

Annual Securities Report

From April 1, 2021 to March 31, 2022

(The 161st Business Term)

SEIKO HOLDINGS CORPORATION

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【Cover】

【Document Submitted】	Annual Securities Report
【Article of the applicable Law Requiring Submission of This Document:】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Filed to】	Director, Kanto Local Finance Bureau
【Date of Submission】	June 29, 2022
【Business Year】	The 161 Business Term (from April 1, 2021 to March 31, 2022)
【Company Name (in English)】	SEIKO HOLDINGS CORPORATION
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【Contact for Communications】	Shimesu Takizawa, Director, Executive Vice President, Chief Financial Officer
【Place Where Available for Public Inspection】	Tokyo Stock Exchange, Inc. 2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo

Part I [Company Information]

I. Overview of Company

1. Summary of Business Results

(1) Business Results of the Group

Business term		157th	158th	159th	160th	161st
Fiscal year end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	Millions of yen	268,529	247,293	239,150	202,671	237,382
Ordinary profit	Millions of yen	10,911	11,410	7,004	633	9,939
Profit attributable to owners of parent	Millions of yen	11,541	9,249	3,394	3,475	6,415
Comprehensive income	Millions of yen	10,501	8,396	(3,007)	10,855	11,870
Net assets	Millions of yen	105,170	110,415	104,273	113,082	121,624
Total assets	Millions of yen	305,297	303,036	299,990	319,671	327,533
Net assets per share	Yen	2,523.54	2,649.99	2,499.97	2,709.17	2,911.17
Basic earnings per share	Yen	280.01	224.42	82.36	84.30	155.56
Diluted earnings per share	Yen	280.00	224.40	82.33	84.30	155.56
Equity capital ratio	%	34.1	36.0	34.4	34.9	36.7
Rate of return on equity	%	11.4	8.7	3.2	3.2	5.5
Price-earnings ratio	Times	9.2	11.7	21.2	22.3	14.7
Net cash provided by (used in) operating activities	Millions of yen	27,885	17,508	2,704	2,874	20,358
Net cash provided by (used in) investing activities	Millions of yen	(17,430)	(7,093)	(10,688)	(7,838)	(9,318)
Net cash provided by (used in) financing activities	Millions of yen	(11,759)	(10,670)	678	10,465	(13,909)
Cash and cash equivalents at the end of year	Millions of yen	33,911	33,843	26,111	32,340	30,738
Employees [Excluding average number of part-time employees]	Number of persons	12,033 [798]	12,020 [772]	11,947 [603]	12,092 [500]	11,984 [453]

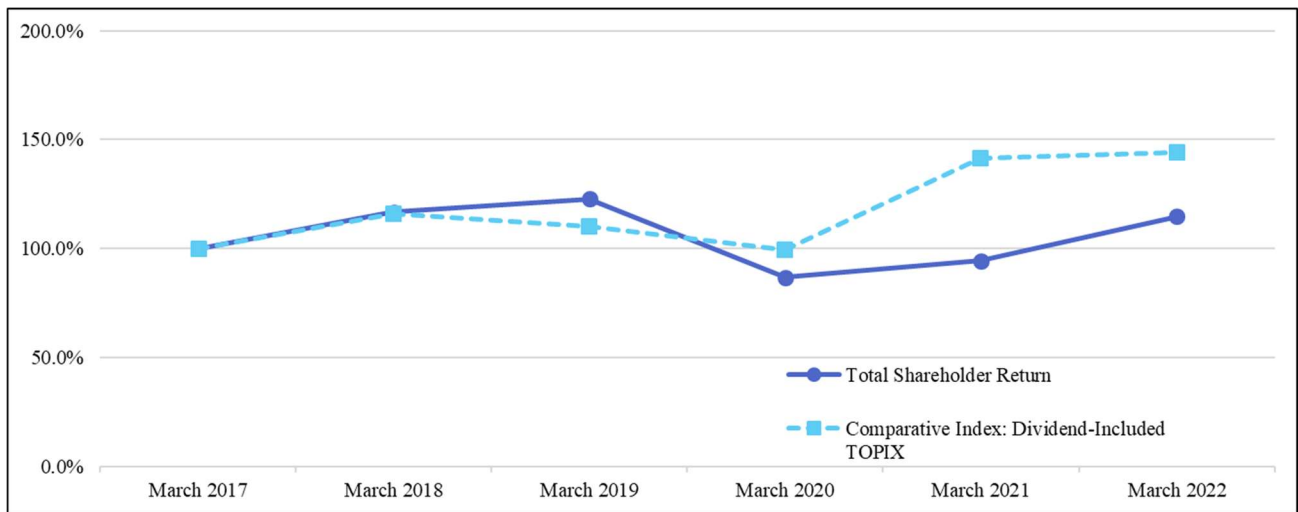
(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2022 (161st.)

(2) Business Results of the Company

Business term		157th	158th	159th	160th	161st
Fiscal year end		March 2018	March 2019	March 2020	March 2021	March 2022
Operating Revenue	Millions of yen	11,237	11,301	12,031	11,301	12,043
Ordinary profit	Millions of yen	3,308	2,691	3,027	809	(473)
Profit	Millions of yen	3,763	3,719	3,124	1,560	3,257
Share capital	Millions of yen	10,000	10,000	10,000	10,000	10,000
Total number of shares issued and outstanding	Stock	41,404,261	41,404,261	41,404,261	41,404,261	41,404,261
Net assets	Millions of yen	56,036	55,029	50,681	55,495	57,120
Total assets	Millions of yen	179,269	176,640	176,961	192,853	187,644
Net assets per share	Yen	1,358.87	1,334.48	1,228.89	1,345.36	1,384.23
Dividend per share (Interim dividend per share included in the above amount))	Yen (Yen)	45.00 (7.50)	75.00 (37.50)	75.00 (37.50)	37.50 (12.50)	50.00 (25.00)
Basic earnings per share	Yen	91.26	90.21	75.77	37.83	78.94
Diluted earnings per share	Yen	—	—	—	—	—
Equity capital ratio	%	31.3	31.2	28.6	28.8	30.4
Rate of return on equity	%	6.5	6.7	5.9	2.9	5.8
Price-earnings ratio	Times	28.2	29.2	23.0	49.6	29.1
Dividend payout ratio	%	82.2	83.1	99.0	99.1	63.3
Employees	Number of persons	137	141	143	356	361
Total shareholder return (Comparative index: Dividend-included TOPIX)	%	122.2 (132.9)	128.3 (126.2)	91.7 (114.2)	99.3 (162.3)	114.8 (144.3)
Highest stock price	Yen	3,430 (519)	3,245	2,986	2,148	2,535
Lowest stock price	Yen	2,407 (424)	1,958	1,462	1,293	1,818

- (Note) 1. Diluted net earnings per share is not presented, because there were no potential shares.
2. The dividend per share in the 157th business term of 45.00 yen is the total of an interim dividend of 7.50 yen and a year-end dividend of 37.50 yen. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. The interim dividend of 7.50 yen represents the dividend before the share consolidation and the year-end dividend of 37.50 yen represents the dividend after the share consolidation.
3. Highest stock price and lowest stock price were those recorded on the First Section of the Tokyo Stock Exchange. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. For stock prices in the 157th business term, the highest and lowest prices after the share consolidation are presented in the upper field and the highest and lowest prices before the share consolidation are presented in the lower field.

4. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2022 (161st.)
5. Total shareholder return and comparative indicators for the last five years are as follows. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. Total shareholder return and comparative indicators have been shown to reflect the impact of the share consolidation.



2. Company History

December 1881	Established K. Hattori, which later became Seiko Holdings Corporation.
March 1892	Founded Seikosha Clock Factory; started manufacturing wall clocks.
October 1917	Established K. Hattori & Co., Ltd. with a capital stock of 5 million yen, reorganizing as a company organization.
June 1932	Constructed The Wako Clock Tower, the familiar face of Ginza, Tokyo.
September 1937	Spun off the Watch Division of Seikosha clock factory and established an independent organization as Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)
April 1947	Spun off the Retail Division and established Wako Co., Ltd.
May 1949	Listed on the Tokyo Stock Exchange.
May 1959	Spun off the Suwa plant of Daini Seikosha Co., Ltd. and established an independent organization as Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation).
October 1964	Served as Official Timer of the Tokyo Olympic Games.
November 1968	Established HATTORI (H.K.) LTD. (currently SEIKO Hong Kong Ltd.) in Hong Kong.
December 1969	Introduced Seiko Quartz Astron, the world's first quartz watch.
May 1970	Established SEIKO TIME CORPORATION (currently Grand Seiko Corporation of America and Seiko Watch of America LLC) in the United States.
November 1970	Established Seikosha Co., Ltd. by splitting off the Seikosha clock factory.
November 1971	Established SEIKO TIME (U.K.) LTD. (currently SEIKO U.K. Limited) in the United Kingdom.
February 1972	Served as Official Timer of the Sapporo Winter Olympic Games.
August 1983	Changes the name to Hattori Seiko Co., Ltd.
April 1988	Introduced the world's first A.G.S. (Automatic Generating System, later renamed as Kinetic) watch.
June 1988	Established SEIKOSHA (THAILAND) CO., LTD. (currently SEIKO Precision (Thailand) Co., Ltd.) in Thailand.
July 1992	Served as Official Timer of the Barcelona Olympic Games.
February 1994	Served as Official Timer of the Lillehammer Winter Olympic Games.
January 1996	Established SEIKO Clock Inc. and SEIKO Precision Inc. Each of them succeeded businesses from Seikosha Co., Ltd in March in the same year. Established Seiko Optical Products Co., Ltd. to spin off the Eyeglasses Business.
July 1997	Changed the name to Seiko Corporation.
February 1998	Served as Official Timer of the Nagano Winter Olympic Games.
November 1999	A replica of the movement of the world's first quartz wristwatch, Seiko Quartz Astron was exhibited at the Smithsonian Museum in Washington, D.C., U.S.
December 1999	Introduced the world's first Spring Drive wristwatch, realizing a fusion of mechanical and quartz.
July 2001	Established SEIKO WATCH CORPORATION to spin off the Watches Business and the Company became a holding company.
February 2002	Served as Official Timer of the Salt Lake City Winter Olympic Games.
November 2004	Seiko Quartz Astron, the world's first quartz watch, recognized as an IEEE Milestone by the IEEE (Institute of Electrical and Electronics Engineers).
July 2007	Changed the name to SEIKO HOLDINGS CORPORATION.
October 2009	Integrated Seiko Instruments Inc.
September 2012	Launched the world's first GPS solar watch, Seiko Astron.
November 2014	Grand Seiko's Mechanical Hi-Beat 36000 GMT Limited Edition won the Petite Aiguille prize at the 2014 Grand Prix d'Horlogerie de Genève.
November 2018	Seiko Prospex 1968 Diver's Re-creation won the Sports Watch Prize at the 2018 Grand Prix d'Horlogerie de Genève.
November 2019	Seiko Prospex LX Line Diver's won the Diver's Watch Prize at the 2019 Grand Prix d'Horlogerie de Genève.
July 2020	Newly established Grand Seiko Studio Shizukuishi in a manufacturing site of Morioka Seiko Instruments Inc.
April 2021	SEIKO Clock, Inc. and SEIKO Time Systems, Inc. were merged to form a new company, SEIKO Time Creation, Inc.
November 2021	The Grand Seiko Hi-Beat 36000 80 Hours powered by Caliber 9SA5, SLGH005, won the Men's Watch Prize at the 2021 Grand Prix d'Horlogerie de Genève.
April 2022	Transferred to the Prime Market from the First Section of the Tokyo Stock Exchange due to the restructuring of its market segments.

3. Description of Business

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

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

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

[Watches Business]

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

[Electronic Devices Business]

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

[Systems Solutions Business]

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

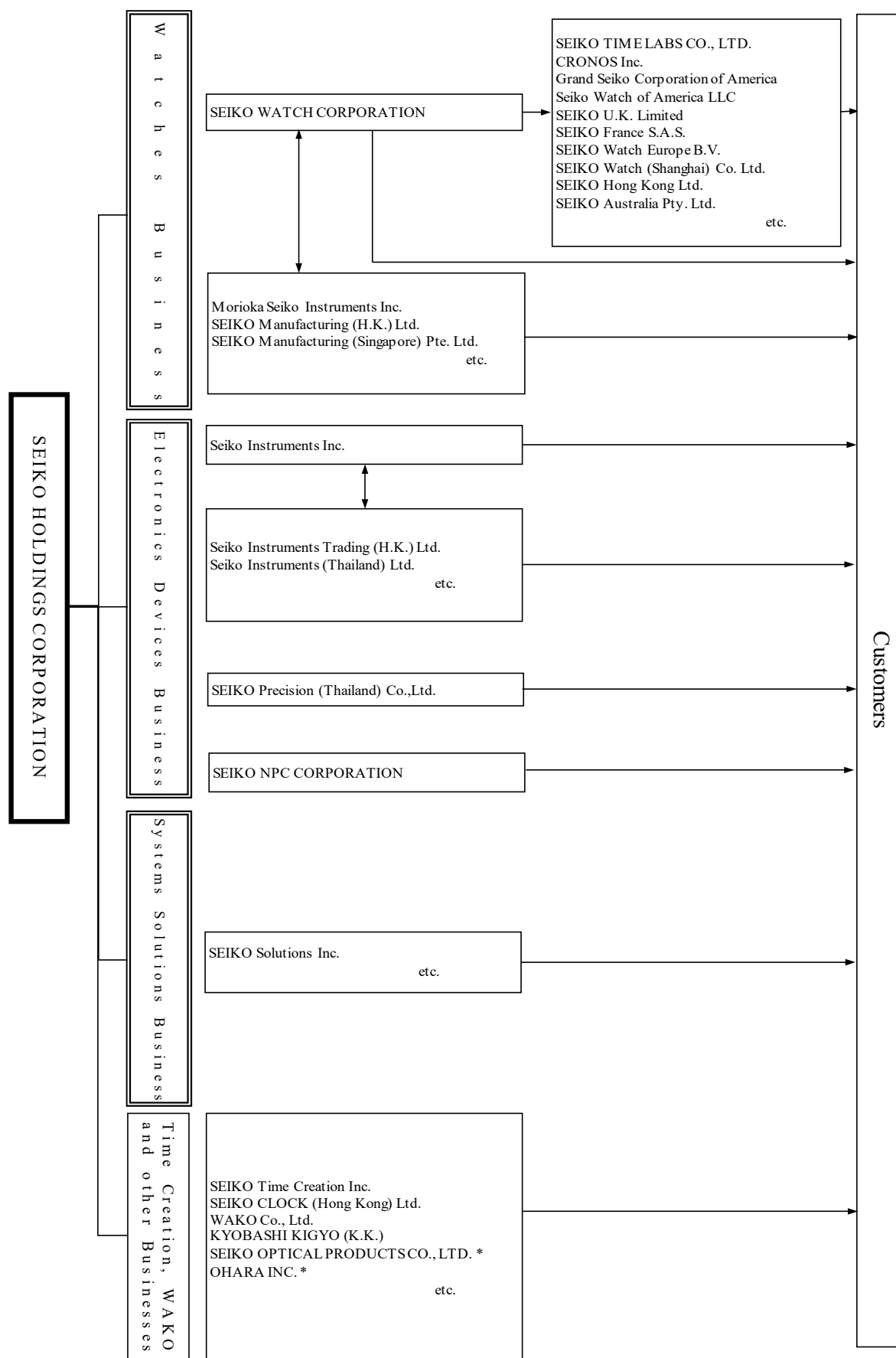
[Time Creation, WAKO and other Businesses]

For the Time Creation Business, SEIKO Time Creation Inc. engages in sales of system clocks and sports timing devices, as well as product development, manufacture, sales, repairs and after-sales services of clocks in Japan. Overseas, SEIKO CLOCK (Hong Kong) Ltd. engages in manufacture and sales of clocks, etc.

For others, WAKO Co., Ltd. engages in retail of high-end jewelry, apparel and fashion accessories, and household goods, etc. KYOBASHI KIGYO (K.K.) mainly engages in real estate leasing.

*On April 1, 2021, SEIKO Clock Inc. was dissolved through an absorption-type merger with SEIKO Time Systems Inc., a consolidated subsidiary of the Company, as the surviving company. On the same date, SEIKO Time Systems Inc., the surviving company, changed its corporate name to SEIKO Time Creation Inc. Accordingly, the segment that had previously been presented as “Others” has been renamed “Time Creation, WAKO and other Businesses,” in an effort to provide a more accurate description of the segment. There is no change to the scope of aggregation due to this change.

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



*Companies accounted for by the equity method.

