of Birth June 25, 1956) Reappointed

Number of shares of the Company held

25,000

Career, positions, responsibilities and significant concurrent positions

April 1979	Joined the Company
July 2001	General Manager, Finance & Accounting Department, Seiko Watch Corporation
March 2008	Director of Seiko Watch Corporation
June 2010	Corporate Auditor of the Company (to present)
January 2015	Outside Corporate Auditor, Ohara Inc. (to present)

2 Haruhiko Takagi (Date of Birth January 10, 1959) Newly Appointed

Number of shares of the Company held

15,000

Career, positions, responsibilities and significant concurrent positions

April 1982	Joined the Company
June 2004	General Manager, Finance & Accounting Department of the Company
June 2007	Director of the Company
November 2009	General Manager, Corporate Planning & Financial Control Division, Seiko Optical Products Co., Ltd.
May 2010	Director of Seiko Optical Products Co., Ltd.
April 2014	Corporate Auditor, Seiko Solutions Inc. (to present)

3 Tomoyasu Asano (Date of Birth April 27, 1953)

Candidate for Outside Corporate Auditor

Newly Appointed

Number of shares of the Company held

0

Career, positions, responsibilities and significant concurrent positions

April 1978	Joined The Dai-ichi Mutual Life Insurance Co., Ltd.
April 2006	Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd.
April 2009	Managing Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd.
June 2009	Director, Managing Executive Officer of The Dai-ichi Mutual Life Insurance Co., Ltd.
April 2010	Director, Managing Executive Officer of The Dai-ichi Life Insurance Co., Ltd.
October 2013	Auditor of Tokyu Fudosan Holdings Corporation (to present)
April 2014	Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Co., Ltd. (to present)

(Notes)

1. There is no special relationship of interest between the Company and each candidate for Corporate Auditor.
2. Of the candidates for Corporate Auditor, Mr. Tomoyasu Asano is a candidate for Outside Corporate Auditor under Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act.
3. The Company nominates Mr. Tomoyasu Asano as a candidate for Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his long experience and knowledge of corporate management.

Proposal 5 Revision of the amount of compensation for Directors

The current amount of compensation for Directors was approved at 35 million yen or less per month at the 136th Ordinary General Meeting of Shareholders held on June 27, 1997. In light of the subsequent changes in economic conditions and the management environment, and other circumstances, and in order to be able to provide performance-based bonuses according to the performance of each fiscal year, the Company proposes to revise the above limit of compensation from a monthly to an annual basis to be 420 million yen or less per year (12 times the current monthly amount of 35 million yen), thereby adopting an annual limit of compensation for fixed monthly compensations and performance-based bonuses.

The persons eligible to receive performance-based bonuses are Executive Directors (excluding Non-Executive Directors and Outside Directors), and the number of eligible persons is currently six (6).

The limit of compensation for Directors does not include, as in the past, the amount paid as salaries for employees to Directors who concurrently serve as employees, and the Company requests that the amount of individual compensation be left to the discretion of its Board of Directors.

Proposal 6 Decision on the amount and content of stock compensation, etc. for Directors

1. Reasons for proposal, and reasons for appropriateness thereof

This is a proposal to adopt a BBT (Board Benefit Trust), a stock compensation plan (the “Plan”) in order to enhance the awareness of the Executive Directors of the Company (excluding Non-Executive Directors and Outside Directors) about contributing to better business performance and higher corporate value in the middle- to long- term, by further clarifying the link between their compensation and middle- to long-term performance and stock value, and by the Executive Directors sharing conflicts of interest with our shareholders.

In light of such objective, the Company believes that the content of this proposal is appropriate.

Regarding the amount and content of compensation, etc. for Directors of the Company under the Plan, the Company proposes that it provide its Executive Directors with a new stock compensation, apart from the amount of existing compensation for Directors (the annual limit of compensation including the performance-based bonuses will be 420 million yen or less if Proposal 5 is approved and resolved as originally proposed). The Company also requests that the details of the Plan be left to the discretion of its Board of Directors, within the scope of the limit set forth in 2. below.

The number of Directors eligible for the Plan is currently six (6).

2. Amount and content of compensation, etc. under the Plan

(1) Outline of the Plan

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

(2) Persons eligible for the Plan

The persons eligible for the Plan shall be the Executive Directors of the Company (the Non-Executive Directors and Outside Directors are not eligible for the Plan).

(3) Upper limit of the amount of contribution by the Company to the Trust

The Company will create the Trust by contributing cash up to a limit of 240 million yen as the funds required for the three fiscal years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019 (the “Initial Period”).

After the Initial Period, the Company will, in principle, also make an additional contribution to the Trust up to a limit of 240 million yen for the subsequent three fiscal years (the “Subsequent Period”) every three fiscal years until the termination of the Plan. However, in making such additional contribution, if there are any shares of the Company (excluding the Company's shares corresponding to the number of points awarded to the Executive Directors pursuant to (5) below which have not been delivered to them) and cash remaining in the trust assets on the day immediately preceding the commencement of the Subsequent Period for which such additional contribution is to be made (the "Remaining Shares, Etc."), the Remaining Shares, Etc. shall be allocated to the source of delivery to be made under the Plan for the Subsequent Period, and the limit of amount that the Company may additionally contribute in the Subsequent Period shall be 240 million yen less the value of the Remaining Shares, Etc. (the value of shares shall be the market value as of the day immediately preceding the commencement of the relevant Subsequent Period).

(4) Method of acquisition of the Company's shares

The Trust will acquire the Company's shares through stock markets or by subscribing to treasury shares of the Company. For the Initial Period, the Trust will acquire shares promptly upon the creation of the Trust (scheduled for August 26, 2016) up to a limit of 540,000 shares.

(5) Specific details of the Company Shares, Etc. shares to be delivered to Executive Directors

In each fiscal year, the Company will award points to each Executive Director in such number as will be determined based on his or her position, the degree of achievement of the medium- and long-term performance target, and other factors in accordance with the "Rules for Delivery of Shares to Officers."

The total number of points awarded to the Executive Directors in each fiscal year will be a maximum of 180,000 points.

Upon the delivery of Company Shares, Etc. under (6) below, one point awarded to an Executive Director will be converted to one ordinary share of the Company (however, if a stock split (*kabushiki bunkatsu*), allotment of shares without contribution (*kabushiki mushō wariate*), or reverse stock split (*kabushiki heigō*) is conducted with respect to the Company's shares, the conversion ratio will be adjusted in a reasonable manner depending on the ratio or other factors of such conduct).

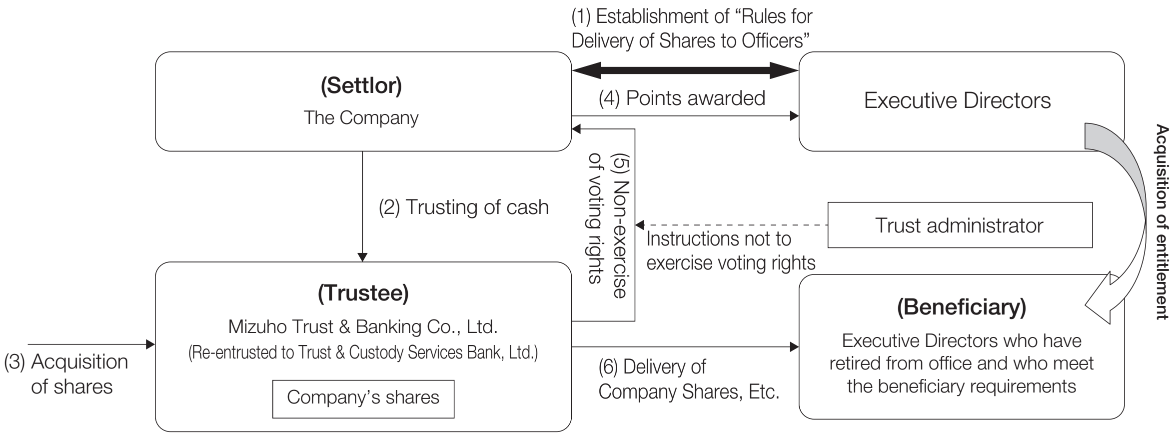
(6) Timing of delivery to the Executive Directors

If an Executive Director who has retired from office meets the beneficiary requirements stipulated in the "Rules for Delivery of Shares to Officers," he or she will be able to receive the Company's shares from the Trust, in principle, after his or her retirement in proportion to the accumulated number of points awarded until his or her retirement from office, by taking the prescribed procedures to determine the beneficiary. However, if an Executive Director meets the requirements stipulated in the "Rules for Delivery of Shares to Officers," the Company may pay him or her cash equivalent to the market value of a certain percentage of such shares, instead of delivering such shares.