4. Overview of Affiliated Entities

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Consolidated Subsidiaries: SEIKO WATCH CORPORATION *1, *3	Chuo-ku Tokyo	Thousands of yen 5,000,000	Watches	100.0	Interlocking directorates Providing loans
SEIKO TIME LABS CO., LTD.	Koto-ku Tokyo	Thousands of yen 60,000	Watches	100.0 (100.0)	Interlocking directorates
CRONOS Inc.	Chiyoda-ku Tokyo	Thousands of yen 200,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO Retail Marketing Corporation	Chuo-ku Tokyo	Thousands of yen 100,000	Watches	100.0 (100.0)	Interlocking directorates Providing loans
Morioka Seiko Instruments Inc. *1	Iwate-gun Iwate	Thousands of yen 2,000,000	Watches	100.0 (100.0)	Interlocking directorates
Ninohe Tokei Kogyo Co., Ltd.	Ninohe-shi Iwate	Thousands of yen 20,000	Watches	100.0 (100.0)	-
Tono Seiki Co., Ltd.	Tono-shi Iwate	Thousands of yen 5,000	Watches	100.0 (100.0)	-
Michinoku Service Co.,Ltd.	Iwate-gun Iwate	Thousands of yen 90,000	Watches	100.0 (100.0)	-
Grand Seiko Corporation of America	New York U.S.A.	USD 2,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Watch of America LLC	New York U.S.A.	USD 112,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Time Corporation	New York U.S.A.	USD 1,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Panama, S.A.	Panama City Panama	USD 1,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO U.K. Limited	Maidenhead U.K.	GBP 5,500,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO France S.A.S.	Chatillon le Duc France	EUR 6,000,000	Watches	100.0 (100.0)	Interlocking directorates
Grand Seiko Europe S.A.S.	Paris France	EUR 3,000,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Watch Europe B.V.	Schiedam Netherlands	EUR 2,250,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO RUS Limited Liability Company	Moscow Russia	RUB 20,000,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Hong Kong Ltd. *1	Kowloon Hong Kong	HKD 129,300,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Manufacturing (H.K.) Ltd. *1	Kowloon Hong Kong	HKD 128,700,000	Watches	100.0 (100.0)	Interlocking directorates

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Time Module Ltd.	Kwai Fong Hong Kong	HKD 5,001,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Watch (Shanghai) Co., Ltd.	Shanghai P. R. China	USD 9,000,000	Watches	100.0 (100.0)	Interlocking directorates
Guangzhou SII Watch Co., Ltd.	Guangzhou P. R. China	USD 5,100,000	Watches	100.0 (100.0)	-
SEIKO Taiwan Co., Ltd.	Taipei Taiwan	TWD 44,000,000	Watches	69.9 (69.9)	Interlocking directorates
SEIKO (Thailand) Co., Ltd.	Bangkok Thailand	THB 112,550,000	Watches	82.5 (82.5)	Interlocking directorates
SEIKO Watch India Pvt. Ltd.	Bangalore India	INR 85,000,000	Watches	100.0 (100.0)	Interlocking directorates
Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia	MYR 8,500,000	Watches	100.0 (100.0)	-
SEIKO Manufacturing (Singapore) Pte. Ltd. *1	Singapore Singapore	SGD 32,288,000	Watches	100.0 (100.0)	Interlocking directorates
SEIKO Australia Pty. Ltd.	Macquarie Park Australia	AUD 8,000,000	Watches	100.0 (100.0)	Interlocking directorates
Seiko Instruments Inc. *1	Mihama-ku Chiba	Thousands of yen 9,756,000	Electronic Devices	100.0	Interlocking directorates Providing loans
Dalian Seiko Instruments Inc. *1	Dalian P. R. China	USD 38,919,985	Electronic Devices	100.0 (100.0)	-
SII Printek Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	-
City Service Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko EG&G Co., Ltd.	Mihama-ku Chiba	Thousands of yen 95,000	Electronic Devices	51.0 (51.0)	Interlocking directorates
Seshika Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko I Techno Research Co., Ltd.	Mihama-ku Chiba	Thousands of yen 50,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
SII Crystal Technology Inc.	Mihama-ku Chiba	Thousands of yen 100,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments U.S.A., Inc.	Torrance U.S.A.	USD 1,000	Electronic Devices / Time Creation, WAKO and other Businesses	100.0 (100.0)	-
Seiko Instruments GmbH	Neu-Isenburg Germany	EUR 3,988,076	Electronic Devices	100.0 (100.0)	-

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Seiko Instruments Trading (H.K) Ltd.	Kowloon Hong Kong	HKD 2,340,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments (Shanghai) Inc.	Shanghai China	USD 1,220,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments Technology (Shanghai)Inc.	Shanghai China	USD 2,400,000	Electronic Devices	100.0 (100.0)	Interlocking directorates
Seiko Instruments Taiwan Inc.	Taipei Taiwan	TWD 25,000,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments (Thailand) Ltd. *1	Pathumthani Thailand	THB 1,712,000,000	Electronic Devices	100.0 (100.0)	-
Asian Electronic Technology Pte. Ltd.	Singapore Singapore	SGD 15,000,000	Electronic Devices	100.0 (100.0)	-
Seiko Instruments Singapore Pte. Ltd.	Singapore Singapore	USD 4,300,000	Electronic Devices	100.0 (100.0)	-
SEIKO NPC CORPORATION *1	Taito-ku Tokyo	Thousands of yen 1,000,000	Electronic Devices	100.0	Interlocking directorates Providing loans
SEIKO Precision (Thailand) Co.,Ltd. *1	Pathumthani Thailand	THB 603,000,000	Electronic Devices	100.0	Interlocking directorates
SEIKO Solutions Inc. *1. *3	Mihama-ku Chiba	Thousands of yen 500,000	Systems Solutions	100.0	Interlocking directorates Providing loans
IIM Corporation	Chuo-ku Tokyo	Thousands of yen 390,000	Systems Solutions	100.0 (100.0)	-
COSMO CO., LTD.	Koto-ku Tokyo	Thousands of yen 80,000	Systems Solutions	100.0 (100.0)	-
COSMO-GCC CO., LTD.	Koto-ku Tokyo	Thousands of yen 20,000	Systems Solutions	100.0 (100.0)	-
Total System Engineering Co., Ltd.	Osaka-shi Osaka	Thousands of yen 30,000	Systems Solutions	100.0 (100.0)	-
SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong	HKD 1,500,000	Time Creation, WAKO and other Businesses	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO CLOCK (Shenzhen) Co.,Ltd.	Shenzhen P. R. China	CNY 12,500,000	Time Creation, WAKO and other Businesses	100.0 (100.0)	-
WAKO Co., Ltd. *1	Chuo-ku Tokyo	Thousands of yen 2,500,000	Time Creation, WAKO and other Businesses	100.0	Interlocking directorates Providing loans

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
SEIKO Time Creation Inc. *4	Koto-ku Tokyo	Thousands of yen 500,000	Time Creation, WAKO and other Businesses	100.0	Interlocking directorates Providing loans
Human Capital Co.,LTD.	Mihama-ku Chiba	Thousands of yen 100,000	Time Creation, WAKO and other Businesses	100.0	Interlocking directorates
KYOBASHI KIGYO (K.K.)	Chuo-ku Tokyo	Thousands of yen 10,000	Time Creation, WAKO and other Businesses	100.0	Interlocking directorates Providing loans
Shirakawa Estate Co.,Ltd.	Chuo-ku Tokyo	Thousands of yen 100,000	Time Creation, WAKO and other Businesses	100.0	Interlocking directorates Providing loans
Two other companies	-	-	-	-	-

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Affiliates accounted for by the equity method: CLOCKWORK HOLDINGS INC.	Chuo-ku Tokyo	Thousands of yen 50,000	Watches	37.1 (37.1)	Interlocking directorates
Jedat Inc. *2	Chuo-ku Tokyo	Thousands of yen 761,496	Electronic Devices	21.2 (21.2)	Interlocking directorates
SII Logistics Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Time Creation, WAKO and other Businesses	40.0 (40.0)	Interlocking directorates
SEIKO OPTICAL PRODUCTS CO., LTD.	Chuo-ku Tokyo	Thousands of yen 1,500,000	Time Creation, WAKO and other Businesses	50.0	Interlocking directorates Providing loans
OHARA INC. *2	Sagamihara-shi Kanagawa	Thousands of yen 5,855,000	Time Creation, WAKO and other Businesses	41.1 (21.8)	Interlocking directorates

- (Notes) 1. In the column of “Principal business”, the names given in the segment information are listed.
2. “Interlocking directorates” shown in “Relationship” column describe concurrent positions of officers of the respective companies held by officers or employees of the Company (including work transfers.)
3. Figures in parentheses for ratio of voting rights held represent indirect ownership ratio included in the total.
4. *1 These companies are classified as “Specified companies”.
5. *2 These companies are obliged to file Annual Securities Report.
6. *3 Companies that post net sales (excluding intra-group transactions) accounting for over 10% of consolidated net sales:

[Key financial data]		
	(Fiscal year ended March 31, 2022)	(Millions of yen)
	SEIKO WATCH CORPORATION	SEIKO Solutions Inc.
(1) Net sales	66,958	28,363
(2) Ordinary profit	4,801	3,305
(3) Profit	3,486	2,283
(4) Net assets	14,269	5,681
(5) Total assets	61,310	21,109

7. *4 On April 1, 2021, SEIKO Clock Inc. was dissolved through an absorption-type merger with SEIKO Time Systems Inc., a consolidated subsidiary of the Company, as the surviving company. On the same date, SEIKO Time Systems Inc., the surviving company, changed its corporate name to SEIKO Time Creation Inc.

5. Information about Employees

(1) Consolidated Group

As of March 31, 2022

Segment	Number of employees	
Watches Business	5,732	[105]
Electronic Devices Business	4,122	[265]
Systems Solutions Business	1,045	[5]
Time Creation, WAKO and other Businesses	724	[80]
Corporate *3	361	[0]
Total	11,984	[453]

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

2. Temporary employees include part-timers, but do not include temporary staff.

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

(2) The Company

As of March 31, 2022

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
361	45.7	20.6	7,434,642

(Note) 1. The number of employees excludes 23 employees seconded from the Company to outside parties, and includes 246 employees seconded from outside parties to the Company.

2. The average years of service is calculated based on the total of years of service including the period of transfer to the Company's group companies.

3. Average annual salary includes bonuses and extra wages.

(3) Trade union

There are no matters of special note regarding industrial relations.

II. Overview of Business

1. Business Policy, Business Environment, Issues to Address, etc.

Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2022.

Refer to 3. Management's Analysis of Financial Position, Operating Results and Cash Flows for the business environment.

(1) Corporate philosophy

As the Company celebrated the 140th Anniversary of its foundation last year, the Company has clarified its purpose: "As a company trusted by society, we will constantly pursue innovation, inspiring people everywhere, and creating a future full of smiles." This purpose is the starting point for all of the Company's activities, which are based on its corporate philosophy of being "A Company that is Trusted by Society."

The Company has also defined the following Group 10-year vision leading up to the 150th Anniversary in 2031.

Leveraging analog & digital synergies to offer products and services
that contribute to the creation of sustainable societies,
connecting people, things, and time throughout the world

In order to realize the Group 10-year vision, the Company has formulated the Eighth Mid-Term Management Plan (Seiko Milestone 145 = SMILE145), which concludes in FY2026, and will promote its businesses.

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

1) Positioning of SMILE145

SMILE145 is a five-year plan formulated by backcasting from the Group 10-year vision and aimed at FY2026, the 145th Anniversary of our founding and the midpoint of the vision, in order to realize the Group 10-year vision, which represents what we aim to be for the 150th Anniversary.

2) Ideals of SMILE145

By 2026, we aim to become "A solutions company that offers high-added-value products and services that create excitement and generate substantial profits." The basic principle through which we will achieve this is the "MVP Strategy = Moving, Valuable, Profitable," in which we will focus on high-added-value, highly profitable products that move people.

3) Our value creation story for the years leading up to 2031

Based on an analysis of the environment surrounding the Company Group, from the perspectives of both opportunity and risk, the Company is engaging in business activities that help solve social issues, with the Group purpose as the starting point, and contributing to the Group's steady growth and the development of a sustainable society. As the Group's growth strategy, the Company has promoted the Group core strategies (SDGs, human resource, DX, R&D, and branding). In addition, the Company has established three strategic domains (Emotional Value Solutions, Devices Solutions, and Systems Solutions), in which the Company Group's strengths lie, and will implement strategies in these domains to capture business opportunities in four areas (Emotional Consumption, Society 5.0, Wellness, and Society/Environment). Furthermore, by striving to generate Group synergies, the Company will aim to create social value and achieve the Company Group's growth.

To accomplish this, the Company will promote the "MVP Strategy" for achieving what we aim to be in 2026, which was defined by backcasting from the Group 10-year vision.

4) Group core strategies

The Company Group has defined five strategies as Group-wide core strategies to be implemented in all businesses in order to achieve growth of the Group and society, and will promote its growth strategy.

a) SDGs strategy

Starting with its Statement of Purpose, the Seiko Holdings Group will strive to use its business activities, which aim to create WITH, to realize the Group's steady growth and contribute to the development of a sustainable society.

("WITH" = Well-being: A Better Life, Inclusion: For All People, Trust: Certainty and Trust, and Harmony: Harmony with the Earth)

b) Human resource strategy

The Company Group will build an organizational culture and systems that turn failure into value, with human-resource development as a pillar of its growth strategy, by improving engagement and promoting diversity.

c) DX strategy

The Company Group will make full use of digital technology and data to create high-added-value business that is customer-centric and that places an emphasis on the customer experience.

d) R&D strategy

The Company Group will further evolve its technology and create new value by combining its long-cultivated technological philosophy of “Craftsmanship, Miniaturization and Efficiency” with digital technology.

e) Branding strategy

Seiko will face social issues with the aim of enriching the hearts of people around the world, and create a future full of smiles through its social, technical, and emotional value.

5) Domain-specific ideals

The Company has set three strategic domains with the aim of “establishing management unified by a common purpose, which aims to create business synergies through a purpose-driven approach”, “innovating into a business model that solves social issues through DX”, and “creating a distributed business structure that responds to the risk of changes in the business environment”.

a) Emotional Value Solutions (EVS) Domain

- Create products and services with high functional, emotional, and social value, with a sense of beauty and meticulous attention to detail that excite customers
- Improve our brand and corporate value by selling products that are partners for life, and can be enjoyed together in times of joy, through a superior customer experience

b) Devices Solutions (DS) Domain

- Offer the high functionality and quality demanded by society, with devices solutions that are created through technical innovation
- Realize Society 5.0 (resolution of social issues by integrating cyberspace and physical space)

c) Systems Solutions (SS) Domain

- Achieve sustainable growth by offering social innovation through one-stop ICT solutions
- Increase the value of customers, society, and the Group by continuously offering value in line with customer needs

6) Financial policy and cash allocation

Under SMILE145, the Company Group will increase its growth investment capabilities by improving the gross profit margin and make investments to establish sustainability, with the aim of improving the financial constitution based on capital costs and reliably providing returns to shareholders. The investment policy aimed at establishing sustainability will consist of three elements: active investment based on sales growth potential and an ROIC, the establishment of a stable revenue base, and taking on the challenges of new business domains. Led by this policy, the Company will engage in investments in branding, manufacturing facilities, and the development of new business domains (R&D, M&As, DX, human resources, etc.), in order to achieve the Group’s growth.

7) Group-wide management targets

SMILE145 focuses on medium- and long-term profitability and growth. Its objective is to ensure the ongoing sustainability of the Company Group. Financial targets for FY2026 are consolidated operating profit of 18.0 to 20.0 billion yen, an increase in consolidated gross profit margin of 5.0 percentage points (compared to FY2021), and a consolidated ROIC of over 6.5%. Regarding ESG indicators, the Company aims to reduce CO2 emissions under SCOPE 1 and 2 by 25% (compared to FY2020) in FY2026. In addition, the Company will use employee engagement studies to be carried out from FY2022 to clearly prioritize issues, and strive to improve engagement scores by working to address these issues.

2. Business Risks

The Group defines risks that could cause tremendous loss to the management of each Group company as Significant Risks. The Risk Management Committee of each Group company selects the Significant Risks each fiscal year and addresses them led by the departments responsible for the risks. In addition, Significant Risks that must be addressed in a cross-organizational manner are defined as Group Significant Risks, and the Company takes a central role in responding to such risks. The Company's Risk Management Committee and the Group Risk Management Committee monitor and share information on responses to Significant Risks and Group Significant Risks. The Group Risk Management Liaison Committee comprising risk management personnel from each Group company supports the promotion of measures against the Significant Risks of each company through inter-Group collaboration and cooperation.

Risk map of Business Risks

High ↑ Impact ↓ Low	(2) High dependence on procurement from specific supplier	(3) Market environment of the DS Business (7) Quality issues and production liability		(14) Natural disasters and influences of infectious diseases
	(12) Environmental issues	(15) Conduct risk	(13) Information securities	
	(5) Dependence on sales to major customers	(8) Intellectual property rights		(1) Economic trends (4) Country risks on manufacturing bases overseas (6) Shortage and increase in price of resources (9) Currency exchange rate fluctuations (10) Interest rate fluctuations
	(11) Market price fluctuations			
	Low ←———— Likelihood —————→ High			

Risks that may seriously affect the operating results and/or financial position of the Group are outlined below. The Group considers brand-impairment risks and risks that affect the safety and health of employees and others to be critical risks. Both are medium-term risks, apart from the risks that have a significant impact on the business results in short term. Matters concerning the future are judged as of March 31, 2022.

(1) Economic trends

The Group handles certain products directly related to personal consumption, such as watches, clocks, electronic components for digital products and automobiles, high-end jewelry, apparel and fashion accessories, and household goods, etc. Consequently, consolidated business results are strongly affected by trends in domestic and overseas economies, especially trends in personal consumption. In particular, watches and clocks are being sold in at least 130 countries and regions around the world. They are constantly exposed to potential impacts of whatever nature, while the risks are well distributed. In addition, the novel coronavirus has spread worldwide. If the current situation continues going forward, it is likely to have an impact on economic and personal-consumption trends in Japan and overseas, affecting the Group's business operations, financial position, and business results.

(2) High dependence on procurement from specific supplier

Due to the high dependence on procurement from specific supplier in the Watches Business, business results of the Emotional Value Solutions (EVS) Business may be significantly affected by changes in terms of transactions with this supplier. In addition, the novel coronavirus has spread worldwide. If the current situation continues going forward, business activities are expected to be suspended at some of the suppliers and others of the EVS Business and the Devices Solutions (DS) Business, affecting the Group's business operations, financial position, and business results.

(3) Market environment of the DS Business

Business results of the DS Business are affected by demand trends of electronic devices, etc., in Japan and overseas. In this business field, the speed of development of new technologies and their mass production is high, and the price competition is also intense. Therefore, the possibility that delays in response to changes in these market environments may have a significant impact on business results is getting stronger. The Company will enhance the sustainability of its business by promoting a shift to its main strategy under the Eighth Mid-Term Management Plan “SMILE145,” which is “high-added-value products and services that create excitement and generate substantial profit.”

(4) Country risks on manufacturing bases overseas

The EVS business and the DS Business have manufacturing bases in Singapore, Malaysia, Thailand and China. Changes in social situations due to politics and economics, etc., in these areas may have a significant impact on manufacturing activities of these businesses. However, respective production lines are in operation largely in multiple regions including Japan, in an effort to mitigate the impact associated with various risks. In addition, the novel coronavirus has spread worldwide. If the current situation continues going forward, it is likely to have a severe impact on the Group’s business operations, financial position, and business results.

(5) Dependence on sales to major customers

For some of the DS Business, the dependence on sales to major customers tends to be high, and a decrease in the volume of orders from these customers may have an impact on business results of this business. To avoid excessive dependence on one major customer, we are striving to expand the DS Business, including the development of new customers.

(6) Shortage and increase in price of resources

If materials such as crude oil and raw materials are scarce or their prices surge due to changes in the supply and demand environment, manufacturing activities may be affected, or manufacturing costs may rise that causes an impact on business results. Inventory levels of certain materials are set higher, as necessary, in order to avoid the impact of short-term fluctuations, in consideration of market prices.

(7) Quality issues and production liability

Products manufactured and sold by the Group do not cause any accidents that have effects on human bodies under normal use. However, due to changes in the social environment, such as stricter legal regulations on product accidents, or changes in the business environments, there may be an increase in costs related to quality issues and product liability, such as product recalls and compensation liability. Since quality issues concerning our products are likely to involve risks of impairing brand image, they are regarded as one of the Group’s most critical risks. We are committed to broad-based initiatives to prevent the occurrence of quality issues at all manufacturing bases, etc.

(8) Intellectual property rights

The Group has taken measures, such as obtaining patent rights and protecting confidential information, in order to protect important proprietary development technologies. However, there is a possibility that adequate protection may not be implemented depending on the region. Furthermore, even though such measures are taken, there is a possibility that the superiority of the Group’s products may be impaired, if the Group cannot effectively eliminate third parties’ products similar to its products. In addition, the Group has taken measures, such as patent investigation to prevent infringement of intellectual property rights of other companies in developing new products. However, there is no reasonable way to eliminate every single possibility of infringements. In the case where the Group infringes intellectual property rights of other companies, there is a possibility that business results may be affected by a claim for an injunction or a claim for damages. As infringement of intellectual property rights is likely to impair our brand image regardless of whether we are the offending party or the offended party, investigations and other activities for the prevention of infringement in both directions are being carried out from broadened perspectives.

(9) Currency exchange rate fluctuations

Within the Group, the EVS Business and the DS Business mainly develop their business for overseas markets. Some of those are engaged in sales for overseas markets from domestic manufacturing bases, and fluctuations in exchange rates may affect product prices, etc. In addition, for the Systems Solutions Business, etc. that mainly engages in business development for domestic markets, foreign exchange fluctuations may affect procurement costs for parts that are procured from overseas manufacturing bases in foreign currencies. Furthermore, all items denominated in local currencies, such as profits or losses and assets, for overseas subsidiaries are translated into Japanese yen for preparation of consolidated financial statements. Therefore, the Japanese yen-translated value of local currencies may be affected by the exchange rate at the time of conversion. In particular, fluctuations of Japanese yen against U.S. dollars and euro, etc. may affect business results and the financial position of the Group, including foreign currency translation adjustment under net assets of overseas subsidiaries.

(10) Interest rate fluctuations

Currently, the relationship between the Group and financial institutions is favorable, and the Group can procure funds necessary for business development including overseas without any problems. However, there is no guarantee that it will be possible to continue to procure funds sufficiently in the future. In addition, as the interest rate level in the market tends to be low, over 80% of interest rates of the existing long-term borrowing has already been fixed. Although there is no significant risk of interest rate fluctuations, interest rate trends for future procurement may affect business results of the Group.

(11) Market price fluctuations

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

(12) Environmental issues

The Group engages in business activities in accordance with various environmental laws and regulations that climate change measures, resource preservation, air and water pollution, use of chemical substances, waste disposal, recycling, chemical substances contained in products and soil and groundwater pollution, etc. Under such circumstances, the Group regards environmental conservation activities as one of the management tasks and promote various activities, including complying with laws and regulations as well as setting stricter voluntary goals. However, there are possibilities of bearing compensation for damages and expenses for taking response measures, due to an increase in expenses for responding to enforced regulations or occurrence of environmental problems, and a loss of competitiveness due to delays in addressing the growing social expectations for these issues in the future. In addition, failure to take appropriate actions at the Group or its suppliers may lead to risks of impairing brand image.

(13) Information securities

The Group prevents information leaks through measures such as establishment of internal regulations and employee education concerning protection and management of personal information and confidential information obtained in business operations. However, it cannot be guaranteed that there is no possibility of information leaks due to unforeseen circumstances. In the event of such situation, there is a possibility this will affect business results of the Group due to a decline of the Group's social credibility and a substantial cost burden to respond to such situation. Unexpected leakage of information is a critical risk involving a greater risk of impairing brand image. Thus, we are carrying out thorough prevention measures.

(14) Natural disasters and influences of infectious diseases

In the case where the Group's domestic and overseas manufacturing bases and facilities, or local economies in general in Japan and overseas, suffer damage or are regulated, due to natural disasters such as earthquakes or typhoons or epidemics such as viral infections, there is a possibility this would affect business results due to manufacturing disruption, stagnation of sales, logistics, procurement functions, etc. The Group has formulated action plans that ensure the safety of those who are engaged in the business operations of the Company as the first priority in the event of natural disasters or epidemics. In addition, the novel coronavirus has spread worldwide. If the current situation continues going forward, it is likely to have a severe impact on the Group's business operations, financial position, and business results.

(15) Conduct risk

While we are providing full-scale education for compliance with laws and regulations, etc. in each country to all employees and others, who are engaged in the Group's business operations, it is impossible to rule out the risks of problems of some nature. Since noncompliance with laws and regulations, etc. is highly likely to expose the Group to the risks of impairing brand image, we will continue to promote educational activities for compliance with laws and regulations, etc. in all the group companies, while remaining committed to disseminating the importance of brand image.

3. Management's Analysis of Financial Position, Operating Results and Cash Flows

The overview of the Group's financial position, operating results and cash flows (hereinafter the "operating results, etc.") is as follows. Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2022.

(1) Business results

In the world economy during the fiscal year ended March 31, 2022, many countries showed signs of a recovery from the sudden economic declines caused by the spread of the novel coronavirus during the previous fiscal year. In the U.S. economy, although the pace of growth in employment and consumption began to slow due to the impact of a resurgence of infections and labor shortages, a trend toward recovery continued. In Europe, economic activity was significantly affected mainly by an intensification of restrictions on movement prompted by the rapid spread of the Omicron variant. In China as well, although the economy progressed steadily, growth was slowed by factors such as the impact of the government's "zero-COVID" policy and a sluggish real estate market.

The Japanese economy experienced cycles of activity restrictions and easing due to the spread of infections of mutant strains, but maintained a recovery trend. Personal consumption, which had been subdued, showed signs of a recovery after the declaration of a state of emergency was lifted in September.

Amid these circumstances, the Company promoted the strategies of the Seventh Mid-Term Management Plan, while paying close attention to the health and safety of stakeholders, given the rapid spread of infections of mutant strains. In the Watches Business, net sales rose significantly especially for overseas markets, thanks to progress in efforts to expand Global Brands (GB), centered on Grand Seiko (GS) and Seiko Prospex. The Electronic Devices Business steadily captured favorable demand in fields such as the medical field, and efforts by the Systems Solutions Business to diversify business and expand the stock business proved successful. As a result, sales posted for both of these business segments exceeded those of the previous fiscal year and two years prior, before the spread of the novel coronavirus. As a result, for the fiscal year ended March 31, 2022, the Group reported consolidated net sales of 237.3 billion yen, a year-on-year increase of 17.1%.

On an overall consolidated basis, domestic net sales came to 124.4 billion yen (a year-on-year increase of 10.0%), and overseas net sales were 112.9 billion yen (a year-on-year increase of 26.1%). Overseas net sales comprised 47.6% of net sales overall.

Advertising and promotion expenses for the fiscal year ended March 31, 2022 increased by approximately 7% from the previous fiscal year, but fell by approximately 15% from two years prior. Other selling, general and administrative expenses also generally returned to usual levels as business activities normalized and also due to an increase resulting from the impact of changes in accounting standards. However, operating profit improved by 6.5 billion yen year on year to 8.7 billion yen (a year-on-year increase of 299.7%), as a result of a recovery in net sales and improvements in profitability. Non-operating income and expenses improved year on year, primarily due to share of profit of entities accounted for using equity method and foreign exchange gains and losses, and ordinary profit increased by 9.3 billion yen year on year to 9.9 billion yen (ordinary profit of 0.6 billion yen in the previous fiscal year). Subsidy income of 0.1 billion yen was posted as extraordinary income, and a total loss of 1.1 billion yen, including a loss relating to the novel coronavirus, was posted as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests was 6.4 billion yen (a year-on-year increase of 84.6%)

The average exchange rates for the current fiscal year were 112.4 yen to 1 US dollar and 130.6 yen to 1 euro.

Results for each segment are as follows.

Watches Business

Net sales under the Watches Business came to 125.7 billion yen, a year-on-year increase of 20.6 billion yen, or 19.7%, and a decrease of 7.2% from two years prior. Although net sales of completed watches in Japan slightly fell short of the plan for the fiscal year ended March 31, 2022 due to the spread of infections of mutant strains, they entered a recovery trend from the third quarter. GS showed favorable performance, driven primarily by the 140th Anniversary commemorative model as well as a model that features a dial depicting a majestic white birch forest, and sales increased year on year. Net sales also grew for Seiko Astron. On a distribution channel basis, sales were steady for department stores and watch stores, which were supported by vigorous purchasing by wealthy customers.

Net sales of GB increased not only year on year, but also from two years prior in all regions overseas, driven by GS. In the U.S., sales during the Christmas season showed favorable performance, and sales centered on GS and Seiko Prospex grew significantly year on year and also from two years prior. In Europe as well, sales of GB such as GS grew in the U.K., France,

and many other countries. In China, from the summer onward, social unease such as growing concerns regarding the default of a real estate company led to a decline in consumer sentiment, and net sales fell year on year. Due to the spread of infections of mutant strains, net sales in other Asian countries remained roughly the same as those of the previous year. However, sales in Australia showed favorable performance, centered on GB.

The watch movements business was sluggish for the Asian market.

Operating profit increased by 2.0 billion yen year on year, resulting in operating profit of 7.6 billion yen (a year-on-year increase of 36.4%) in conjunction with the increase in net sales, despite expenses returning to normal levels year on year following a recovery in business activities.

Electronic Devices Business

Net sales under the Electronic Devices Business came to 64.6 billion yen, a year-on-year increase of 28.8%. Operating profit was 5.8 billion yen, a year-on-year increase of 347.4%. Business results were affected by delays in the supply of components and materials for thermal printers and some precision devices. However, favorable performance continued for micro batteries for medical equipment and quartz crystals, as well as oscillators, high-performance metals for semiconductor production equipment, precision components for automobiles and data centers, and other products. As a result, both revenue and profits grew significantly year on year.

Systems Solutions Business

Net sales under the Systems Solutions Business came to 34.4 billion yen, a year-on-year increase of 0.9%. Operating profit was 3.9 billion yen, a year-on-year increase of 11.5%. Some industries, such as food service, were affected by the coronavirus pandemic, and there were difficulties in procuring components and materials for some products. However, capturing the rising tide of the digitalization of society, there was growth in the digital contract-related business, IIM's performance management and security-related business, network-related business for 5G for the public sector and communications industry, and other businesses, resulting in continued year-on-year growth in both revenue and profits for 24 consecutive quarters.

Time Creation, WAKO and other Businesses

Net sales under the Time Creation, WAKO and other Businesses amounted to 27.3 billion yen, a year-on-year increase of 2.4 billion yen, or 9.8%. Operating profit was 0.7 billion yen (compared to operating losses of 40 million yen in the previous fiscal year). Having shown signs of picking up, personal consumption in Japan recovered steadily from the third quarter. In the fourth quarter, the Company succeeded in maintaining favorable performance, with limited impact from the quasi-state of emergency measures implemented from January 2022 in Tokyo and other areas. Overseas clock sales also increased year on year in line with a market recovery from the impact of the spread of the novel coronavirus.

(2) Financial Condition

-Assets

Total assets at the close of the fiscal year ended March 31, 2022 amounted to 327.5 billion yen, an increase of 7.8 billion yen from the close of the previous fiscal year. Total current assets came to 154.7 billion yen, an increase of 4.7 billion yen from the close of the previous fiscal year. This was due to a decrease of 1.8 billion yen in cash and deposits and an increase of 4.6 billion yen in inventories including merchandise and finished goods, together with increases of 1.5 billion yen in a total of notes receivable - trade, accounts receivable - trade, and contract assets in comparison to notes and accounts receivable - trade as of the end of the previous fiscal year. Total non-current assets came to 172.7 billion yen, an increase of 3.1 billion yen from the close of the previous fiscal year. This was mainly due to increases of 1.9 billion yen in total property, plant and equipment and 2.1 billion yen in total investments and other assets, and a decrease of 0.9 billion yen in total intangible assets.

-Liabilities

For liabilities, total borrowings came to 116.1 billion yen, due to decreases of 8.9 billion yen in short-term borrowings and 6.5 billion yen in long-term borrowings, and an increase of 6.4 billion yen in current portion of long-term borrowings. In addition, notes and accounts payable - trade increased by 1.7 billion yen, electronically recorded obligations - operating increased by 1.0 billion yen, and accounts payable - other increased by 2.0 billion yen. As a result, total liabilities amounted to 205.9 billion yen, a decrease of 0.6 billion yen from the close of the previous fiscal year.

-Net assets

With regard to net assets, total net assets increased by 8.5 billion yen over the close of the previous fiscal year to 121.6 billion

yen, mainly owing to increases of 3.1 billion yen in shareholders' equity and 4.0 billion yen in foreign currency translation adjustment.

(3) Overview of Cash Flow

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2022 came to 30.7 billion yen, a decrease of 1.6 billion yen relative to the end of the previous fiscal year. Free cash flow, the sum of cash flows from operating and investing activities, amounted to 11.0 billion yen. This is primarily due to the following factors:

-Cash flows from operating activities

This was the result of the Company posting 8.8 billion yen in income before income taxes, factoring in depreciation amounting to 10.8 billion yen, as well as a 1.7 billion-yen increase (decrease) in retirement benefit liability (posted as a decrease), a 1.4 billion-yen decrease (increase) in trade receivables (posted as an increase), and adjusted 2.0 billion yen decrease (increase) in inventories (posted as a decrease), and others.

-Cash flows from investing activities

Net cash used in investing activities came to negative 9.3 billion yen (compared to a negative cash flow of 7.8 billion yen for the previous fiscal year) due to cash outflows consisting mainly of 8.7 billion yen in purchase of property, plant and equipment (posted as a decrease).