Please note that the Trust may sell the Company's shares to effect a cash delivery.

〔For reference〕

<Structure of the Plan>



(1) Subject to the passing of a resolution of the compensation for officers concerning the Plan at this General Meeting of Shareholders, the Company will establish the "Rules for Delivery of Shares to Officers" within the scope approved by the meeting.
(2) The Company will deposit cash in trust within the scope approved by this General Meeting of Shareholders as set forth in (1).
(3) The Trust will acquire the Company's shares through stock markets or by subscribing to treasury shares of the Company by using the cash deposited in trust as set forth in (2).
(4) The Company will award points to each Executive Director in accordance with the "Rules for Delivery of Shares to Officers."
(5) In accordance with the instructions of the trust administrator independent from the Company, the Trust will not exercise voting rights for the Company's shares in the Trust account.
(6) The Trust will deliver Company's shares to an Executive Director who has retired from office and who meets the beneficiary requirements stipulated in the "Rules for Delivery of Shares to Officers" (a "Beneficiary"), in proportion to the number of points awarded to the Beneficiary. However, if an Executive Director meets the requirements stipulated in the "Rules for Delivery of Shares to Officers," the Company may pay him or her cash equivalent to the market value of the Company's shares for a certain percentage of his or her points, instead of delivering such shares.

Proposal 7 Revision of the amount of compensation for Corporate Auditors

The amount of compensation for Corporate Auditors of the Company was approved at 5 million yen or less per month at the 133rd Ordinary General Meeting of Shareholders held on June 29, 1994. In light of the subsequent changes in economic conditions and the management environment, and other factors existing under the circumstances, the Company proposes to revise the amount of compensation for Corporate Auditors to 8 million yen or less per month.

The number of Corporate Auditors is currently five (5), and will remain five (5) if Proposal 4 is approved and resolved as originally proposed.

〔For reference〕

<Process to nominate officer candidates, and to determine compensation for officers>

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

The contents of the nomination of officer candidates in Proposals 3 and 4, and the compensation plan for Directors in Proposals 5 and 6, have been determined by the Board of Directors after they are 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, 2016, the world economy showed strong signs of stagnation, shaken by the prospect of higher interest rates in the United States and concerns about the slowdown in China. Personal consumption drove economic growth in Europe and the United States. However, growth in China tended to slow and the slump in emerging nations continued to progress due to lower prices for resources including crude oil.

The Japanese economy continues to experience a stall in its recovery, as exports remain slack despite support from an increase in consumption by foreign tourists. Conditions in the department store industry progressed favorably due to consumption by foreign tourists, but this boost is tapering off. The electronic devices and semiconductor market is seeing continuing growth in demand due to advanced functionality of smartphones and increasing use of electronics in automobile-related products, despite a slump in demand for smartphones, among other factors.

For the fiscal year ended March 31, 2016, the Company reported consolidated net sales of 296.7 billion yen, a year-on-year increase of 3.2 billion yen, despite a transfer of the wide format printer business to OKI Data Corporation in the third quarter. On a per-segment basis, sales under the Watches Business grew favorably in Japan, and the Electronic Devices Business also continued to perform steadily, mainly in semiconductors. However, sales under the Systems Solutions Business regrettably declined from the previous fiscal year. On an overall consolidated basis, domestic net sales came to 145.8 billion yen (a year-on-year increase of 4.6%), and overseas net sales were 150.8 billion yen (a year-on-year decrease of 2.1%). Overseas net sales comprised 50.8% of net sales overall.

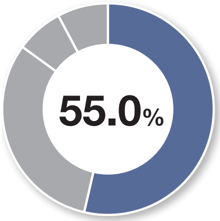
In terms of income, the Company posted operating income of 13.3 billion yen (a year-on-year increase of 14.1%), an increase of 1.6 billion yen compared to the previous fiscal year, due to an increase in sales and other factors. However, ordinary income decreased by 0.4 billion yen from the previous fiscal year to become 11.8 billion yen (a year-on-year decrease of 4.0%), as non-operating income and expenses worsened year on year due to factors including the posting of foreign exchange losses in the fourth quarter. Gain on sales of non-current assets of 0.4 billion yen was posted as extraordinary income, and a total of 3.5 billion yen in business structure improvement expenses related to the transfer of the wide format printer business and others was posted as extraordinary losses, resulting in profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests of 12.1 billion yen (a year-on-year decrease of 44.2%).

During the fourth quarter, SII Semiconductor Corporation, the Company's subsidiary that operates the semiconductor business, accepted an investment from the Development Bank of Japan Inc., which accounted for 40% of all capital invested.

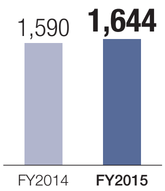
Results for each segment are as follows.

Watches Business

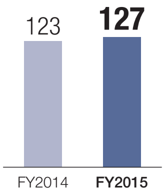
Composition of net sales



Net sales (Billions of yen)



Operating income (Billions of yen)



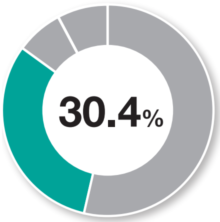
*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

Net sales under the Watches Business for the fiscal year ended March 31, 2016 came to 164.4 billion yen, a year-on-year increase of 5.3 billion yen, or 3.4%. In Japan, sales of men's watch models were driven by the Grand Seiko, Astron, Mechanical, and Prospex, while sales of ladies' watch models were driven by the Lukia and Tissé. Sales also grew favorably on consumption by foreign tourists. On the overseas front, sales developed in markets including Germany in Europe and Taiwan in Asia, despite harsh economic conditions in some markets, including France, where sales over the Christmas season were stagnant due to the impact of the terrorist attacks. In addition, a Seiko Premium Boutique was opened in the Ginza area of Tokyo, and Seiko Boutiques were opened in Frankfurt, Moscow, and Sydney.

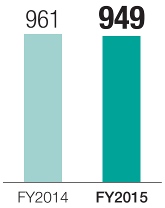
With regard to income, the increase in net sales yielded a year-on-year increase of 0.3 billion yen in operating income, bringing it to 12.7 billion yen (a year-on-year increase of 3.2%).