-Cash flows from financing activities

Net cash provided by financing activities came to negative 13.9 billion yen (compared to a positive cash flow of 10.4 billion yen for the previous fiscal year) due mainly to repayments and borrowings of long- and short-term borrowings that combined for a net amount of 9.6 billion yen (posted as a decrease), as well as 1.7 billion yen in repayments of finance lease obligations (posted as a decrease) and 2.0 billion yen in cash dividends paid (posted as a decrease).

(4) The financial resources for capital and the liquidity of funds of the Group

The Group's demand for funds mainly comes from demand for operating capital, such as manufacturing costs and selling, general and administrative expenses, and demand for investment aimed at corporate growth and corporate value improvement, such as capital investment, research and development expenses and branding expenses. The Group's principle sources of funds are cash flows from operating activities and financing through interest-bearing debts.

With regard to the liquidity of funds, cash and cash equivalents as of March 31, 2022 were 30.7 billion yen, and the Company recognizes that the appropriate level is secured for future demand for funds. The Company and domestic operating companies have introduced a cash management system to enhance the efficiency of group-wide fund management. We maintain commitment line agreements with multiple financial institutions, in order to secure current operating funds in a flexible and stable manner even in the event of various unforeseen circumstances.

(5) Significant accounting policies and estimates and assumptions for the estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan.

In preparing these consolidated financial statements, the Company has used estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, but the actual results may differ from these estimates and assumptions. Of the accounting estimates and assumptions used in the preparation of the consolidated financial statements, the significant ones are described in "V. Financial Information [Notes- important matters that are the basis for preparation of consolidated financial statements]."

(6) Production, orders received and sales

1) Actual production

Actual production in each segment for the years ended March 31, 2022

Segments	Amount (Millions of yen)	Change (%)
Watches Business	23,749	6.6
Electronic Devices Business	40,259	23.2
Systems Solutions Business	14,463	1.2
Time Creation, WAKO and other Businesses	5,624	6.6
Total	84,097	12.8

Note: 1. The amount is calculated from the manufacturing cost.

2. The amount is after the elimination of intracompany transactions.

2) Orders received

Orders received in each segment for the years ended March 31, 2022

Segments	Orders received (Millions of yen)	Change (%)	Orders backlog (Millions of yen)	Change (%)
Watches Business	200	(20.8)	15	127.2
Electronic Devices Business	20,309	43.4	7,737	107.6
Systems Solutions Business	16,847	3.9	3,050	(8.5)
Time Creation, WAKO and other Businesses	5,627	(7.6)	1,367	(2.8)
Total	42,985	17.1	12,170	43.6

Note: 1. The amount is after the elimination of intracompany transactions

3) Actual sales

Actual sales in each segment for the years ended March 31, 2022

Segments	Amount (Millions of yen)	Change (%)
Watches Business	123,074	19.3
Electronic Devices Business	58,168	29.0
Systems Solutions Business	32,511	0.1
Time Creation, WAKO and other Businesses	23,627	7.5
Total	237,382	17.1

Note: 1. The amount is after the elimination of intracompany transactions

2. As there are no customers whose ratio to total sales is 10/100 or more, "Sales performance by major customer and ratio to total sales" is not stated.

4. Critical Contracts for Operation

Not applicable

5. Research and Development Activities

Research and development expenses for the entire Group for the fiscal year ended March 31, 2022 were 4.1 billion yen. The Group conducts research and development activities mainly relating to the Electronic Devices Business. Research and development expenses for the Electronic Devices Business and for businesses other than the Electronic Devices Business were 2.5 billion yen and 1.5 billion yen, respectively.

“Craftsmanship” creates new value based on our advanced techniques and know-how. “Miniaturization” reduces product size through precision processing and high-density assembly technologies. “Efficiency” promotes the most efficient use of all resources including energy. The Group has developed such the “Craftsmanship, Miniaturization, Efficiency” technologies. In order to realize a sustainable society and business growth, the Group will further evolve its technology and create new value by combining its long-cultivated technological philosophy of “Craftsmanship, Miniaturization and Efficiency” with “digital technology”.

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

(1) Electronic Devices Business

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

(2) Other than the Electronic Devices Business

In the Watches Business, the Group, with an eye on create high value-added products and develop new elemental technologies is conducting a wide range of development activities, ranging from the development of movements, such as high-end movements, to materials and designs of exteriors. Furthermore, the Group is fostering manufacturing technologies for such items and developing technologies toward the optimization of the processing process.

In the Systems Solutions Business, the Group is developing technologies related to high-precision time synchronization for next-generation systems, etc., as well as technologies for building platforms and expanding services for the financial sector.

In the businesses that belong to the Time Creation, WAKO and other Businesses, the Group is making research and development investment for the development and design of clock movements and finished products.

III. Information about Facilities

1. Overview of Capital Expenditures, etc.

The Company invested 2,141 million yen in the Watches Business and 2,324 million yen in the Electronic Devices Business primarily to reinforce and renew manufacturing and other facilities, and 718 million yen in the Systems Solutions Business primarily to acquire software for sales in the market, respectively. In addition, the Company invested 556 million yen in the acquisition of rental facilities for external parties (in Chuo-ku, Tokyo).

2. Major Facilities

The Group (the Company and the subsidiaries)'s major equipment and facilities are summarized as follows:

(1) The Company

As of March 31, 2022

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m ²)	Total	
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings	412	243	385	-	1,041	361
Rental facilities for Subsidiaries (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores, etc.	4,809	-	691	21,162 (1)	26,662	-
Other rental facilities (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores for rent, Office buildings, etc.	1,488	-	39	2,717 (94)	4,245	-

(2) Domestic subsidiaries

As of March 31, 2022

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m ²)	Total	
Morioka Seiko Instruments Inc. (Shizukuishi-cho, Iwate- gun, Iwate) *1	Watches	Manufacturing facilities for watches	1,244	2,180	746	1,376 (114)	5,548	631
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Electronic Devices	Office buildings, etc.	391	12	37	-	441	238
Takatsuka Unit of Seiko Instruments Inc. (Matsudo-shi, Chiba) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	2,826	1,132	32	4,824 (59)	8,816	254
Sendai Unit of Seiko Instruments Inc. (Aoba-ku, Sendai-shi, Miyagi)	Electronic Devices	Manufacturing facilities for batteries, etc.	2,135	1,070	11	1,440 (94)	4,657	311
Akita Unit of Seiko Instruments Inc. (Daisen-shi, Akita) *2	Electronic Devices	Manufacturing facilities for printheads for inkjet printers, etc.	764	261	60	532 (132)	1,619	120
Ohno Unit of Seiko Instruments Inc. (Ichikawa-shi, Chiba)	Electronic Devices	Manufacturing facilities for cutting tools and precision parts	374	16	1	2,025 (15)	2,416	60
Tochigi Unit of SII Crystal Technology Inc. (Tochigi-shi, Tochigi)	Electronic Devices	Manufacturing facilities for quartz crystals	433	972	202	28 (40)	1,636	89
Nasu-Shiobara Unit of SEIKO NPC CORPORATION (Nasu-Shiobara-shi, Tochigi)	Electronic Devices	Manufacturing facilities for semiconductors	218	77	70	770 (100)	1,136	185
Makuhari Head Office of SEIKO Solutions Inc. (Mihama-ku, Chiba-shi, Chiba)	Systems Solutions	Office buildings and development facilities for systems solutions products	244	0	2,439	-	2,683	657
Shirakawa Estate Co., Ltd. (Chuo-ku, Tokyo, etc.)	Time Creation, WAKO and other Businesses	Stores for rent and office buildings	1,204	-	11	11,365 (1)	12,582	-

(3) Overseas Subsidiaries

As of March 31, 2022

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m ²)	Total	
Seiko Watch of America LLC (Mahwah U.S.A.)	Watches	Office buildings	-	19	24	-	44	59
SEIKO U.K. Limited (Maidenhead U.K.)	Watches	Office buildings	138	-	32	1,254 (22)	1,425	54
SEIKO Hong Kong Ltd. (Kowloon Hong Kong)	Watches	Office buildings	703	-	-	-	703	124
SEIKO Australia Pty.Ltd. (Macquarie Park Australia)	Watches	Office buildings	210	-	60	570 (11)	840	43
Seiko Manufacturing Singapore Pte.Ltd (Singapore Singapore)	Watches	Manufacturing facilities for watch movements	692	1,671	427	-	2,791	475
Dalian Seiko Instruments Inc. (Dalian P. R. China)	Electronic Devices	Manufacturing facilities for precision parts	1,680	2,041	180	-	3,903	940
Seiko Instruments (Thailand) Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for hard disk drive components, etc.	1,414	2,143	528	413 (119)	4,500	1,056
SEIKO Precision (Thailand) Co., Ltd. (Pathumthani Thailand)	Electronic Devices	Manufacturing facilities for precision parts, etc.	394	88	43	375 (78)	902	628

(Note) 1. "Book value" of "Tools, furniture and fixtures, etc." consists of tools, furniture and fixtures, construction in progress, software and lease assets.

- *1 Includes the manufacturing facilities owned by SEIKO WATCH CORPORATION and the land, etc. owned by Seiko Instruments Inc.
- *2 Includes the manufacturing facilities owned by SII Printek Inc.
- In addition to the above, the Group has the following major rental facilities.

The Company

As of March 31, 2022

Facility (Location)	Segment	Description	Rents or lease payments (Millions of yen)
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings*1	Annual total: 608

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

Domestic subsidiaries

As of March 31, 2022

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

3. Plans for New Additions or Disposals

Not applicable

IV. Information about Reporting Company

1. Information about Shares, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common share	149,200,000
Total	149,200,000

2) Issued shares

Class	Number of shares issued as of the end of the fiscal year (March 31, 2022)	Number of shares issued as of the filing date (June 29, 2022)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common share	41,404,261	41,404,261	Tokyo Stock Exchange (listed on the first section as of March 31, 2022 and on the Prime Market as of June 29)	Number of shares for share unit: 100 shares
Total	41,404,261	41,404,261	-	-

(2) Status of the share subscription rights

1) Stock option plans

Not applicable

2) Right plans

Not applicable

3) Other share subscription rights

Not applicable

(3) Exercise status of bonds with share subscription rights containing a clause for exercise price adjustment

Not applicable

(4) Changes in number of issued shares, capital stock, etc.

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

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

(5) Shareholding by shareholder category

As of March 31, 2022

Classification	Status of shares (1 unit=100shares)								Shares under one unit Financial institutions
	National and local governments	Financial institutions	National and local governments	Financial institutions	National and local governments		Financial institutions	National and local governments	
					Non-individuals	Individuals			
Number of shareholders	-	23	22	103	177	13	10,101	10,439	-
Number of shares hold (units)	-	95,870	3,803	78,725	73,443	133	161,415	413,389	65,361
Ownership percentage of shares (%)	-	23.19	0.92	19.04	17.77	0.03	39.05	100	-

- (Notes) 1. Of 139,482 shares of treasury stock, 788 units are included in “Financial institutions” column, 606 units in “Individuals and others” column and 82 units in “Shares under one unit” column.
2. “Financial institutions” include 788 units of shares owned by Trust & Custody Services Bank, Ltd. (Trust E account) as a trust property of the “Board Benefit Trust (BBT).”
3. Of the shares registers in the name of Japan Securities Depository Center, Inc., 4 units are included in “Other corporations” column and 77 units are included in “Shares under one unit”

(6) Major shareholders

As of March 31, 2022

Name	Address	Number of shares hold (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	4,752	11.5
Sanko Kigyo K.K.	6-1, Ginza 5-chome, Chuo-ku, Tokyo	4,436	10.7
Etsuko Hattori	Minato-ku, Tokyo	3,613	8.7
Shinji Hattori	Shibuya-ku, Tokyo	2,279	5.5
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,800	4.4
Hideo Hattori	Shinagawa-ku, Tokyo	1,622	3.9
Custody Bank of Japan, Ltd (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,598	3.9
GIC PRIVATE LIMITED-C (Standing proxy: The Bank of Mitsubishi UFJ, Ltd.)	168 ROBINSON ROAD #37-01 CAPITAL TOWER SINGAPORE 068912 (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	1,369	3.3
SHIMIZU CORPORATION	16-1, Kyobashi 2-chome, Chuo-ku, Tokyo	744	1.8
FUJI BUILDING Co., Ltd.	13-9, Nihombashi Muromachi 1-chome, Chuo-ku, Tokyo	671	1.6
Total	-	22,888	55.4

(7) Voting rights

1) Issued shares

As of March 31, 2022

Classification	Number of shares	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Others)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	Common share 112,000	-	-
Shares with full voting rights (Others)	Common share 41,226,900	412,269	-
Shares under one unit	Common share 65,361	-	Shares under one unit (100 shares)
Total shares issued	41,404,261	-	-
Total voting rights held by all shareholders	-	412,269	-

(Note) 1. The “Shares with full voting rights (Others)” column includes 78,800 shares of the Company held in the Board Benefit Trust (BBT) (788 voting rights) and 400 shares under the name of Japan Securities Depository Center, Incorporated (4 voting rights).

2. The “Shares less than one unit” column includes 82 shares of treasury shares owned by the Company, 61 shares of cross-held shares owned by OHARA INC., 20 shares of cross-held shares owned by HAYASHI SEIKI SEIZO Co., Ltd., and 77 shares under the name of Japan Securities Depository Center, Incorporated.

2) Treasury shares, etc.

As of March 31, 2022

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
SEIKO HOLDINGS CORPORATION	5-11, Ginza 4-chome, Chuo-ku, Tokyo	60,600	-	60,600	0.1
OHARA INC.	15-30, Oyama 1-chome, Chuo-ku, Sagami-hara-shi, Kanagawa	51,200	-	51,200	0.1
HAYASHI SEIKI SEIZO Co., Ltd.	45, Mukai Hinata, Morijuku, Sukagawa-shi, Fukushima	200	-	200	0.0
Total	-	112,000	-	112,000	0.3

(Note) 78,800 shares of the Company’s shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

(8) Officer / employee share ownership program

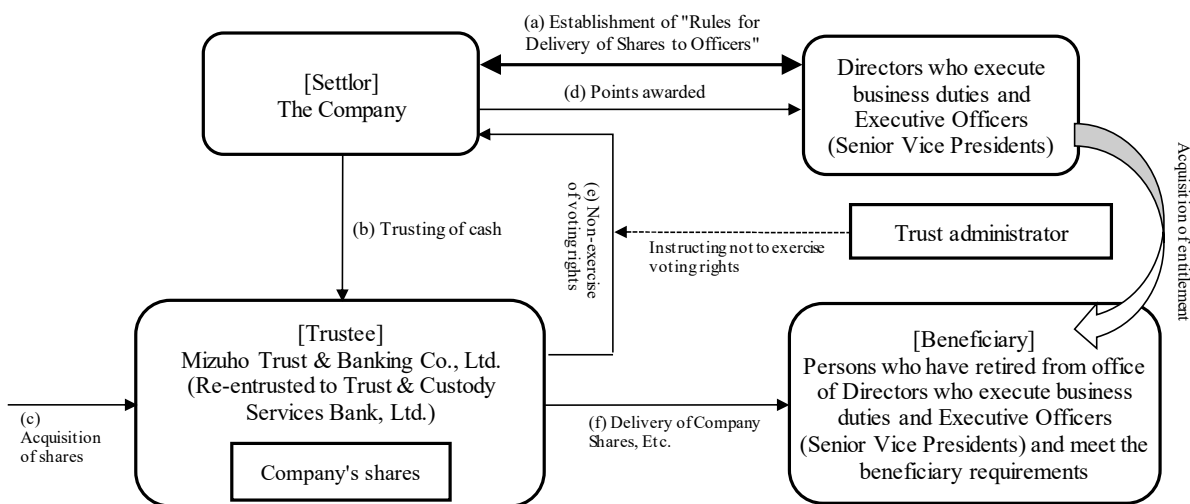
(Introduction of the stock compensation plan for the Company’s Directors who execute business duties and Executive Officers (Senior Vice Presidents))

The Company resolved at the Board of Directors meeting held on May 10, 2016, to introduce a new performance-linked stock compensation plan, “Board Benefit Trust (BBT)” (hereinafter, “the Plan”), for the Company’s Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors.) The proposal concerning the Plan was submitted to the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 (hereinafter, the “General Meeting of Shareholders”), and it was approved. In line with the introduction of the system of executive officer (senior vice president) on June 29, 2022, the Company resolved at the Board of Directors meeting held on May 10, 2022 to add Executive Officers (Senior Vice Presidents) to those who are eligible for the Company’s shares 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 Directors who execute business duties and the Executive Officers (Senior Vice Presidents) through the Trust in accordance with the “Rules for Delivery of Shares to Officers” stipulated by the Company. The time at which a Director who executes business duties or an Executive Officer (Senior Vice President) receives Company Shares, Etc. shall, in principle, be when he or she retires from office.

<Structure of the Plan>



- (a) Subject to the passing of a resolution of the compensation for officers concerning the Plan at this General Meeting of Shareholders, the Company established the “Rules for Delivery of Shares to Officers” within the scope approved by the meeting.
- (b) The Company will deposit cash in trust within the scope approved by this General Meeting of Shareholders as set forth in (a).
- (c) The Trust will acquire the Company’s shares through stock markets or by subscribing to treasury shares of the Company by using the cash deposited in trust as set forth in (b).
- (d) The Company will award points to each Director who executes business duties and each Executive Officer (Senior Vice President) in accordance with the “Rules for Delivery of Shares to Officers.”
- (e) In accordance with the instructions of the trust administrator independent from the Company, the Trust will not exercise voting rights for the Company’s shares in the Trust account.
- (f) The Trust will deliver Company’s shares to a Director who executes business duties and an Executive Officer (Senior Vice President) and has retired from office and who meets the beneficiary requirements stipulated in the “Rules for Delivery of Shares to Officers” (a “Beneficiary”), in proportion to the number of points awarded to the Beneficiary. However, if an Executive Director or an Executive Officer (Senior Vice President) meets the requirements stipulated in the “Rules for Delivery of Shares to Officers,” the Company may pay him or her cash equivalent to the market value of the Company’s shares for a certain percentage of his or her points, instead of delivering such shares.

2) Total number or total amount of shares to be acquired by the Directors who execute business duties and Executive Officers (Senior Vice Presidents)

The Company contributed 240 million yen as of August 26, 2016, and Trust & Custody Services Bank, Ltd. (the present Custody Bank of Japan, Ltd.) (Trust E account) acquired 540,000 shares of the Company at 170 million yen. Whether the Trust E account will acquire shares of the Company in the future is undecided.

The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. The number of treasury shares held in the Trust E account as of March 31, 2022 was 78,800 shares.

3) Scope of persons who are entitled to beneficiary rights or other rights under the Plan

Persons who meet beneficiary requirements prescribed in the “Rules for Delivery of Shares to Officers,” among those who retired from the Directors who execute business duties and Executive Officers (Senior Vice Presidents) (excluding Directors who do not execute business duties and Outside Directors).

2. Acquisition of treasury stock

【Type of shares】 : Acquisition of shares of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of the shareholders

Not applicable

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Not applicable

(3) Acquisition of treasury stock not based on a resolution approved at the annual general meeting of the shareholders or on a resolution approved by the Board of Directors

Classification	Number of shares (shares)	Total amount (Yen)
Treasury stock acquired during the current fiscal year	627	1,416,196
Treasury stock acquired during the period for acquisition	-	-

Note: “Treasury stock acquired during the period for acquisition” does not include the number of stocks of less than a standard unit purchased during the period from June 1, 2022, to the filing date of this Securities Report.

(4) Current status of the disposition and holding of acquired treasury stock

Classification	Current fiscal year		Period for acquisition	
	Number of Shares (shares)	Total disposition amount (Yen)	Number of Shares (shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was disposed of	—	—	—	—
Acquired treasury stock for which transfer of shares was conducted in association with merger/stock exchange/share issuance/corporate separation	—	—	—	—
Other (Acquired treasury stock that was disposed of instead of issuing shares due to the exercise of share subscription rights)	170	384,490	—	—
Number of shares of treasury stock held	60,682	—	60,682	—

Note: 1. 78,800 shares of the Company’s shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

2. “Treasury stock acquired during the period for acquisition” does not include the number of stocks of less than a standard unit purchased during the period from June 1, 2022, to the filing date of this Securities Report.

3. Dividend Policy

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

The Company's basic policy is to distribute the surplus twice a year as an interim dividend and a year-end dividend, and the decision-making bodies for the distribution of surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

In addition, the Company stipulates in the Articles of Incorporation that an interim dividend prescribed in Article 454, Paragraph 5 of the Companies Act may be distributed on September 30 each year as the record date by a resolution of the Board of Directors.

For the fiscal year ended March 31, 2022, the Company decided to pay an interim dividend of 25.0 yen per share and a year-end dividend of 25.0 yen per share based on the above policy.

Dividends for the 161st business term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors meeting held on November 9, 2021	1,033	25.00
Annual General Meeting of Shareholders held on June 29, 2022	1,033	25.00

4. Explanation about Corporate Governance, etc.

(1) Explanation about corporate governance

1) Basic principles of corporate governance

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

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

As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function.

(Board of Directors)

The Board of Directors is composed of 9 Directors (including one female director), of whom three are Outside Directors. The Board of Directors, pursuant to the Regulations of the Board of Directors, is engaged in decision-making concerning fundamental management matters and important business execution, in addition to matters set forth in laws and regulations and the Articles of Incorporation, as well as the monitoring of business execution. The Company has introduced the system of executive officer (senior vice president) for the purpose of strengthening supervisory functions, by separating management decision-making and supervision from the execution of business.

As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function. The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when necessary, as well as carries out quick and appropriate decision-making. The Company holds a Management Council and Business Strategy Council comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company and the respective Presidents of operating companies for the purpose of working to share the management policy and management information of the Group and discuss mid- to long-term business strategies. The Company also holds a Strategic Conference comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company for Management for the purpose of deliberating basic matters of business execution and promoting management activities appropriately and promptly.

(Board of Auditors)

The Board of Auditors is composed of two Corporate Auditors of the Company and three Outside Corporate Auditors. Its role is to make decisions on all matters related to the audit. The Corporate Auditors audit the compliance and validity of the Directors' business execution by participating in the Board of Directors meetings and other important meetings. The Outside Corporate Auditors offer necessary advice, suggestions and opinions, making use of their broad experience and insight in business management. The members of the Board of Auditors are as described in (2) Information about Officers and the chairperson is Mr. Haruhiko Takagi, the standing Corporate Auditor of the Company.

(Corporate Governance Committee)

In order to enhance the objectivity and transparency of management, the Company establishes the Corporate Governance Committee where Independent Outside Directors and Independent Outside Corporate Auditors account for the majority of members, as an advisory body for the Board of Directors. The Committee deliberates on matters relating to compensation for officers, nomination of officer candidates including succession planning, appointment and dismissal of the senior management such as Representative Directors, and other matters regarding corporate governance from an objective and fair perspective, and reports to the Board of Directors.

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

Chairperson	President	Shuji Takahashi
Members	Chairman & Group CEO	Shinji Hattori
	Independent Outside Director	Tsuyoshi Nagano
	Independent Outside Director	Yasuko Teraura
	Independent Outside Director	Noboru Saito
	Independent Outside Corporate Auditor	Hideki Amano
	Independent Outside Corporate Auditor	Masatoshi Yano
	Independent Outside Corporate Auditor	Kenji Sakurai

The Company believes its corporate governance system is optimal in realizing the above important management issues under the management system operated by the Company as a holding company on a consolidated basis.

The Company has been developing its internal control systems according to the following basic policies.

(a) System to ensure that the duties of directors, executive officers (senior vice presidents), and employees are executed in compliance with laws and regulations and the Articles of Incorporation

In order for Directors, Executive Officers (Senior Vice Presidents), and employees (hereinafter, the “Officers and Employees”) to comply with corporate ethics, laws and regulations, and internal rules, the Company shall establish the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” to thoroughly ensure their compliance with corporate ethics and laws and regulations, as follows:

- i) The President shall repeatedly convey the spirit of the “Basic Principles of Corporate Ethics” to all Officers and Employees to ensure that compliance with corporate ethics and the laws and regulations are the basis for every corporate activity.
- ii) The “Corporate Ethics Committee” chaired by the President shall discuss corporate ethical issues that might significantly affect the Company and its subsidiaries (the “Company Group”) and matters related to revisions of the system to comply with corporate ethics, and report the discussion results to the Board of Directors.
- iii) The Company shall develop a system where any Officers and Employees who find any action suspected of violating the laws and regulations can promptly report it to the “Corporate Ethics Committee”, and establish a “Corporate Ethics Helpline” as means for transmitting information.
- iv) The Company shall continuously provide training sessions on corporate ethics for Officers and Employees to foster and enhance their awareness of compliance with corporate ethics and laws and regulations.

(b) System to store and manage information regarding execution of the duties of directors and executive officers (senior vice presidents)

- i) Pursuant to the “Internal Document Management Rules”, the Company shall record information regarding execution of the duties of Directors and Executive Officers (Senior Vice Presidents) in a document or electromagnetic medium, and properly store and manage it.
- ii) Directors, Executive Officers (Senior Vice Presidents), and Corporate Auditors may inspect such document or medium at any time pursuant to the “Internal Document Management Rules”.

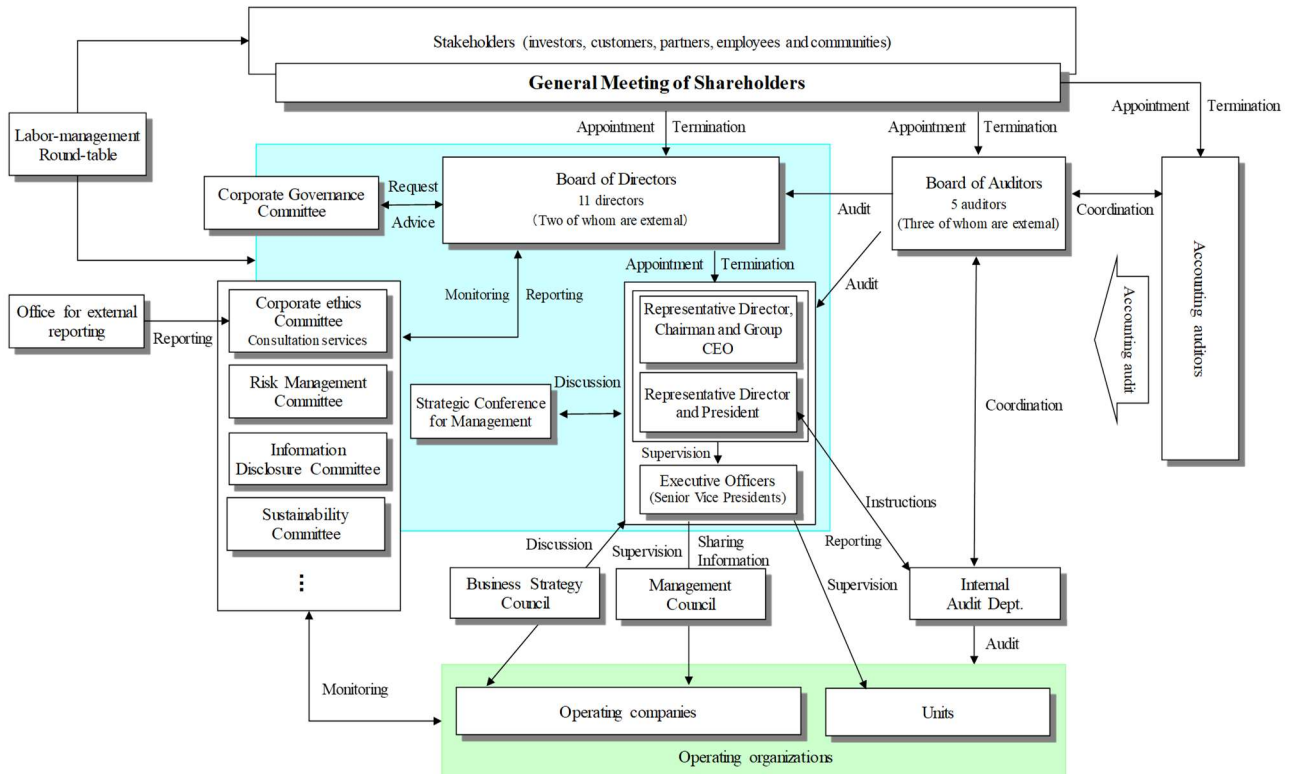
(c) Regulations and systems for loss risk management of the Company and its subsidiaries

- i) Pursuant to the “Risk Management Rules”, the Company shall set forth the basic policy for risk management of the Company Group and develop a risk management system.
- ii) The Company shall establish the “Risk Management Committee” chaired by the President in order to build, develop and monitor risk management processes, including understanding business risks that might affect the activities of the Company Group, and identifying, analyzing, evaluating and monitoring risks.
- iii) The Risk Management Committee shall report the status of each risk to the Board of Directors, regularly or as necessary, pursuant to the “Risk Management Rules”.

- (d) System to ensure that the duties of directors and executive officers (senior vice presidents) of the Company and its subsidiaries are efficiently executed
- i) The Company shall develop a mid-term management plan as the target to be shared by Officers and Employees of the Group. It shall also review the progress of annual forecasts consisting of the plan quarterly using the management accounting method, and discuss and implement remedial measures therefor, thereby promoting the efficiency of operations.
 - ii) In order to respect autonomous and independent management of its subsidiaries while contributing to the proper and efficient operation of the Group management, the Company shall develop basic management rules therefor. It shall also establish the “Management Conference” comprising standing Directors and Executive Officers (Senior Vice Presidents) of the Company and respective Presidents of operating subsidiaries, to share the management policy and management information of the Group and discuss mid- to long-term business strategies.
 - iii) The Company shall clarify the assignment of duties among the Directors and Executive Officers (Senior Vice Presidents), and the responsibility and authority of each division/department, thereby securing the efficient execution of duties.
- (e) System to ensure the proper operations of the corporate group comprising the Company and its subsidiaries
- i) The Company shall assist its subsidiaries to develop a system to comply with corporate ethics, and laws and regulations, and other systems to ensure their proper operations.
 - ii) Each subsidiary shall share the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” established by the Company, and manage its operations pursuant to them. The Company shall set forth the rules for reporting any violation of laws and regulations by any subsidiary, and assist its subsidiaries to develop their internal reporting systems.
 - iii) Pursuant to the “Consolidated Business Management Rules”, the Company shall request that each subsidiary consult in advance with, and report to, the Company regarding significant management-related matters, and whenever necessary, shall dispatch its Officers and Employees as Directors or Corporate Auditors of the subsidiary to properly supervise and audit the subsidiary.
 - iv) Pursuant to the “Consolidated Business Management Rules”, each subsidiary shall report its business results, financial position and other important matters to the Company, and whenever necessary, the President of the relevant subsidiary shall report the execution status of the operations to the Company’s Board of Directors.
 - v) The Company’s Internal Audit Department shall conduct internal audits on each subsidiary regarding the execution status of the operations, compliance with laws and regulations, and the Articles of Incorporation, and risk management.
- (f) Matters related to employees to assist the duties of Corporate Auditors
- i) There shall be a system where the Internal Audit Department will assist the duties of Corporate Auditors.
 - ii) Employees posted to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.
 - iii) Regarding any replacement of the General Manager of the Internal Audit Department, the President shall discuss with the Board of Corporate Auditors in advance, and respect the Board of Corporate Auditors’ opinions.
- (g) System for reporting to Corporate Auditors
- i) Each Officer 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, Executive Officer (Senior Vice President), Corporate Auditor or employee of a subsidiary finds any material violation of laws and regulations or internal rules regarding the execution of operations of the Company or the subsidiary, or any fact likely to significantly damage the Company, he/she or the person who was reported by him/her shall report it to the Company’s Corporate Auditors.
 - iii) The Company shall develop necessary systems so that the person who made the report in the preceding two paragraphs might not be treated disadvantageously because of having made such report.
 - iv) In conducting internal audits, the General Manager of the Internal Audit Department shall cooperate with standing Corporate Auditors in advance, and make efforts to report important matters to standing Corporate Auditors in a timely manner. In addition, the General Manager shall report the results of internal audits to standing Corporate Auditors without delay, and regularly report them to the Board of Corporate Auditors.

- (h) Other systems to ensure that audits by Corporate Auditors are effectively conducted
- i) The Company shall ensure a system where, besides the Internal Audit Department, the departments in charge of General Affairs and Accounting will assist audits by Corporate Auditors from time to time based on respective instructions of Corporate Auditors.
 - ii) The Company shall ensure that Corporate Auditors will attend important meetings and committees established to ensure proper operations, and to be held in a timely manner, by the Board of Directors.
 - iii) The President shall meet with the Board of Corporate Auditors, as necessary, and exchange opinions regarding important management issues.
 - iv) If a Corporate Auditor requests that the Company pay expenses incurred in executing his/her duties, the Company shall promptly pay them unless the Company proves that they are not necessary for the Corporate Auditor to execute his/her duties.

The structure of the Company's corporate governance is as follows:



3) Overview of agreements limiting liability

The Company entered into an agreement with each of Outside Directors and Outside Corporate Auditors, to limit liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to Article 427, paragraph 1 thereof. The upper limit of liability for damages under the agreement shall be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act. The limitation on liability is permitted only when such Outside Directors or Outside Corporate Auditors have acted in good faith and without gross negligence in performing their duties that caused the liability.

4) Overview of directors and officers liability insurance

The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company, with all Directors, Corporate Auditors, and Senior Vice Presidents of the Company and its subsidiary Seiko Instruments Inc. as the insured. The insurance policy covers the insured against claims for damages and costs of litigation arising out of acts (including omissions) committed by the insured in the course of his or her duties as a director or an officer of a company. However, we have taken measures to ensure that the appropriateness of the execution of duties by directors and officers is not compromised by excluding from coverage damage caused by criminal or intentionally illegal acts.