Electronic Devices Business

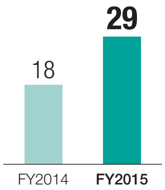
Composition of net sales



Net sales (Billions of yen)



Operating income (Billions of yen)

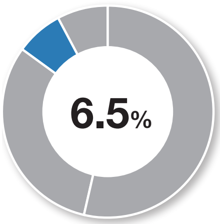


*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

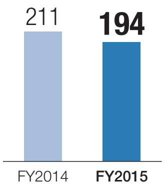
Net sales under the Electronic Devices Business came to 94.9 billion yen (a year-on-year decrease of 1.3%), and operating income to 2.9 billion yen (a year-on-year increase of 56.4%). On a per-domain basis, sales of semiconductors performed steadily mainly for power management ICs for smartphones. Sales also increased for products including industrial inkjet print heads, small thermal printers and quartz crystal products. Net sales declined from the previous fiscal year due to the transfer of the wide format printer business to OKI Data Corporation during the third quarter.

Systems Solutions Business

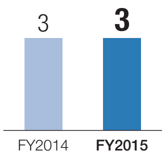
Composition of net sales



Net sales (Billions of yen)



Operating income (Billions of yen)

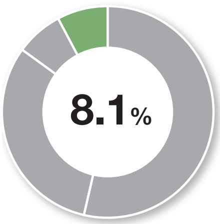


*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

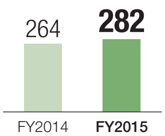
Net sales under the Systems Solutions Business came to 19.4 billion yen (a year-on-year decrease of 8.0%), and operating income to 0.3 billion yen (a year-on-year increase of 11.2%). Sales of the data services business were steady, but sales of communication modules and other products stagnated.

Others

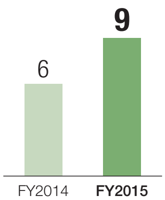
Composition of net sales



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 Others came to 28.2 billion yen (a year-on-year increase of 6.7%), and operating income to 0.9 billion yen (a year-on-year increase of 43.2%). Among segments included in Others, sales under the Clocks Business grew steadily in Japan and sales under the Wako Business were driven by high-priced watches.

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

❶ Fifth Medium-Term Management Plan (from the fiscal year ended March 31, 2014 through the fiscal year ended March 31, 2016)

The fiscal year ended March 31, 2016 was the last year of the Fifth Medium-Term Management Plan of the Company that commenced in the fiscal year ended March 31, 2014. The details and achievement thereof are as follows:

1 Basic policy

The Company formulated the Fifth Medium-Term Management Plan, a three-year plan beginning in the fiscal year ended March 31, 2014, maintaining the fundamental group management philosophy of being "a company that is trusted by society." Under the Medium-Term Management Plan, the Company addresses the basic strategies and issues as described below, following the basic policy of "reconstructing the business portfolio around our Watches segment as the Group's core business to maximize profitability, as well as realizing the qualitative reinforcement of the Group's management foundation."

2 Basic strategy for maximizing segment profitability

(i) Enhancing and expanding the Watches segment, the fundamental business of the Group
Maximizing earnings through executing strategy that manifests the total capability of this segment's finished goods and movement businesses

(ii) Electronic Devices segment to concentrate on core areas
Concentrating resources into core business sectors while actualizing our technology centered on timepieces under the philosophy of "Craftsmanship, Miniaturization, Efficiency" to the fullest extent, and establishing a stable earnings structure.

(iii) Cultivating our Systems Solutions Business as a third business segment
Cultivating a solutions-suggestion business with high added value that positions Seiko Solutions Inc. as its core entity and takes advantage of the resources possessed by the Group.

(iv) Expanding business development efforts that effectively leverage the brand's strength
Perpetuating activities to improve brand image and recognition while further strengthening brand utilization in various products

3 Issues for realizing the qualitative reinforcement of the Group's management foundation

(i) Improving financial constitution
Realizing further reductions in interest-bearing liabilities and an improved equity capital ratio

(ii) Promoting the utilization of human resources
Forming mechanisms for developing human resources for sustainable business growth and conducting inter-Group personnel exchange

(iii) Strengthening the role of the holding company
Reinforcing strategic decision-making in Group management and operating company support functions as conducted by the holding company

4 Target figures under the Fifth Medium-Term Management Plan

(i) Consolidated income forecast

(Billions of yen)

	Medium-Term Management Plan			FY2015	
	FY2013	FY2014	FY2015	Actual	Comparison vs. Plan
Net Sales	3,000	2,900	3,200	2,967	-233
Operating Income	100	140	200	133	-67
Ordinary Income (%)	60 2.0%	100 3.4%	160 5.0%	118 4.0%	-42 -1.0%
Net income attributable to owners of parent (%)	50 1.7%	80 2.8%	120 3.8%	121 4.1%	+1 +0.3%

(ii) Net sales by segment

(Billions of yen)

	Medium-Term Management Plan			FY2015	
	FY2013	FY2014	FY2015	Actual	Comparison vs. Plan
Watches Business	1,350	1,400	1,500	1,644	+144
Electronic Devices Business	950	1,050	1,150	949	-201
Systems Solutions Business	280	300	350	194	-156
Others	480	250	270	282	+12
Consolidated total	3,000	2,900	3,200	2,967	-233

(iii)Operating income by segment

(Billions of yen)

	Medium-Term Management Plan			FY2015	
	FY2013	FY2014	FY2015	Actual	Comparison vs. Plan
Watches Business	100	110	130	127	-3
Electronic Devices Business	20	45	70	29	-41
Systems Solutions Business	10	15	20	3	-17
Others	10	5	10	9	-1
Consolidated total	100	140	200	133	-67

(iv)Balance sheet items

(Billions of yen)

	Medium-Term Management Plan			FY2015	
	FY2013	FY2014	FY2015	Actual	Comparison vs. Plan
Interest-bearing liabilities	2,020	1,950	1,750	1,275	-475
Net assets	450	525	630	1,026	+396
Total assets	3,500	3,500	3,400	3,291	-109
Equity capital ratio	12.3%	14.3%	17.6%	28.7%	+11.1%
Net D/E ratio	3.6	2.9	2.1	0.9	-1.2

5 Developments in the fiscal year ended March 31, 2016

(i) Basic strategy for maximizing segment profitability

The Company conducted marketing activities in markets in Japan, Europe, North America and Asia to enhance and expand the Watches segment, focusing on the Grand Seiko, a high-end product, the ASTRON, which is the world's first GPS solar watch, and the PROSPEX sports watch for serious sports enthusiasts. The Company also furthered investments for future expansion, by continuing to increase its advertising and promotion expenses. Sales in the Watches segment exceeded the Medium-Term Management Plan, and the operating income also mostly achieved the above level. Accordingly, the percentage of sales in the Watches segment, the Group's core business, to the entire sales increased further to 55% from 54% in the previous fiscal year. As a result, the Company has been able to successfully develop a foundation to maximize profitability.

In the Electronic Devices segment in which the Company sought to establish a stable earnings structure, profitability significantly increased from the previous fiscal year, mainly due to improvements in unprofitable businesses. However, both sales and earnings were not able to achieve the Medium-Term Management Plan.

In the Systems Solutions Business, the Systems Application Business of Seiko Instruments Inc. was integrated into Seiko Solutions Inc. in the previous fiscal year, whereby a framework was established to offer, as a total service, technologies and knowhow held by both companies. However, this has not resulted in growing sales.

In the businesses included in Others, the Clocks Business, the System Clocks Business and the Wako Business each saw increased sales with businesses centering on the SEIKO brand and the WAKO brand, respectively.

The Company also engaged in aggressive branding activities through sports, music and social contribution to raise the value of the SEIKO brand.

(ii) Issues to realize the qualitative reinforcement of the Group's management foundation

In an effort to improve its financial constitution, the Company continued to reduce loans, up to the point where the total amount of its long- and short-term loans payable and lease obligations became 127.5 billion yen. As a result, the Company was able to realize further reductions in interest-bearing liabilities and exceeded the net D/E ratio in the Medium-Term Management Plan. In addition, the equity capital ratio was 28.7%, which was above the level contemplated in the Medium-Term Management Plan.