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

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

Qualifications required: None

Resolution requirements for appointment and dismissal:

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

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

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

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

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

The Company has determined in its Articles of Incorporation as stipulated in Article 426, Paragraph 1 of the Companies Act, that the Company may, by a resolution of the Board of Directors, release Directors (including ex-Directors) and Corporate Auditors (including ex-Corporate Auditors) from liabilities as stipulated in Article 423, Paragraph 1 of the Companies Act, to the extent permitted by laws and regulations, so that they can fully demonstrate their roles expected in executing their duties and for the Company to secure talented individuals.

(c) Payment of interim dividends (Article 45 of the Articles of Incorporation)

The Company has determined in its Articles of Incorporation that the Company may pay an interim dividend as provided by Article 454, paragraph 5 of the Companies Act to shareholders as of the end of September every year by a resolution of the Board of Directors, so that the Company can return profits flexibly to shareholders.

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

The Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds or more the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders as provided by Article 309, Paragraph 2 of the Companies Act. (Article 17, paragraph 2 of the Articles of Incorporation)

(2) Information about Officers

1) Officers: Male: 13; Female: 1 (Percentage of female: 7.1%)

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Chairman & Group CEO Group CCO (Group Chief Culture Officer)	Shinji Hattori	January 1, 1953	<p>April 1975 Joined Mitsubishi Corporation</p> <p>July 1984 Joined Seikosha Co., Ltd. (currently Seiko Clock Inc. and Seiko Precision Inc.)</p> <p>January 1996 Director of Seiko Precision Inc.</p> <p>June 2001 President of Seiko Precision Inc.</p> <p>June 2003 President & CEO of SEIKO WATCH CORPORATION</p> <p>June 2007 Director of the Company</p> <p>June 2009 Executive Vice President of the Company</p> <p>April 2010 President of the Company</p> <p>October 2012 Chairman of the Company (to present)</p> <p>June 2015 President & CEO of SEIKO WATCH CORPORATION</p> <p>April 2017 Chairman & CEO of SEIKO WATCH CORPORATION</p> <p>June 2020 Chairman of WAKO Co., Ltd. (to present)</p> <p>April 2021 Chairman of SEIKO WATCH CORPORATION (to present)</p>	(Note 4)	2,279,289
President	Shuji Takahashi	August 29, 1957	<p>April 1980 Joined the Company</p> <p>February 2011 Senior Vice President of SEIKO WATCH CORPORATION</p> <p>June 2012 Director, Senior Vice President of SEIKO WATCH CORPORATION</p> <p>June 2013 Director of the Company</p> <p>April 2014 Director, Executive Vice President of SEIKO WATCH CORPORATION</p> <p>June 2015 Director, Senior Executive Vice President of SEIKO WATCH CORPORATION</p> <p>June 2016 Executive Director of the Company</p> <p>April 2017 Director of the Company</p> <p>April 2017 President & COO & CMO of SEIKO WATCH CORPORATION</p> <p>June 2021 President of the Company (to present)</p>	(Note 4)	11,000
Director, Senior Executive Vice President in charge of Emotional Value Solutions Domain, Legal, and Intellectual Property	Akio Naito	November 9, 1960	<p>April 1984 Joined the Company</p> <p>January 2002 Managing Director of SEIKO Australia Pty. Ltd.</p> <p>April 2006 General Manager, Legal & Intellectual Property Department of the Company</p> <p>June 2011 Director of the Company</p> <p>June 2013 Executive Director of the Company</p> <p>June 2016 Director of the Company</p> <p>June 2016 Director, Senior Executive Vice President of SEIKO WATCH CORPORATION</p> <p>August 2018 Chairman & CEO of Grand Seiko Corporation of America (to present)</p> <p>December 2019 Director, Deputy Chief Operating Officer of SEIKO WATCH CORPORATION</p> <p>April 2021 President of SEIKO WATCH CORPORATION (to present)</p> <p>June 2022 Director, Senior Executive Vice President of the Company (to present)</p>	(Note 4)	9,200

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Director, Senior Executive Vice President in charge of Devices Solutions Domain	Takahiro Naito	September 5, 1955	<p>April 1979 Joined Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation)</p> <p>December 2001 Manager of Hong Kong Branch of Seiko Epson Corporation.</p> <p>October 2006 General Manager of Audit Office of Seiko Epson Corporation.</p> <p>October 2010 General Manager of Watch Business of Seiko Epson Corporation.</p> <p>September 2015 Director of SEIKO WATCH CORPORATION</p> <p>June 2016 Senior Vice President, Director of SEIKO WATCH CORPORATION</p> <p>April 2019 Senior Vice President of Seiko Instruments Inc.</p> <p>April 2019 General Manager, Motion Device Business of Seiko Instruments Inc.</p> <p>June 2019 Director of Seiko Instruments Inc.</p> <p>April 2020 General Manager, Precision Device Business of Seiko Instruments Inc.</p> <p>June 2020 Director, Executive Vice President of Seiko Instruments Inc.</p> <p>April 2021 Director, Senior Executive Vice President of Seiko Instruments Inc.</p> <p>April 2022 President of Seiko Instruments Inc. (to present)</p> <p>June 2022 Director, Senior Executive Vice President of the Company (to present)</p>	(Note 4)	2,000
Director, Senior Executive Vice President in charge of Systems Solutions Domain, IT Planning, and DX Business Promotion	Jun Sekine	October 1, 1959	<p>April 1984 Joined IBM Japan, Ltd.</p> <p>April 1998 Sales Manager, Insurance of IBM Japan, Ltd.</p> <p>June 2002 General Manager, Insurance of IBM Japan, Ltd.</p> <p>January 2006 Managing Director of IBM Japan, Ltd.</p> <p>July 2012 President and Director of ESCCO JAPAN K.K.</p> <p>January 2013 Vice President and General Manager, Strategic Business Division of SAP Japan Co., Ltd.</p> <p>July 2015 Vice President and Chief Customer Officer of SAP Japan Co., Ltd.</p> <p>December 2015 Director and Executive Vice President of SEIKO Solutions Inc.</p> <p>April 2017 President of SEIKO Solutions Inc. (to present)</p> <p>June 2021 Director of the Company</p> <p>June 2022 Director, Senior Executive Vice President of the Company (to present)</p>	(Note 4)	1,800
Director, Executive Vice President in charge of Financial Management and Real Estate Management General Manager of Financial Management Department	Shimesu Takizawa	July 2, 1963	<p>April 1987 Joined the Company</p> <p>August 1993 Seconded to SEIKO U.K. Limited</p> <p>June 2010 General Manager, Finance & Accounting Department of the Company</p> <p>June 2016 Director of the Company</p> <p>June 2019 Executive Director of the Company</p> <p>April 2022 General Manager, Financial Management Department of the Company (to present)</p> <p>June 2022 Director, Executive Vice President of the Company (to present)</p>	(Note 4)	4,300

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)	
Outside Director	Tsuyoshi Nagano	November 9, 1952	April 1975	Joined Tokio Marine & Fire Insurance Co., Ltd.	(Note 4)	8,800
			June 2003	Executive Officer and General Manager of Nagoya Production Dept. III, Tokai Division of Tokio Marine & Fire Insurance Co., Ltd.		
			October 2004	Executive Officer and General Manager of Nagoya Production Dept. III of Tokio Marine & Nichido Fire Insurance Co., Ltd.		
			June 2006	Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.		
			June 2008	Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.		
			June 2008	Director of Tokio Marine Holdings, Inc.		
			June 2010	Senior Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.		
			June 2011	Senior Managing Director of Tokio Marine Holdings, Inc.		
			June 2012	Executive Vice President of Tokio Marine & Nichido Fire Insurance Co., Ltd.		
			June 2012	Executive Vice President of Tokio Marine Holdings, Inc.		
			June 2013	President & Chief Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.		
			June 2013	President & Chief Executive Officer of Tokio Marine Holdings, Inc.		
			April 2016	Chairman of the Board Tokio Marine & Nichido Fire Insurance Co., Ltd. (Retired in June 2019)		
			June 2019	Chairman of the Board of Tokio Marine Holdings, Inc. (to present)		
			June 2019	Outside Director of the Company (to present)		
Outside Director	Yasuko Teraura	October 16, 1970	April 2000	Registered as an attorney	(Note 4)	600
			October 2006	Certified as a New York State attorney		
			March 2010	Established Endeavour Law Office, Partner Attorney of Endeavour Law Office (to present)		
			June 2019	Outside Director of the Company (to present)		
			June 2022	Outside Director (Audit and Supervisory committee member) of Ryosan Company, Limited (to present)		

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Outside Director	Noboru Saito	August 8, 1961	<p>April 1986 Joined Burroughs Corporation (currently BIPROGY Inc.)</p> <p>April 2004 General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.)</p> <p>April 2009 General Manager, Industry & Commerce of Nihon Unisys, Ltd. (currently BIPROGY Inc.)</p> <p>April 2010 General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.)</p> <p>April 2012 General Manager, Business Services of Nihon Unisys, Ltd. (currently BIPROGY Inc.)</p> <p>April 2013 Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.)</p> <p>April 2016 Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.)</p> <p>June 2016 Director, Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.)</p> <p>April 2020 Representative Director, Executive Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) (to present)</p> <p>June 2022 Outside Director of the Company (to present)</p>	(Note 4)	-
Corporate Auditor	Haruhiko Takagi	January 10, 1959	<p>April 1982 Joined the Company</p> <p>June 2004 General Manager, Finance & Accounting Department of the Company</p> <p>June 2007 Director of the Company</p> <p>November 2009 General Manager, Corporate Planning & Financial Control Division, Seiko Optical Products Co., Ltd.</p> <p>May 2010 Director of Seiko Optical Products Co., Ltd.</p> <p>April 2014 Corporate Auditor, Seiko Solutions Inc.</p> <p>June 2016 Corporate Auditor of the Company (to present)</p> <p>January 2020 Outside Corporate Auditor of OHARA INC. (to present)</p>	(Note 5)	7,700
Corporate Auditor	Takashi Nishimoto	September 9, 1962	<p>April 1985 Joined the Company</p> <p>June 2009 General Manager, General Affairs Department of the Company</p> <p>October 2012 General Manager, Legal & Intellectual Property Department of the Company</p> <p>January 2015 Senior Vice President of SEIKO Solutions Inc.</p> <p>June 2015 Director and Senior Vice President of SEIKO Solutions Inc.</p> <p>April 2019 Director and Executive Vice President of SEIKO Solutions Inc.</p> <p>June 2020 Corporate Auditor of the Company (to present)</p>	(Note 5)	2,400
Outside Corporate Auditor	Hideki Amano	November 26, 1953	<p>April 1976 Joined Arthur Andersen (currently KPMG AZSA LLC)</p> <p>September 1980 Registered as a certified public accountant</p> <p>September 1992 Representative Partner of Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC)</p> <p>September 2011 Vice President (Audit Division) of KPMG AZSA LLC</p> <p>July 2015 Executive Senior Partner of KPMG AZSA LLC (retired in June 2016)</p> <p>March 2017 Outside Audit & Supervisory Board Member of Kao Corporation (to present)</p> <p>June 2019 Outside Corporate Auditor of the Company (to present)</p> <p>June 2022 Outside Corporate Auditor of Mizuho Leasing Company, Limited (to present)</p>	(Note 4)	-

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)	
Outside Corporate Auditor	Masatoshi Yano	August 3, 1956	April 1980	Joined The Dai-ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)	(Note 4)	-
			April 2007	Executive Officer, General Manager, Head Office of Mizuho Bank, Ltd.		
			April 2009	Managing Executive Officer of Mizuho Bank, Ltd.		
			April 2011	Deputy President of Mizuho Bank, Ltd. (Retired in March 2013)		
			June 2015	President of Chuo Fudosan K.K. (Retired in June 2018)		
			June 2018	President of Seiwa Sogo Tatemono Co., Ltd. (to present)		
			June 2019	Outside Corporate Auditor of the Company (to present)		
Outside Corporate Auditor	Kenji Sakurai	August 17, 1959	April 1982	Joined The Dai-ichi Mutual Life Insurance Company	(Note 5)	-
			April 2008	Executive Officer of The Dai-ichi Mutual Life Insurance Company		
			April 2011	Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			June 2014	Director, Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			April 2015	Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			October 2016	Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc.		
			October 2016	Representative Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			April 2017	Vice President of Dai-ichi Life Holdings, Inc.		
			April 2017	Representative Director, Vice President of The Dai-ichi Life Insurance Company, Limited (retired in March 2020)		
			April 2021	Director of Dai-ichi Life Holdings, Inc. (retired in June 2021)		
			June 2021	Representative Director, President of THE DAI-ICHI BUILDING CO., LTD. (to present)		
June 2022	Outside Corporate Auditor of the Company (to present)					
Total	14 persons				2,327,089	

- (Note) 1. Directors Tsuyoshi Nagano, Yasuko Teraura, and Noboru Saito are outside directors of the Company.
2. Corporate Auditors Hideki Amano, Masatoshi Yano, and Kenji Sakurai are outside corporate auditors of the Company.
3. The Company has reported Directors Tsuyoshi Nagano, Yasuko Teraura, and Noboru Saito, and Corporate Auditors Hideki Amano, Masatoshi Yano, and Kenji Sakurai to the Tokyo Stock Exchange as independent officers.
4. The term of office of the Directors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023.
5. The term of office of the Directors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024.
6. The Company has introduced the system of executive officer (senior vice president) for the purpose of strengthening supervisory functions of the Board of Directors and accelerating the execution of business, by separating management decision-making and supervision from the execution of business.
- Executive Officers (Senior Vice Presidents) who are not concurrently serving as Directors as of the filing date of this Securities Report are as follows:

Executive Vice President	Kiyoko Niwasaki
Executive Vice President	Makoto Ichimura
Senior Vice President	Naoki Tajima

2) Outside officers

The Company has three Outside Directors and three Outside Corporate Auditors. There are no special relations of interest between each Outside Director, Outside Corporate Auditor and the Company.

(a) Function and qualification for the Outside Directors and Outside Corporate Auditors

The Company nominated Mr. Tsuyoshi Nagano as Outside Director, expecting him to contribute to strengthening supervisory functions over the execution of business and provide advice from a wide-ranging management perspective based on his extensive experience and high insight cultivated in his career as a management member of corporations over many years. Mr. Nagano is currently serving as Chairman of the Board of Tokio Marine Holdings, Inc. The Tokio Marine Group and the Company Group have transactions related to insurance contracts. However, these transactions constitute less than one percent of consolidated ordinary income (equivalent to consolidated net sales) of Tokio Marine Holdings, Inc. and the Company's consolidated net sales, and is thus insignificant. In addition, the Group has borrowed funds from the Tokio Marine Group. However, the amount of such borrowings constitutes less than one percent of consolidated total assets of Tokio Marine Holdings, Inc. and the Company, and is thus insignificant. As described in 1) Officers, he holds shares in the Company. The size of his holding is insignificant and is thus believed unlikely to have conflicts of interest with general shareholders.

The Company nominated Ms. Yasuko Teraura as Outside Director, expecting her to contribute to strengthening supervisory functions over the execution of business and provide advice by leveraging her legal expertise based on her extensive knowledge and experience cultivated over many years as an attorney. As described in 1) Officers, he holds shares in the Company. The size of his holding is insignificant and is thus believed unlikely to have conflicts of interest with general shareholders.

The Company nominated Mr. Noboru Saito as Outside Director, expecting him to contribute to strengthening supervisory functions over the execution of business and provide advice from a wide-ranging management perspective based on his extensive experience and high insight cultivated in his career as a management member of corporations over many years. Mr. Saito is currently serving as Representative Director, Executive Corporate Officer of BIPROGY Inc. The BIPROGY Group and the Company Group have transactions in the Systems Solutions Business. However, these transactions constitute less than one percent of BIPROGY Inc. and the Company's consolidated net sales, and is thus insignificant.

The Company nominated Mr. Hideki Amano as Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his many years of experience and insight as a certified public accountant. Mr. Amano previously worked at KPMG AZSA LLC, the accounting auditor of the Company. However, Mr. Amano did not directly engage in audit work for the Company, and has not been involved in operation of the audit firm since he retired from the said audit firm in June 2016.

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

The Company nominated Mr. Kenji Sakurai as Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his extensive experience and high insight cultivated in his career as a management member of corporations over many years. Mr. Sakurai is currently serving as Representative Director, President of THE DAI-ICHI BUILDING CO., LTD. THE DAI-ICHI BUILDING CO., LTD. and the Company Group have transactions related to real estate leases. However, these transactions constitute less than one percent of the net sales of THE DAI-ICHI BUILDING CO., LTD. and the Company's consolidated net sales, and is thus insignificant. Mr. Sakurai previously worked at Dai-ichi Life Holdings, Inc. However, Mr. Sakurai has not been involved in execution of operations at Dai-ichi Life Holdings, Inc. since he retired from office of Director of the said company in June 2021. The Dai-ichi Life Group and the Company Group have transactions related to insurance contracts. However, these transactions constitute less than one percent of consolidated ordinary revenues (equivalent to consolidated net sales) of Dai-ichi Life Holdings, Inc. and the Company's consolidated net sales, and is thus insignificant. In addition, the Company Group has borrowed funds from the Dai-ichi Life Group. However, the amount of such borrowings constitutes less than two percent of consolidated total assets of Dai-ichi Life Holdings, Inc. and the Company, and is thus insignificant.

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

the Outside Officers as independent officers.

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

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

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

(3) Status of audit

1) Status of audit by Corporate Auditors

The Company has adopted a Corporate Auditor System. The Board of Auditors meetings are regularly held with five Corporate Auditors (including three Outside Corporate Auditors), where audit policies and assignment of duties are established, and Corporate Auditors report to each other on the implementation status and results of audits. In addition, Each Corporate Auditor is engaged in audit activities in accordance with audit policies and the assignment of duties established by the Board of Auditors. The Company respects opinions of Corporate Auditors at the Board of Directors meetings and other important meetings, and reflects them on management as needed.

Mr. Haruhiko Takagi and Mr. Takashi Nishimoto (newly appointed), Standing Corporate Auditors, have experience in finance and accounting and have reasonable-degrees of knowledge about finance and accounting. Mr. Hideaki Amano, Outside Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge about finance and accounting.

- Frequency of holding the meetings and attendance of each Corporate Auditor

The Company held nine Board of Auditors meetings in the current fiscal year. Attendance of each Auditor is as follows.

Position	Name	Attendance (rate %)
Standing Corporate Auditor	Haruhiko Takagi	9 / 9 (100%)
Standing Corporate Auditor	Takashi Nishimoto	9 / 9 (100%)
Outside Corporate Auditor	Tomoyasu Asano	9 / 9 (100%)
Outside Corporate Auditor	Hideki Amano	9 / 9 (100%)
Outside Corporate Auditor	Masatoshi Yano	9 / 9 (100%)

- Status of activities by the Board of Auditors

The average time required for the Board of Auditors meetings, which were held nine times during the current fiscal year (two of which were held using a web conference system), was 1 to 1.5 hours. At the beginning of the fiscal year, the Board of Auditors establishes audit policies and the assignment of duties of each Corporate Auditor and reports mutually on the implementation status and results of audits.

The Board of Auditors deliberated and examined matters including: the formulation of audit policies and audit plans, audits of the development and operational status of internal control systems, consent for the accounting auditor's compensation, audits of business reports, financial statements, etc., evaluations of the accounting auditor, the preparation of audit reports, and discussions on Key Audit Matters (KAM).

In addition to the above Board of Auditors meetings, the Board of Auditors confirmed the agenda for the Board of Directors meetings in advance, as well as shared information and exchanged opinions with Standing Corporate Auditors of subsidiaries.

- Activities of the Standing Corporate Auditors

In accordance with audit policies and the assignment of duties established by the Board of Auditors, standing Corporate Auditors made efforts to collect information and establish an adequate audit environment by communicating with Directors, the Internal Audit Department, and other departments, while attending important meetings including of the Board of Directors, Strategic Conference for Management, and various other committees to receive reports regarding the execution of duties from Directors and departments in charge, and requested explanations as necessary. Standing Corporate Auditors also inspected important decision-making documents and examined the status of operations and the condition of the Company's assets. With regard to subsidiaries, standing Corporate Auditors strived to communicate and exchange information with Directors, Corporate Auditors, etc. of subsidiaries and receive business reports from subsidiaries as necessary. As for internal control systems, the standing Corporate Auditors periodically received reports from Directors and the Internal Audit Department regarding the development and operation thereof, requested explanations as necessary, and expressed opinions. Standing 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. Standing Corporate Auditors also discussed Key Audit Matters (KAM) with the accounting auditor, obtained reports on the status of audits, and requested explanations as necessary. In addition, Standing Corporate Auditors held quarterly meetings with the accounting auditor and the Internal Audit Department to share information and exchange opinions.

2) Status of internal audit

The Internal Audit Department, consisting of 12 members and reporting directly to the president, cooperates with Corporate Auditors to support their duties, pursuant to the internal rules. However, employees assigned at the Internal Audit Department shall not concurrently engage in duties related to business execution, and the relocation of the General Manager of the Internal Audit Department shall be consulted between the Representative Director and President and Corporate Auditors in advance, and opinions of the Corporate Auditors shall be respected, thereby their independence and effectiveness are enhanced.

3) Status of financial audit

(a) Name of auditing firm

KPMG AZSA LLC

(b) The length of years the Accounting Auditor has served

44 years

The foregoing refers to the period subsequent to the incorporation of Tatsuo Inoue Audit Corporation as an audit corporation, which is one of the predecessors of KPMG AZSA LLC, the Company's incumbent accounting auditor.

(c) Certified public accountants having executed accounting audit works

Akihiro Otani

Toshiyuki Nishida

Kenji Ueda

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

7 certified public accountants, 5 successful applicants who have passed the Certified Public Accountants examination and 6 other people.

(e) Policy and reasons for appointment of accounting auditor

Based on the evaluation and appointment criteria as well as policy for determining dismissal or non-reappointment of the accounting auditor specified by the Board of Auditors of the Company, the Company confirmed that KPMG AZSA LLC has the expertise, independence, and quality management system required for the accounting auditor of the Company as well as the system to perform audits of the Company's global activities in an integrated manner. After comprehensive examination based on its audit track record, the Company decided that KPMG AZSA LLC is adequate and appointed the firm as our accounting auditor.

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

(f) Valuation of accounting auditor by the Board of Auditors

The Board of Auditors of the Company has established the criteria for evaluation and appointment of the accounting auditor, and carries out evaluation of the accounting auditor based on those criteria in each fiscal year. The Board of Auditors conducted evaluation for the current fiscal year upon deliberation, based on reports on the quality management system, etc., from the accounting auditor and opinions of the Financial Management Department and Internal Audit Department.

4) Details of audit compensation

(a) Details of compensation to independent auditors

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	73	0	71	-
Consolidated subsidiaries	136	3	142	0
Total	209	3	214	0

(Previous fiscal year)

The details of non-audit work for which the Company paid compensation to certified public accountants consist of commissioned work related to internal training of the Company.

The details of non-audit work for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures, etc., other than services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(Current fiscal year)

The details of non-audit work for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures, etc., other than services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(b) Details of compensation to organizations which belong to same network with the certified public accountants, KPMG Member Firm, other than described in (a)

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	-	-	-	-
Consolidated subsidiaries	125	31	129	45
Total	125	31	129	45

(Previous fiscal year)

The details of non-audit work for which the subsidiaries of the Company paid compensation to organizations which belong to the same network with the certified public accountants of the Company consist of tax-related advisory services, etc.

(Current fiscal year)

The details of non-audit work for which the subsidiaries of the Company paid compensation to organizations which belong to the same network with the certified public accountants of the Company consist of tax-related advisory services, etc.

(c) Other material compensation to independent auditors

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

(d) Policy on determining audit fee

In determining the amount of audit fees, the Company considers matters that include the number of days of audit taking into consideration of the size of the Company, the scope and characteristics of the audit, etc.

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

The Board of Auditors gave consent pursuant to Article 399, Paragraph 1 and Paragraph 2 of the Companies Act to the amount of compensation of the accounting auditor, following the verification and examination of factors including evaluation of audit results for the previous fiscal year, as well as the content of the audit plan, the status of duties performed by the accounting auditor, and adequacy of the estimated compensation of the accounting auditor for the current fiscal year.

(4) Compensation of Directors and Corporate Auditors

1. Overview of the officer compensation system and its results for the fiscal year under review

1) Amounts disbursed to the Directors and the Corporate Auditors

Category	Total amount of compensation (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus (Monetary compensation)	Stock compensation (Non-monetary compensation)	
Directors (excluding Outside Directors)	420	300	76	43	10
Outside Directors	19	19	-	-	2
Total	439	320	76	43	12
Corporate Auditors (excluding Outside Corporate Auditors)	37	37	-	-	2
Outside Corporate Auditors	28	28	-	-	3
Total	66	66	-	-	5

(Note) 1. The foregoing includes one Director who retired from his office at the close of the 160th Ordinary General Meeting of Shareholders held on June 29, 2021.

2. “Bonuses” and “stock compensation” are paid to Executive Directors as performance-based compensation, etc. The number of eligible recipients for the current fiscal year is 9. The amount of performance-based compensation, etc. shown in the above table is the amount of expense recognized and the amount paid for the current fiscal year.

3. The target values and actual results of indicators for the performance-linked compensation, etc. for the current fiscal year are as follows:

(Bonuses)

	Consolidated net sales	Consolidated operating profit
Target values	235.0 billion yen	5.5 billion yen
Results	237.4 billion yen	8.8 billion yen
Performance achievement ratios	101.02%	160.00%

(Stock compensation)

	Consolidated net sales (accumulated)	Consolidated operating profit (accumulated)
Target values	700.0 billion yen	15.2 billion yen
Results	679.3 billion yen	17.1 billion yen
Performance achievement ratios	97.04%	112.50%

2) Compensation from the Company and its subsidiaries

Name	Total compensation (Millions of yen)	Classification	Category	Total amount of each type (Millions of yen)		
				Fixed compensation	Performance-linked compensation	
				Basic compensation	Bonus (Monetary compensation)	Stock compensation (Non-monetary compensation)
Shinji Hattori	167	Director	The Company	72	22	9
		Director	Consolidated subsidiary: SEIKO WATCH CORPORATION	51	8	4

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

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

3) Matters related to the resolution of the General Meeting of Shareholders regarding compensation, etc. for Directors and Corporate Auditors

The total amount of basic compensation and bonuses for Directors has been set at 420 million yen or less per year by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. At the close of this Ordinary General Meeting of Shareholders, thirteen Directors (including two Outside Directors) are subject to the basic compensation, and six Directors who execute business duties are subject to the bonuses.

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

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

4) Policy for determining the contents of compensation, etc. for Officers

[Determination policy of Directors' compensation]

At the Board of Directors meeting held on March 9, 2021, the Company resolved the determination policy for the details of compensation, etc. for each individual Director as described in a) through f) below. The policy was determined by the Board of Directors after being deliberated on by the Corporate Governance Committee where outside officers account for the majority of members, as an advisory body for the Board of Directors.

a) Basic policy of the compensation for Directors

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

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

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

b) Compensation system for Directors

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

c) Policy for determining amounts of basic compensation (monetary compensation) to individuals (including policy for determining the timing or conditions for granting compensation, etc.)

Basic compensation for Directors of the Company shall be fixed monthly compensation and shall be determined in accordance with their roles and responsibilities, taking into consideration the level of similar companies, their years of service, and other factors in a comprehensive manner.

d) Policy for determining performance-linked compensation, etc., as well as the content, amounts, and the calculation method of the number of non-monetary compensation, etc. (including policy for determining the timing and conditions for granting compensation, etc.)

Performance-linked compensation, etc. shall consist of “bonuses” as monetary compensation and “stock compensation” as non-monetary compensation, etc.

(Bonuses)

The standard payment amount of bonuses is the amount determined by multiplying the basic compensation by the coefficient set by position. The individual payment amount for Representative Directors is determined by multiplying the standard payment amount by the payment rates according to the performance achievement ratio. The individual payment amount for Directors who execute business duties other than Representative Directors is a total of the amount calculated by multiplying the standard payment amount by the payment rates according to the performance achievement ratio and the amount calculated by multiplying the standard payment amount by the payment rates based on qualitative evaluation. Bonuses vary from 0% to 200% according to the target achievement level.

(Stock compensation)

For stock compensation, points that the individual payment amount converted into the number of shares are granted in each fiscal year. The individual payment amount is a total of the standard payment amount (fixed portion), calculated by multiplying the basic compensation by the coefficient set by position, and the amount (performance-linked portion), obtained by multiplying the standard payment amount by the payment rate according to the performance achievement ratio. The performance-linked portion of stock compensation varies from 0% to 200% according to the target achievement level. The ratios of the fixed portion and performance-linked portion are 50% each (when the performance achievement ratio is 100%).

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

	Bonuses	Stock compensation
Performance indicators	Consolidated net sales and consolidated operating profit * For target values, the forecast figures for consolidated net sales and consolidated operating profit published in the consolidated financial statements at the beginning of each fiscal year are adopted.	Consolidated net sales and consolidated operating profit *Target values are the published figures in the mid-term management plan, and are evaluated based on cumulative values from the first year to the fiscal year to be evaluated. For target values for fiscal years for which published figures are not available, figures resolved by the Board of Directors are adopted as the target value after taking into account the management environment in relevant fiscal years.
	(Exceptional rules) If an unpredictable event (an event that may have a significant impact on consolidated performance or corporate value) occurs during the evaluation period, the target values may be revised by resolution of the Board of Directors after being consulted by the Corporate Governance Committee.	
Timing of payment and delivery	The portion for the current fiscal year shall be paid at the end of May in the following year	The points for the current fiscal year shall be granted at the end of May in the following year. At the time of retirement, one point is converted into one share and the Company's shares are delivered.
Clauses for return of compensation	If a Director who executes business duties is dismissed from his/her position, or if a Director who executes business duties commits an act that may cause serious damages to the Company or any other act of misconduct comparable to such an act during the period up to the time of his/her retirement, all or part of the bonuses to be paid may be reduced by resolution of the Board of Directors.	If a person who is scheduled to receive compensation is dismissed from his/her position, or if a person who is scheduled to receive compensation commits an act that may cause serious damages to the Company and the group companies or any other act of misconduct comparable to such an act during the period up to the time of his/her retirement, all or part of the shares and monetary compensation to be paid may be reduced by resolution of the Board of Directors of the Company and the group companies.

e) Policy for determining the ratio of the amount of monetary compensation, the amount of performance-based compensation, etc., or the amount of non-monetary compensation, etc. to the amount of compensation, etc. for individual Directors

With regard to the compensation ratio of each type for Executive Directors, the level of peer companies shall be considered so that it will be an appropriate ratio as an incentive to contribute to the enhancement of the corporate value of the Company. After being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers, as an advisory body for the Board of Directors, the said policy shall be determined at the Board of Directors based on the deliberations. The guideline for the compensation ratio of each type shall be as follows (when the performance achievement ratio and the payment ratio based on qualitative evaluations are 100%):

	Fixed compensation	Performance-linked compensation	
	Basic compensation	Bonus	Stock compensation
Representative Directors	1.0 (71%)	0.2 (14%)	0.2 (14%)
Directors who execute business duties other than Representative Directors	1.0 (77%)	0.15 (11.5%)	0.15 (11.5%)

f) Matters for determining the content of compensation, etc. for individual Directors

With regard to the compensation ratio of each type for Executive Directors, the level of peer companies shall be considered so that it will be an appropriate ratio as an incentive to contribute to the enhancement of the corporate value of the Company. For part of the individual payment amount, details are determined by the Representative Director and Chairman and the Representative Director and President as entrusted by the Board of Directors based on its resolution. The details of such authority shall be the qualitative evaluation of the amount of basic compensation for each Director and bonuses for each Director who executes business duties.

To ensure that such authority is properly exercised by the Representative Director and Chairman and the Representative Director and President, the Corporate Governance Committee deliberates on the compensation level by director position each year. The

Representative Director and Chairman and the Representative Director and President as entrusted as above shall make decisions based on the content of such deliberations.

In addition, the individual performance-linked compensation, etc. for Directors who execute business duties (except for the aforementioned entrusted matters) is determined based on the rules as determined by a resolution of the Board of Directors (stipulating the calculation method of performance-linked compensation and non-monetary compensation, etc., in accordance with the policy as described in d) above).

After being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers, as an advisory body for the Board of Directors, the said contents of the compensation, etc. shall be determined by the Board of Directors based on the deliberations.

[Determination policy of Corporate Auditors' compensation]

The basic compensation for Corporate Auditors is determined by deliberations of Corporate Auditors within the total amount of compensation for Corporate Auditors approved by the General Meeting of Shareholders.

5) Matters related to delegation of determining compensation, etc. for individual Director

For part of the individual payment amount of the compensation for Directors, the Board of Directors entrusts the Representative Director and Chairman and the Representative Director and President to determine the specific details. The names, positions and responsibilities of the Representative Director and Chairman and the Representative Director and President as of the date of determination of part of such compensation for the current fiscal year are as follows:

Name	Position and responsibility at the Company
Shinji Hattori	Chairman & Group CEO Group Chief Culture Officer (Group CCO)
Shuji Takahashi	President

The authority to be entrusted and the measures to be taken to ensure that such authority is properly exercised are as described in above 4) f).

The reason for entrusting these authorities to the Representative Director and Chairman and the Representative Director and President is because the Company has judged that Representative Directors are the most suitable to evaluate the duties of each Director while having a bird's-eye view of the Company's overall performance, etc.