In promoting the utilization of human resources, the Company proactively advanced measures to raise global human resources and executive candidates who will lead the next generation, and to appoint female managers.

In order to strengthen the role of the holding company, the Company successfully promoted improved profitability related to the businesses that need to be addressed by reinforcing strategic decision-making in Group management and operating company support functions.

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

The Company formulated the Sixth Medium-Term Management Plan beginning in the fiscal year ending 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 FY2015	Medium-Term Management Plan FY2018	Forecast (For reference) FY2016
Net sales	2,967	3,100	2,900
Operating income	133	170	120
Ordinary income	118 4.0%	180 5.8%	120 4.1%
Net income attributable to owners of parent	121 4.1%	125 4.0%	100 3.4%

(ii) Net sales by segment

(Billions of yen)

	Actual FY2015	Medium-Term Management Plan FY2018	Forecast (For reference) FY2016
Watches Business	1,644	1,900	1,600
Electronic Devices Business	949	750	900
Systems Solutions Business	194	250	200
Others	282	300	290
Consolidated total	2,967	3,100	2,900

(iii)Operating income by segment

(Billions of yen)

	Actual FY2015	Medium-Term Management Plan FY2018	Forecast (For reference) FY2016
Watches Business	127	170	120
Electronic Devices Business	29	25	30
Systems Solutions Business	3	15	10
Others	9	10	10
Consolidated total	133	170	120

(iv)Balance sheet items

(Billions of yen)

	Actual FY2015	Medium-Term Management Plan FY2018
Total assets	3,291	3,400
Net assets	1,026	1,200
Equity capital ratio	28.7%	35%
Net interest-bearing liabilities	884	750

(3) Financing

There are no matters of special note.

(4) Capital expenditures

The Company invested 2,046 million yen in the Watches Business, 4,387 million yen in the Electronic Devices Business, and 964 million yen in the Systems Solutions Business respectively, primarily to reinforce and renew manufacturing and other facilities.

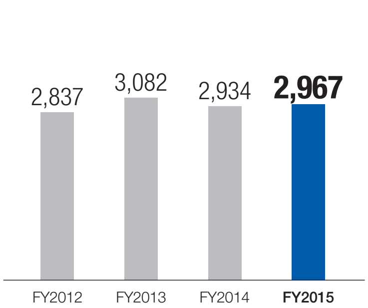
(5) Trends in assets and profit/loss

The operating results and assets in the fiscal year ended March 31, 2016 and the past three years are as follows.

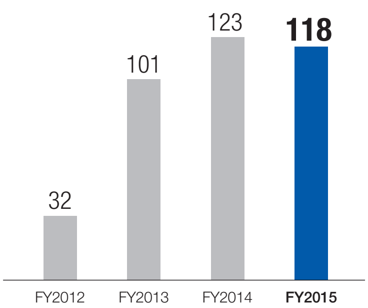
(i) Consolidated

Item	FY2012	FY2013	FY2014	FY2015
Net sales (Millions of yen)	283,790	308,286	293,472	**296,705**
Ordinary income (Millions of yen)	3,243	10,165	12,373	**11,879**
Net income attributable to owners of parent (Millions of yen)	5,527	7,422	21,778	**12,142**
Net income per share (Yen)	29	36	105	**59**
Total assets (Millions of yen)	355,308	366,753	333,701	**329,115**
Net assets (Millions of yen)	40,801	64,766	92,589	**102,692**
Book-value per share (Yen)	189	304	438	**457**

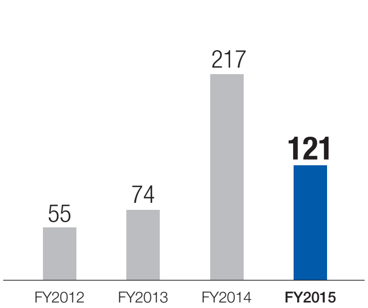
Net sales (Billions of yen)



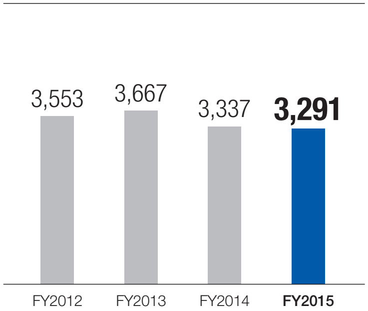
Ordinary income (Billions of yen)



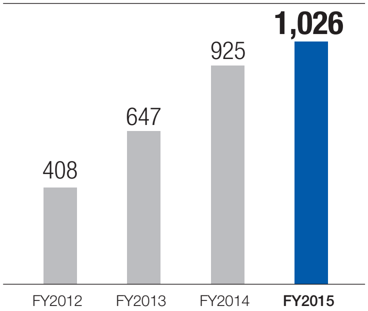
Profit attributable to owners of parent (Billions of yen)



Total assets (Billions of yen)



Net assets (Billions of yen)



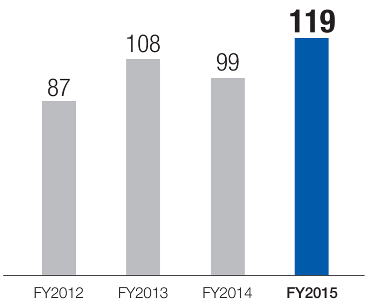
(ii) Non-consolidated

Item	FY2012	FY2013	FY2014	FY2015
Operating revenue (Millions of yen)	8,748	10,836	9,972	**11,984**
Ordinary Income (Millions of yen)	1,837	3,390	1,730	**4,393**
Net income (Millions of yen)	2,799	3,349	14,953	**3,370**
Earnings per share (Yen)	15	16	72	**16**
Total assets (Millions of yen)	162,190	181,108	158,703	**147,145**
Net assets (Millions of yen)	24,769	40,230	56,267	**54,964**
Book-value per share (Yen)	120	195	272	**266**

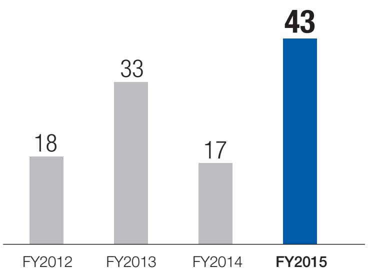
Note 1 "Earnings per share" is calculated on the basis of the average number of shares during the fiscal year.

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.

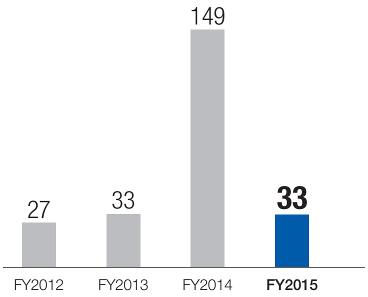
Operating income (Billions of yen)



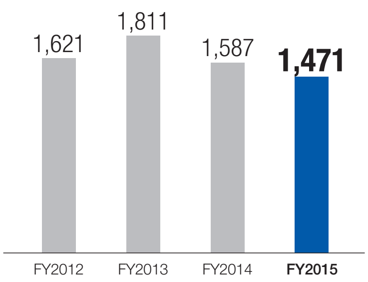
Ordinary income (Billions of yen)



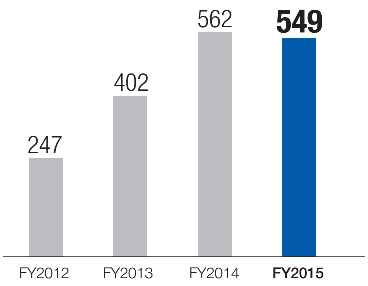
Net income (Billions of yen)



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
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: Companies asterisked in the “Capital Contribution Ratio” column are wholly owned by the Company, including indirect holdings.
Note 2: The status of a specified wholly-owned subsidiary as of the last day of the fiscal year ended March 31, 2016 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	147,145 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 Minato-ku, Tokyo, and the major location of each business is as follows:

Business Segment	Location
Watches Business	Minato-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 13,437 (a decrease of 128 from the previous fiscal year-end).

(10) Major lenders and amounts borrowed

(Millions of yen)

Lenders	Outstanding Balance of Loans
Mizuho Bank, Ltd.	47,088
Sumitomo Mitsui Banking Corporation	20,187
The Chiba Bank, Ltd.	9,963
Aozora Bank, Ltd.	8,430

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

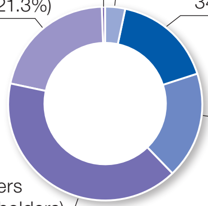
(including 282,415 treasury shares)

207,021,309 shares

(3) Number of shareholders at the end of the fiscal year ended March 31, 2016

11,200

Breakdown by type of shareholder



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

(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 Master Trust Bank of Japan, Ltd. (Trust Account)	10,916,000	5.3
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)	4,531,000	2.2
Hirohisa Hattori	3,426,876	1.7
MSCO CUSTOMER SECURITIES	3,319,000	1.6
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	2,722,287	1.3

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

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, 2016)

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	
Akio Naito	Executive Director in charge of Finance & Accounting, Corporate Strategy & Planning, and Legal & Intellectual Property	(Outside) Director of OHARA INC.
Hirohiko Umemoto	Director in charge of Watches Business	Chief Operating Officer of SEIKO WATCH CORPORATION Senior Executive Director of SEIKO INSTRUMENTS INC.
Shuji Takahashi	Director in charge of Public Relations and Secretariat, and Brand Promotion	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION
Akihiro Okuma	Director in charge of Human Resources, General Affairs, and IT Planning	Director and Managing Executive Officer of SEIKO Solutions Inc.
Hitoshi Murakami	Director	President of SEIKO INSTRUMENTS INC.
Shuntaro Ishii	Director	Director, Executive Vice President of SEIKO INSTRUMENTS INC.
Yoshihide Fujii	Director	Chairman of SEIKO INSTRUMENTS INC. Chairman of SII SEMICONDUCTOR CORPORATION
Satoshi Doi	Director	Executive Director of Sanko Kigyo K.K.
Akio Harada	Director	(Outside) Audit & Supervisory Board Member of Shiseido Company, Limited (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	
Masatoshi Suzuki	Standing Corporate Auditor	
Seiichi Mikami	Standing Corporate Auditor	(Outside) Corporate Auditor of OHARA INC.
Tomijiro Morita	Corporate Auditor	Senior Advisor to The Dai-ichi Life Insurance Company, Limited (Outside) Director of Odakyu Electric Railway Co., Ltd. (Outside) Director of Hotel Okura Co., Ltd.
Yoshiaki Yamauchi	Corporate Auditor	(Outside) Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD. Certified public accountant
Yoshiro Aoki	Corporate Auditor	

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. Tomijiro Morita, Yoshiaki Yamauchi, and Yoshiro Aoki, 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, at which Mr. Tomijiro Morita, 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.

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

Classification	Number of payees	Amount of compensation, etc.	Remarks
Director	12	200,700,000 yen	
Corporate Auditor	5	58,350,000 yen	
Total	**17**	**259,050,000 yen**	

(3) Matters related to outside officers

❶ Main activities of outside officers

Classification	Name	Main activities
Director	Akio Harada	He attended 11 of the 13 Board of Directors meetings held during the fiscal year ended March 31, 2016, and made necessary remarks on discussion items and deliberation items, mainly from the expert viewpoint of a lawyer.
Director	Carsten Fischer	He attended 9 of the 10 Board of Directors meetings held after his assumption of office of Director in June 2015, and made necessary remarks on discussion items and deliberation items, mainly based on his broad experience through management of global companies and as a marketing expert.
Corporate Auditor	Tomijiro Morita	He attended 11 of the 13 Board of Directors meetings, and 8 of the 10 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2016, and made remarks, as necessary, mainly based on his broad experience through management of insurance companies.
Corporate Auditor	Yoshiaki Yamauchi	He attended 12 of the 13 Board of Directors meetings and 8 of the 10 Audit Committee meetings held during the fiscal year ended March 31, 2016, 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 10 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2016, and made remarks, as necessary, mainly based on his broad experience through management of companies.

❷ 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
5	36,450,000 yen	3,600,000 yen

5 Matters related to the Accounting Auditor

(1) Name of the accounting auditor

KPMG AZSA LLC

(2) Amount of compensation of 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
.... 225 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, 2015, 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, 2016; 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 auditors to properly perform audits, the Company shall propose a resolution for dismissal or non-reappointment of the accounting auditor to the Shareholders Meeting.

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.

(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 operating companies, 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, 2016, the Company provided training sessions titled “Fraud Risk” for standing officers and “Specified Personal Information Protection Act” for all employees.

(2) Risk management system

(i) The Company convenes the Risk Management Committee chaired by the President four times a year to discuss the Company Group’s risk management system and various risk issues.
The Committee also discusses important risks to be addressed horizontally within groups, and approves a plan to address them, and reports the results 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.

(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 41 meetings during the fiscal year ended March 31, 2016.

(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, 2016, the Company has dispatched ten Directors, two Corporate Auditors, and six 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, 2016, 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, 2016, briefings were held to discuss topics such as “My Number System”, “Changes in Accounting Standards/Tax Revision”, and “Act on Promotion of Women’s Participation and Advancement in the Workplace”.

(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, 2016)

(Millions of yen)

Item	Amount
(Assets)	
I. Current assets:	(159,649)
Cash and deposits	39,131
Notes and accounts receivables - trade	41,623
Merchandise and finished goods	42,081
Work in process	13,315
Raw materials and supplies	9,799
Accounts receivable - other	3,753
Deferred tax assets	4,966
Other	6,466
Allowance for doubtful accounts	Δ1,488
II. Non-current assets:	(169,466)
1. Property, plant and equipment:	(94,934)
Buildings and structures	70,424
Machinery, equipment and vehicles	80,454
Tools, furniture and fixtures	30,654
Other	2,983
Accumulated depreciation	Δ140,016
Land	48,674
Construction in progress	1,758
2. Intangible assets:	(15,925)
Goodwill	7,663
Other	8,262
3. Investments and other assets:	(58,606)
Investment securities	42,407
Net defined benefit asset	479
Deferred tax assets	8,966
Other	6,952
Allowance for doubtful accounts	Δ199
Total assets	329,115

Item	Amount
(Liabilities)	
I. Current liabilities:	(139,789)
Notes and accounts payable - trade	24,267
Electronically recorded obligations - operating	7,766
Short-term loans payable	39,565
Current portion of long-term loans payable	35,342
Accounts payable -other	15,442
Income taxes payable	1,851
Deferred tax liabilities	19
Provision for bonuses	4,054
Provision for goods warranties	468
Other provision	297
Asset retirement obligations	16
Other	10,696
II. Non-current liabilities	(86,633)
Long-term loans payable	49,811
Deferred tax liabilities	9,232
Deferred tax liabilities for land revaluation	3,614
Provision for environmental measures	244
Provision for gift certificate exchange losses	98
Provision for loss on business withdrawal	87
Provision for long-term goods warranties	84
Provision for directors’ retirement benefits	72
Other provision	17
Net defined benefit liability	17,011
Asset retirement obligations	459
Other	5,898
Total liabilities	226,423
(Net assets)	
I. Shareholders’ equity:	(74,411)
1 Capital stock	10,000
2 Capital surplus	7,246
3 Retained earnings	57,323
4 Treasury shares	Δ158
II. Accumulated other comprehensive income:	(20,110)
1 Valuation difference on available-for-sale securities	10,719
2 Deferred gains or losses on hedges	Δ28
3 Revaluation reserve for land	8,190
4 Foreign currency translation adjustment	1,647
5 Remeasurements of defined benefit plans	Δ417
III. Non-controlling interests	(8,170)
Total net assets	102,692
Total liabilities and net assets	329,115

Consolidated Statements of Income (From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount
I. Net sales	**296,705**
II. Cost of sales	**188,164**
Gross profit	108,540
III. Selling, general and administrative expenses	**95,233**
Operating income	13,307
IV. Non-operating income:	(**3,612**)
Interest income	184
Dividend income	855
House rent and other rental revenues	381
Other	2,190
V. Non-operating expenses:	(**5,041**)
Interest expenses	2,144
Foreign exchange losses	1,009
Other	1,887
Ordinary income	11,879
VI. Extraordinary income:	(**499**)
Gain on sales of non-current assets	499
VII. Extraordinary losses:	(**3,532**)
Business structure improvement expenses	2,384
Restructuring expenses	473
Impairment loss	410
Loss on sales of non-current assets	147
Loss on retirement of non-current assets	116
Profit before income taxes	8,846
Income taxes - current	3,779
Income taxes - deferred	Δ7,014
Profit	12,081
Profit attributable to non-controlling interests	Δ60
Profit attributable to owners of parent	12,142

Consolidated Statements of Changes in Equity (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,414	47,765	Δ151	65,027
Changes of items during the consolidated fiscal year under review					
Dividends of surplus			Δ2,584		Δ2,584
Profit attributable to owners of parent			12,142		12,142
Purchase of treasury shares				Δ6	Δ6
Change in treasury shares of parent arising from transactions with non-controlling shareholders		Δ167			Δ167
Net changes of items other than shareholders' equity					
Total changes of items during the consolidated fiscal year	—	Δ167	9,558	Δ6	9,383
Balance at end of current period	10,000	7,246	57,323	Δ158	74,411

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling shareholders' 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	13,007	39	7,991	4,796	Δ452	25,383	2,178	92,589
Changes of items during the consolidated fiscal year								
Dividends of surplus								Δ2,584
Profit attributable to owners of parent								12,142
Purchase of treasury shares								Δ6
Change in treasury shares of parent arising from transactions with non-controlling shareholders								Δ167
Net changes of items other than shareholders' equity	Δ2,288	Δ68	198	Δ3,149	34	Δ5,272	5,991	719
Total changes of items during the consolidated fiscal year	Δ2,288	Δ68	198	Δ3,149	34	Δ5,272	5,991	10,102
Balance at end of current period	10,719	Δ28	8,190	1,647	Δ417	20,110	8,170	102,692

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 INC., SEIKO PRECISION INC., SEIKO SOLUTIONS INC., SEIKO CLOCK INC., WAKO Co., Ltd., SEIKO Corporation of America, SEIKO U.K. Limited, SEIKO Hong Kong Ltd., S.I.E. Netherlands B.V., Dalian Seiko Instruments Inc., Seiko Instruments (Thailand) Ltd., Seiko Instruments Singapore Pte. Ltd., SEIKO Precision (Thailand) Co., Ltd., and others.

SII SEMICONDUCTOR CORPORATION was included in the scope of consolidation as from the 2nd quarter consolidated accounting period due to incorporation. SII Semiconductor U.S.A. Corporation and SII Semiconductor Hong Kong Limited were included in the scope of consolidation as from the 4th quarterly consolidated accounting period due to incorporation.

SEIKO I INFOTEC INC. was excluded from the scope of consolidation as from the 3rd quarterly consolidated accounting period due to the sale of shares in it held by the Company.

Non-consolidated subsidiaries:
Aoba Watch Service Co., Ltd. and others are of a small scale in terms of sales, total assets, net income 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
- Bond held to maturity
  Amortized cost method (straight-line method)
- 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; 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 merchandize 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 Shareholder 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, liabilities related to retirement benefits are 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. Unrecognized actuarial differences 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

The "Accounting Standards for Business Combination" (Corporate Accounting Standards No. 21 dated September 13, 2013; the "Accounting Standards for Business Combination"), the "Accounting Standards for Consolidated Financial Statements" (Corporate Accounting Standards No. 22 dated September 13, 2013; the "Consolidated Accounting Standards") and the "Accounting Standards for Business Divestitures" (Corporate Accounting Standards No. 7 dated September 13, 2013; the "Accounting Standards for Business Divestitures") are applied from the consolidated fiscal year under review. Differences due to changes in the Company's interests in subsidiaries which remain controlled by the Company are posted as capital surplus, and expenses related to acquisition of such subsidiaries are posted as expenses during the consolidated fiscal year in which such expenses accrued. In addition, regarding business combinations to be conducted after the beginning of the consolidated fiscal year under review, the accounting policy has been changed so that revisions in the appropriated amount of acquisition costs after fixing interim accounting can be reflected on the Consolidated Financial Statements for the consolidated fiscal year in which the relevant business consolidation date falls. Further, there is a change in the presentation method of net income, and a change in the presentation from "Minority Interests" to "Non-controlling interests".

The Accounting Standards for Business Combination and others are applied in accordance with transitional measures set forth in Paragraph 58-2(4) of the Accounting Standards for Business Combination, Paragraph 44-5(4) of Consolidated Accounting Standards, and Paragraph 57-4(4) of the Accounting Standards for Business Divestitures, from the beginning of the consolidated fiscal year under review into the future.

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

3 Notes to Changes in Presentation Method

<Consolidated Balance Sheet>

"Leased assets" in "Property, plant and equipment", which was separately itemized in the consolidated fiscal year ended March 31, 2015 was included in "Property, plant and equipment" and presented as "Other" as from the consolidated fiscal year under review because the amount became less significant.

"Leased assets" in the consolidated fiscal year under review was 2,983 million yen.

<Consolidated Statements of Income>

"House rent and other rental revenues" that was included in "Other" of "Non-operating income" in the consolidated fiscal year ended March 31, 2015 was separately itemized as from the consolidated fiscal year under review because the amount became more significant.

"House rent and other rental revenues" in the consolidated fiscal year under review was 301 million yen.

4 Notes to Consolidated Balance Sheet

(1) Assets provided as security and secured obligations

● Assets provided as security

Cash and deposits	4,282 million yen
Notes and accounts receivables - trade	2,751 million yen
Merchandise and finished goods	1,856 million yen
Work in process	3,465 million yen
Securities with remaining maturities of one year or less (other current assets)	169 million yen
Buildings	3,041 million yen
Land	11,763 million yen
Investment securities	29,599 million yen
Total	56,930 million yen

Other than the above items, shares in consolidated subsidiaries (11,100 million yen) that were offset and deleted due to consolidation are provided as security.

● Secured obligations

Short-term loans payable	21,700 million yen
Current portion of long-term loans payable	16,449 million yen
Long-term loans payable	33,330 million yen
Accounts payable - other	1 million yen
Gift certificates (other current liabilities)	97 million yen
Total	71,579 million yen

(2) Guarantee obligation

Guarantees and quasi-guarantees 41 million yen

(3) Amount of discount on negotiable instruments receivable

609 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, 169 million yen is for lending stock.

5 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 shared increased during the consolidated fiscal year under review	Number of shared 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)	377	9	—	387
Total	377	9	—	387

(Note) The increase in common shares (9,000 shares) is the result of the purchase of fraction shares.

(2) Matters relating to dividend of surplus

1 Amount of dividend paid

Resolution	Type of shares	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 26, 2015	Common share	1,550	7.50	March 31, 2015	June 29, 2015
Board of Directors' meeting on November 10, 2015	Common share	1,033	5.00	September 30, 2015	December 10, 2015

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

Resolution	Type of shares	Total dividend (million yen)	Source for dividend	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 26, 2016	Common stock	1,550	Retained earnings	7.50	March 31, 2016	June 30, 2016

6 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 bonds held to maturity or 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, 2016, 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	39,131	39,131	—
(2) Notes and accounts receivable - trade	41,623	41,623	—
(3) Accounts receivable - other	3,753	3,753	—
(4) Investment securities			
(i) Bonds held to maturity	169	171	1
(ii) Shares in subsidiaries and affiliates	17,422	5,598	Δ11,824
(iii) Available-for-sale securities	22,146	22,146	—
(5) Notes and accounts payable - trade	(24,267)	(24,267)	—
(6) Electronically recorded obligations	(7,766)	(7,766)	—
(7) Short-term loans payable	(39,565)	(39,565)	—
(8) Current portion of long-term loans payable	(35,342)	(35,461)	Δ118
(9) Accounts payable - other	(15,442)	(15,442)	—
(10) Long-term loans payable	(49,811)	(50,104)	Δ293
(11) Derivatives	(286)	(286)	—

(*) 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, bonds are based on their quotes from counterparty financial institutions.

(5) Notes and accounts payable - trade, (6) Electronically recorded obligations, (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 118 million yen on the Consolidated Balance Sheet) and shares in unlisted subsidiaries and affiliates (posted as 2,720 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”.

7 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 2016 was 282 million yen (rent income was posted as non-operating income and expenses are posted as non-operating expenses), loss on sales of non-current assets was 90 million yen (posted as non-operating expenses) and impairment loss was 96 million yen (posted as extraordinary loss).

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 increase/decrease during the consolidated fiscal year under review	Balance at the end of the consolidated fiscal year under review	
14,705	Δ657	14,047	14,086

(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 increase/decrease during the consolidated fiscal year under review is the decrease due to sale of real property (740 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.

8 Notes to Per-Share Information

Net assets per share ········ **457.44 yen**

Profit per share ········ **58.76 yen**

(as calculation basis) Profit attributable to parent ········ **12,142 million yen**

Profit attributable to parent, available to common shares ········ **12,142 million yen**

Average number of shares during the fiscal year under review ········ **206,638 thousand shares**

9 Notes to Impairment Loss

During the consolidated fiscal year under review, the Company Group posted impairment loss on the following asset groups:

Location	Use	Type	Impaired loss
Nasushiobara-shi, Tochigi, and others	Assets for business use, and others	Building and structures	24 million yen
		Machinery, equipment and vehicles	128 million yen
		Tools, furniture and fixtures	42 million yen
		Tangible non-current assets (other)	1 million yen
		Land	84 million yen
		Construction in progress	49 million yen
		Intangible non-current assets (other)	21 million yen
China	Assets for business use	Machinery, equipment and vehicles	57 million yen

In principle, the Company Group groups its assets based on a management accounting business unit, and leased property, underutilized property, and property for sale are grouped based on individual property.

In the Electronic Devices Business, for the assets belonging to business operations whose future cash flow is not likely to be collected due to lowered profitability resulting from changes in the market environment, their book values were decreased to the recoverable amount, and such decrease was posted as impairment loss of extraordinary losses.

The recoverable amount for the relevant asset group was measured based on use value or true cash value; use value was calculated by discounting future cash flow by 4.25% while true cash value was calculated using market value, etc. based on the assessed value of the fixed asset.

10 Notes to Business Combination and Business Divestitures

Transactions under common control

(1) Outline of transaction

1 Name and description of target business

Name of business: Semiconductor business of SEIKO INSTRUMENTS INC. (the Company's consolidated subsidiary)

Description of business: Mainly manufacture and sale of analogue semiconductors

2 Date of business combination

January 5, 2016

3 Legal form of business combination

Company split where SEIKO INSTRUMENTS INC. (the Company's consolidated subsidiary) is the split company and SII SEMICONDUCTOR CORPORATION (the Company's consolidated subsidiary) is the succeeding company

4 Name after business combination

SII SEMICONDUCTOR CORPORATION (the Company's consolidated subsidiary)

5 Other matters relating to the outline of transaction

An agreement was executed to transfer the semiconductor business of SEIKO INSTRUMENTS INC. ("SII") (the "Business") to SII SEMICONDUCTOR CORPORATION ("SSJ"), a new semiconductor business company based on a co-investment between Development Bank of Japan Inc. ("DBJ") and SII, under which both companies will work to operate SSJ, and with an option that after the lapse of two years, some of SSJ shares held by SII will be further transferred to DBJ. They aim to establish a smooth management and operation system for the Business by SII continuously holding certain interests in SSJ, to develop SSJ and expand earnings by working with DBJ, and to contribute to the enhanced mid- and long-term corporate value of SII and the Company Group as a whole.

(2) Outline of accounting conducted for business combination

Pursuant to the "Accounting Standards for Business Combination" and the "Guidance on Accounting Standard for Business Combinations and Business Divestitures", the business combination was treated as a common control transaction.

11 Notes to Significant Post-Balance Sheet Events

Not applicable.

12 Presentation of Amounts

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

Non-consolidated Financial Statements

Non-Consolidated Balance Sheet (As of March 31, 2016)

(Millions of yen)

Item	Amount
(Assets)	
Current assets:	36,495
Cash and deposits	8,610
Prepaid expenses	528
Short-term loans receivable	20,149
Accounts receivable - other	6,459
Deferred tax assets	407
Other	361
Allowance for doubtful accounts	Δ21
Non-current assets:	110,650
Property, plant and equipment	22,966
Buildings	4,055
Furniture and fixtures	671
Land	18,175
Leased assets	14
Construction in progress	48
Intangible assets:	2,585
Leasehold	1,952
Trademark rights	15
Software	597
Other	20
Investments and other assets:	85,098
Investment securities	21,823
Shares of subsidiaries and affiliates	60,179
Contributions in subsidiaries and affiliates	0
Long-term loans receivable from subsidiaries and affiliates	10,800
Bankruptcy and reorganization claims	10
Long-term prepaid expenses	6
Guaranty money deposited	2,963
Other	173
Allowance for doubtful accounts	Δ10,859
Total assets	147,145

Item	Amount
(Liabilities)	
Current liabilities:	56,139
Short-term loans payable	23,423
Current portion of long-term loans payable	18,829
Lease obligations (current)	1
Accounts payable - other	1,884
Accrued expenses	192
Income taxes payable	3
Deposit received	11,454
Unearned income	238
Provision for bonuses	99
Asset retirement obligations (current)	9
Other	3
Non-current liabilities	36,041
Long-term loans payable	22,999
Lease obligations (non-current)	12
Deferred tax liabilities	4,414
Deferred tax liabilities for land revaluation	3,614
Provision for directors' retirement benefits	3
Provision for loss on subsidiaries and affiliates	830
Provision for environmental measures	9
Asset retirement obligations (non-current)	19
Guarantee deposits received	3,995
Other	143
Total liabilities	92,181
(Net assets)	
Shareholders' equity:	36,835
Capital stock	10,000
Capital surplus	6,625
Capital reserve	2,378
Other capital surplus	4,246
Retained earnings	20,342
Retained earnings reserve	121
Other retained earnings	
Retained earnings carried forward	20,220
Treasury shares	Δ131
Valuation and translation adjustments	18,129
Valuation difference on available-for-sale securities	9,942
Deferred gains or losses on hedges	Δ3
Revaluation reserve for land	8,190
Total net assets	54,964
Total liabilities and net assets	147,145

Non-Consolidated Statements of Income (From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount
Operating income:	**11,984**
Dividend received from subsidiaries and affiliates	6,951
Proceeds from management guidance	2,168
Royalty revenue	2,864
Operating expenses:	**7,892**
Operating income	4,091
Non-operating income:	1,704
Interest income	465
Dividend income	840
Service contract fee	179
Other	218
Non-operating expenses:	1,403
Interest expenses	1,061
Property lease expenses	245
Other	96
Ordinary income	**4,393**
Extraordinary income:	**481**
Gain on forgiveness of consolidated tax debt	481
Extraordinary losses:	**3,025**
Provision of reserve for loss on investments to subsidiaries and affiliates	2,270
Loss on valuation of shares of subsidiaries and affiliates	750
Loss on valuation of golf-club membership	5
Profit before income taxes	**1,849**
Income taxes - current	Δ2,003
Income taxes - deferred	482
Profit	3,370

Non-Consolidated Statements of Changes in Equity (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings: Retained earnings carried forward	Total retained earnings
Balance at beginning of current period	10,000	2,378	4,246	6,625	121	19,434	19,555
Changes of items during period							
Dividends of surplus						Δ2,584	Δ2,584
Profit						3,370	3,370
Purchase of treasury shares							
Net changes of items other than shareholders' equity during period							
Total changes of items during period	—	—	—	—	—	786	786
Balance at end of current period	10,000	2,378	4,246	6,625	121	20,220	20,342

(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	Δ125	36,055	12,244	Δ24	7,991	20,211	56,267
Changes of items during period							
Dividends of surplus		Δ2,584					Δ2,584
Profit		3,370					3,370
Purchase of treasury shares	Δ6	Δ6					Δ6
Net changes of items other than shareholders' equity during period			Δ2,302	20	198	Δ2,082	Δ2,082
Total changes of items during period	Δ6	780	Δ2,302	20	198	Δ2,082	Δ1,302
Balance at end of current period	Δ131	36,835	9,942	Δ3	8,190	18,129	54,964

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 the declining-balance method for those other than buildings. 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 directors' retirement benefits

At the Board of Directors meeting held on May 11, 2004, the Company passed a resolution to discontinue its directors' retirement benefit system. In connection with this, retirement benefits for incumbent officers are expected to be continuously paid pursuant to the abolished Directors' Retirement Benefit Rules; as such, the amount therefor is posted corresponding to their terms of office till the end of the ordinary General Meeting of Shareholders held on June 29, 2004.

(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 2,124 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 [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

Buildings	3,129 million yen
Land	11,763 million yen
Investment securities	21,816 million yen
Shares in subsidiaries and affiliates	2,131 million yen
Total	38,840 million yen

Secured obligations

Short-term loans payable	21,700 million yen
Current portion of long-term loans payable	14,449 million yen
Long-term loans payable	15,330 million yen
Total	51,479 million yen

(2) Accumulated depreciation of tangible non-current assets

7,729 million yen

(3) Guarantee obligations

Quasi-guarantee 3,662 million yen

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

Short-term receivables	25,725 million yen
Short-term payables	12,661 million yen
Long-term receivables	10,800 million yen
Long-term payable	1,638 million yen
Operating income	11,749 million yen
Operating expenses	1,242 million yen
Transactions other than operating transactions	2,888 million yen

(5) 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.

(6) Notes to lending stock

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

(7) Notes to Statements of Income

"Provision of reserve for loss on investments to subsidiaries and affiliates" of "Extraordinary losses" consists of providing a reserve for loss on investments to subsidiaries and affiliates (2,120 million yen), an allowance for doubtful accounts of subsidiaries and affiliates (540 million yen), reversal of an allowance for doubtful accounts of subsidiaries and affiliates (330 million yen), and reversal of a reserve for loss on subsidiaries and affiliates (60 million yen).

(8) Notes to Statements of Changes in Equity

Type and number of treasury shares at the end of the fiscal year under review
Common shares 282,415 shares

3 Notes to Tax Effect Accounting

(1) Breakdown by major reason for incurring deferred tax assets and deferred tax liabilities

Deferred tax assets

Reserve for bonuses	29 million yen
Allowance for doubtful accounts	3,331 million yen
Loss on valuation of shares in subsidiaries	5,368 million yen
Allowance for loss on investments to subsidiaries and affiliates	650 million yen
Allowance for loss of subsidiaries and affiliates	254 million yen
Impaired loss on non-current assets	713 million yen
Assets for adjustment of profit and loss due to transfer	1,239 million yen
Long-term accounts payable	43 million yen
Loss carried forward	1,319 million yen
Other	110 million yen
Deferred tax assets - subtotal	13,060 million yen
Valuation-related reserves	Δ12,610 million yen
Deferred tax assets - total	450 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	4,388 million yen
Other	47 million yen
Deferred tax liabilities - total	4,456 million yen
Net deferred tax assets (liabilities)	Δ4,006 million yen

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

(2) Amendment to amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate, etc.

The "Act for the Partial Revision of the Income Tax Act, Etc." (Act No. 15 of 2016), and the "Act for the Partial Revision of the Local Tax Act, Etc." (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016, and a reduction of income tax rate, etc. was to be implemented as from the fiscal year beginning on April 1, 2016. In this connection, the normal effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year will change from 32.26% used in the previous fiscal years to 30.86% for the fiscal years beginning on April 1, 2016 and April 1, 2017 for those assets or liabilities expected to be collected or paid therein, and to 30.62% for those expected to be collected or paid in the fiscal year beginning on April 1, 2018 and thereafter.

Due to this change in tax rate, the amount of deferred tax liabilities (net of deferred tax assets) was decreased by 228 million yen, and the amount adjustment for income tax increased by 6 million yen, and the valuation difference on available-for-sale securities increased by 235 million yen. Further, deferred tax liabilities upon revaluation decreased by 193 million yen and the revaluation reserve for land increased by the same amount.

4 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) (Closer parties or agreed parties)	11.5 5.4	Property lease, etc.	Property lease	996	—	—

(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	2,314	Accounts receivable - other	1,223
					Proceeds from management guidance	1,310	Accounts receivable - other	60
	WAKO Co., Ltd.	(direct)	100.0	Interlocking directorate	Property rents	821	Accrued income	115
	SEIKO Corporation of America	(indirect)	100.0	Interlocking directorate	Debt guarantee	2,070	—	—

(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.

5) Debt guarantee is the guarantee for borrowings from banks.

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

5 Notes to Per-Share Information

Net assets per share ········ **265.86 yen**

Profit per share ········ **16.30 yen**

(as calculation basis) Profit ········ **3,370 million yen**

Profit from common shares ········ **3,370 million yen**

Average number of shares during the fiscal year under review ······ **206,744 thousand shares**

6 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.

7 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.

Audit Report

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

<u>Independent Auditor's Report</u>

May 6, 2016

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, 2015 to March 31, 2016 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 6, 2016

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 155th fiscal year from April 1, 2015 to March 31, 2016 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, 2016 (from April 1, 2015 to March 31, 2016).

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, 2016.

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 9, 2016

Board of Corporate Auditors
Seiko Holdings Corporation

Masatoshi Suzuki [seal]
Standing Corporate Auditor

Seiichi Mikami [seal]
Standing Corporate Auditor

Tomjijiro Morita [seal]
Outside Corporate Auditor

Yoshiaki Yamauchi [seal]
Outside Corporate Auditor

Yoshiro Aoki [seal]
Outside Corporate Auditor