6) Reasons for the Board of Directors' determination that the details of individual compensation, etc. of Directors for the current fiscal year are in line with the relevant policy

In determining the details of individual compensation, etc. of Directors for the current fiscal year, the Corporate Governance Committee has conducted a multifaceted review, including consistency with the determination policy of the compensation level by position. Accordingly, the Board of Directors basically respects the report of the Corporate Governance Committee and has judged that the compensation is in line with the determination policy.

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

The Corporate Governance Committee deliberated on the appropriateness of the compensation level of Directors and the amount of performance-based compensation paid for the current fiscal year, and reported them to the Board of Directors

2. Overview of the officer compensation system for FY2022

Pursuant to the basic policy of the compensation for Directors, the Company revised the composition of compensation, indicators for the performance-linked compensation, and the calculation method of the performance-linked compensation.

In addition, in line with the introduction of the system of executive officer (senior vice president) on June 29, 2022, the Company decided to make Executive Officers (Senior Vice Presidents) eligible for the payment of performance-linked compensation, in addition to Directors who execute business duties.

This revision of the officer compensation system was determined by the Board of Directors meeting held on May 10, 2022, after being deliberated on multiple times by the Corporate Governance Committee where outside officers account for the majority of members.

a) Revision of the composition of compensation

In order to motivate Directors who execute business duties and Executive Officers (Senior Vice Presidents) to contribute to the enhancement of business performance and corporate value, the Company decided to increase the ratio of performance-linked compensation. The compensation ratio of each type is as follows (when the performance achievement ratio and the payment rate based on qualitative evaluations are 100%):

	Fixed compensation	Performance-linked compensation	
	Basic compensation	Bonuses	Stock compensation
Representative Directors	1.0 (60%)	0.33 (20%)	0.33 (20%)
Directors who execute business duties other than Representative Directors and Executive Officers (Senior Vice Presidents)	1.0 (70%)	0.21 (15%)	0.21 (15%)

b) Revision of indicators for the performance-linked compensation and the calculation method thereof

With the launch of the Eighth Mid-Term Management Plan (SMILE145) for the five-year period from FY2022 to FY2026, the Company has adopted important management indicators set forth in the plan as indicators for the performance-linked compensation.

	Bonuses	Stock compensation
Performance indicators	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Evaluation of individuals	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Consolidated ROIC 4) Evaluation of ESG: CO ₂ emissions reduction rate (SCOPE 1 and 2), etc.
Target values	1), 2) Forecast figures published at the beginning of each fiscal year	1) to 3) - For the first year and the final year in the Eighth Mid-Term Management Plan: Published figures - For the second to fourth years in the plan: “Actual results of the previous year” + “Difference of the planned figures between the current year and the previous year (percentage)” 4) CO ₂ emissions reduction rate (SCOPE 1 and 2) Annual reduction of 4.2% (compared to FY2020)
	(Exceptional rules) If an unpredictable event (an event that may have a significant impact on consolidated performance or corporate value) occurs during the evaluation period, the target values may be revised within a reasonable range by resolution of the Board of Directors after being consulted by the Corporate Governance Committee.	
Timing of payment and delivery	The portion for the current fiscal year shall be paid at the end of June in the following year.	The points for the current fiscal year shall be granted at the end of June in the following year. At the time of retirement, one point is converted into one share and the Company's shares are delivered.
Calculation method	The standard payment amount of bonuses is the amount determined by multiplying the basic compensation by the coefficient set by position. The individual payment amount for Representative Directors is determined by multiplying the standard payment amount by the payment rate according to the performance achievement ratio. The individual payment amount for Directors who execute business duties other than Representative Directors and Executive Officers (Senior Vice Presidents) is a total of the amount calculated by multiplying the standard payment amount by the payment rate according to the performance achievement ratio and the amount calculated by multiplying the standard payment amount by the payment rate based on qualitative evaluations. Bonuses vary from 0% to 200% according to the target achievement level.	The payment amount of stock compensation is a total of the standard payment amount (fixed portion), calculated by multiplying the basic compensation by the coefficient set by position, and the amount (performance-linked portion), obtained by multiplying the standard payment amount by the payment rate based on the financial and non-financial (ESG) evaluations. The performance-linked portion of stock compensation varies from 0% to 200% according to the target achievement level. The ratios of the fixed portion and performance-linked portion are 50% each (when the performance achievement ratio is 100%).

(5) Status of shares held

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

1) Standards of classification of investment shares

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

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

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

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

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

Most recently, the Company verified shares that fall under the above classification at the Board of Directors meeting held in August 2021. As a result, it was confirmed that the Company should continue to hold relevant shares to reinforce the business relationship, as the issuers of such shares are clients that are essential for maintaining and expanding the Group’s businesses going forward.

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

	Number of shares	Total amount recorded in the balance sheet (Millions of yen)
Unlisted shares	8	449
Shares other than unlisted stocks	1	22,092

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

Not applicable.

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

Not applicable.

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

Specified investment securities

Share name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative holding effects and reason for the increased number of shares	Holding of the Company’s shares
	Number of shares held by the Company	Number of shares held by the Company		
	Amount recorded in the balance sheet (Millions of yen)	Amount recorded in the balance sheet (Millions of yen)		
Seiko Epson Corporation	12,000,000	12,000,000	Purpose of holding: to maintain and strengthen a smooth business relationship. Quantitative holding effects: The Company considers that such holding is reasonable by the verifying method mentioned in above a).	Applicable
	22,092	21,600		

3) Shares for investment held solely for investment purpose

Not applicable.

V. Financial Information

1. Basis of preparation of the consolidated financial statements and non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Order of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements” (Order of the Ministry of Finance No. 59 of 1963) (hereinafter the “Regulation on Financial Statements, etc.”). As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulation on Financial Statements, etc.

2. Independent audit

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022) were audited by KPMG AZSA LLC, in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.

The Company is making particular efforts to ensure the appropriateness of the consolidated financial statements. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (hereinafter the “Foundation”) and participates in seminars and other programs sponsored by the Foundation in order to have an appropriate understanding about the contents of the accounting standards, etc., and establish a system so that the Company might be able to properly respond to the changes in the accounting standards, etc.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(a) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	*2 32,611	*2 30,740
Notes and accounts receivable - trade	37,185	-
Notes receivable - trade	-	2,730
Accounts receivable - trade	-	35,694
Contract assets	-	343
Merchandise and finished goods	42,365	42,847
Work in process	13,878	16,376
Raw materials and supplies	12,180	13,823
Accounts receivable - other	4,932	4,437
Other	8,306	9,102
Allowance for doubtful accounts	(1,421)	(1,310)
Total current assets	150,039	154,786
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 74,459	77,046
Machinery, equipment and vehicles	79,098	82,590
Tools, furniture and fixtures	34,183	35,782
Other	8,831	9,909
Accumulated depreciation	(150,227)	(156,227)
Land	*2,*5 54,409	*5 54,056
Construction in progress	2,422	1,942
Total property, plant and equipment	103,177	105,100
Intangible assets		
Goodwill	7,336	6,453
Other	8,493	8,391
Total intangible assets	15,830	14,844
Investments and other assets		
Investment securities	*1,*2,*6 41,463	*1,*6 43,536
Retirement benefit asset	391	773
Deferred tax assets	2,273	2,200
Other	*2 6,605	*2 6,397
Allowance for doubtful accounts	(109)	(106)
Total investments and other assets	50,625	52,802
Total non-current assets	169,632	172,747
Total assets	319,671	327,533

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,310	21,027
Electronically recorded obligations - operating	6,048	7,138
Short-term borrowings	72,611	63,709
Current portion of bonds payable	350	150
Current portion of long-term borrowings	17,315	23,719
Accounts payable – other	*2 9,266	11,359
Income taxes payable	1,478	1,546
Contract liabilities	-	*2 6,574
Provision for bonuses	3,634	4,174
Provision for goods warranties	367	409
Provision for loss on lease contracts	348	348
Provision for business restructuring	-	136
Other provisions	414	245
Asset retirement obligations	6	-
Other	*2 14,528	13,873
Total current liabilities	145,679	154,413
Non-current liabilities		
Bonds payable	450	300
Long-term borrowings	*2 35,263	28,752
Lease liabilities	4,499	4,096
Deferred tax liabilities	3,346	3,069
Deferred tax liabilities for land revaluation	*5 3,614	*5 3,614
Provision for loss on lease contracts	785	436
Provision for stock benefits	161	232
Provision for long-term goods warranties	86	90
Provision for retirement benefits for directors (and other officers)	35	19
Provision for gift certificate exchange losses	152	-
Other provisions	21	29
Retirement benefit liability	9,402	7,617
Asset retirement obligations	729	1,070
Other	2,361	2,166
Total non-current liabilities	60,909	51,494
Total liabilities	206,589	205,908
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	75,909	79,075
Treasury shares	(315)	(292)
Total shareholders' equity	92,839	96,028
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,431	10,942
Deferred gains or losses on hedges	(133)	(331)
Revaluation reserve for land	*5 8,190	*5 8,190
Foreign currency translation adjustment	1,055	5,116
Remeasurements of defined benefit plans	(687)	120
Total accumulated other comprehensive income	18,856	24,038
Non-controlling interests	1,387	1,557
Total net assets	113,082	121,624
Total liabilities and net assets	319,671	327,533

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

Consolidated statement of income

(Millions of yen)

	FY2020	FY2021
Net sales	202,671	*1 237,382
Cost of sales	*3 122,804	*3 138,203
Gross profit	79,866	99,178
Selling, general and administrative expenses	*2,*3 77,672	*2,*3 90,408
Operating profit	2,194	8,770
Non-operating income		
Interest income	55	67
Dividend income	771	774
Share of profit of entities accounted for using equity method	-	898
Foreign exchange gains	278	699
Royalty income	324	420
Other	885	696
Total non-operating income	2,315	3,557
Non-operating expenses		
Interest expenses	899	896
Share of loss of entities accounted for using equity method	1,826	-
Other	1,149	1,492
Total non-operating expenses	3,876	2,388
Ordinary profit	633	9,939
Extraordinary income		
Subsidy income	618	133
Gain on sale of investment securities	7,603	-
Gain on sale of non-current assets	*4 1,043	-
Gain on liquidation of subsidiaries and associates	140	-
Total extraordinary income	9,406	133
Extraordinary losses		
Loss on the spread of infectious disease	*5 3,614	*5 974
Business restructuring expenses	-	*6 221
Total extraordinary losses	3,614	1,196
Profit before income taxes	6,424	8,876
Income taxes - current	1,682	2,138
Income taxes - deferred	1,088	125
Total income taxes	2,771	2,264
Profit	3,653	6,611
Profit attributable to non-controlling interests	177	196
Profit attributable to owners of parent	3,475	6,415

Consolidated statement of comprehensive income

(Millions of yen)

	FY2020	FY2021
Profit	3,653	6,611
Other comprehensive income		
Valuation difference on available-for-sale securities	5,245	296
Deferred gains or losses on hedges	(144)	(198)
Foreign currency translation adjustment	1,878	3,308
Remeasurements of defined benefit plans, net of tax	553	680
Share of other comprehensive income of entities accounted for using equity method	(330)	1,171
Total other comprehensive income	*1 7,202	*1 5,258
Comprehensive income	10,855	11,870
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,617	11,597
Comprehensive income attributable to non-controlling interests	238	272

(c) Consolidated statement of changes in equity
Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,245	74,418	(328)	91,335
Cumulative effects of changes in accounting policies			82		82
Restated balance	10,000	7,245	74,501	(328)	91,418
Changes during period					
Dividends of surplus			(2,067)		(2,067)
Profit attributable to owners of parent			3,475		3,475
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		0	0
Disposal of treasury stock by ownership plan trust				13	13
Other				*3 (0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	1,408	12	1,420
Balance at end of period	10,000	7,245	75,909	(315)	92,839

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,486	11	8,190	(804)	(1,169)	11,714	1,223	104,273
Cumulative effects of changes in accounting policies								82
Restated balance	5,486	11	8,190	(804)	(1,169)	11,714	1,223	104,356
Changes during period								
Dividends of surplus								(2,067)
Profit attributable to owners of parent								3,475
Purchase of treasury shares								(0)
Disposal of treasury shares								0
Disposal of treasury stock by ownership plan trust								13
Other								(0)
Net changes in items other than shareholders' equity	4,944	(144)	-	1,859	482	7,141	163	7,305
Total changes during period	4,944	(144)	-	1,859	482	7,141	163	8,726
Balance at end of period	10,431	(133)	8,190	1,055	(687)	18,856	1,387	113,082

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,245	75,909	(315)	92,839
Cumulative effects of changes in accounting policies			(1,182)		(1,182)
Restated balance	10,000	7,245	74,727	(315)	91,657
Changes during period					
Dividends of surplus			(2,067)		(2,067)
Profit attributable to owners of parent			6,415		6,415
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Disposal of treasury stock by ownership plan trust				24	24
Other				*3 0	0
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	4,348	23	4,371
Balance at end of period	10,000	7,245	79,075	(292)	96,028

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,431	(133)	8,190	1,055	(687)	18,856	1,387	113,082
Cumulative effects of changes in accounting policies								(1,182)
Restated balance	10,431	(133)	8,190	1,055	(687)	18,856	1,387	111,900
Changes during period								
Dividends of surplus								(2,067)
Profit attributable to owners of parent								6,415
Purchase of treasury shares								(1)
Disposal of treasury shares								0
Disposal of treasury stock by ownership plan trust								24
Other								0
Net changes in items other than shareholders' equity	511	(198)	-	4,061	807	5,182	170	5,352
Total changes during period	511	(198)	-	4,061	807	5,182	170	9,723
Balance at end of period	10,942	(331)	8,190	5,116	120	24,038	1,557	121,624

(d) Consolidated statement of cash flows

(Millions of yen)

	FY2020	FY2021
Cash flows from operating activities		
Profit before income taxes	6,424	8,876
Depreciation	10,690	10,879
Increase (decrease) in allowance for doubtful accounts	65	(167)
Increase (decrease) in retirement benefit liability	(1,152)	(1,796)
Interest and dividend income	(827)	(842)
Interest expenses	899	896
Foreign exchange losses (gains)	74	(485)
Share of loss (profit) of entities accounted for using equity method	1,826	(898)
Loss (gain) on sale of investment securities	(7,603)	-
Loss (gain) on sale of non-current assets	(1,043)	-
Loss on retirement of non-current assets	192	304
Decrease (increase) in trade receivables	(911)	1,496
Decrease (increase) in inventories	(1,552)	(2,048)
Increase (decrease) in trade payables	(3,889)	176
Other, net	1,118	6,060
Subtotal	4,311	22,452
Interest and dividends received	827	842
Dividends received from entities accounted for using equity method	127	176
Interest paid	(898)	(897)
Extra retirement payments	*3 (1)	-
Income taxes paid	(1,492)	(2,215)
Net cash provided by (used in) operating activities	2,874	20,358
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,735)	(8,797)
Proceeds from sale of property, plant and equipment	1,864	642
Purchase of investment securities	(200)	(34)
Proceeds from sale of investment securities	10,624	301
Loan advances	(806)	(487)
Proceeds from collection of loans receivable	790	693
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (1,365)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 218
Other, net	(1,008)	(1,854)
Net cash provided by (used in) investing activities	(7,838)	(9,318)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,451,815	1,267,894
Repayments of short-term borrowings	(1,438,848)	(1,277,121)
Proceeds from long-term borrowings	20,800	18,600
Repayments of long-term borrowings	(19,172)	(19,045)
Repayments of lease liabilities	(1,798)	(1,716)
Dividends paid	(2,067)	(2,067)
Other, net	(265)	(453)
Net cash provided by (used in) financing activities	10,465	(13,909)
Effect of exchange rate change on cash and cash equivalents	727	1,267
Net increase (decrease) in cash and cash equivalents	6,228	(1,601)
Cash and cash equivalents at beginning of period	26,111	32,340
Cash and cash equivalents at end of period	*1 32,340	*1 30,738

Notes to consolidated Financial Statements

(Notes - important matters that are the basis for preparation of consolidated financial statements)

1. Matters relating to scope of consolidation

(1) Number of consolidated subsidiaries: 61

The names of consolidated subsidiaries are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

On April 1, 2021, SEIKO Clock Inc. was dissolved through an absorption-type merger with SEIKO Time Systems Inc., a consolidated subsidiary of the Company, as the surviving company. On the same date, SEIKO Time Systems Inc., the surviving company, changed its corporate name to SEIKO Time Creation Inc.

Total System Engineering Co., Ltd. has been included in the scope of consolidation from the third quarter of the fiscal year ended March 31, 2022 due to the acquisition of shares.

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

(Major unconsolidated subsidiaries)

AOBA WATCH SERVICE Co. Ltd.

(Reasons for exclusion from scope of consolidation)

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

2. Matters relating to the application of the equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: —

(2) Number of affiliated companies accounted for by the equity method: 5

The names of major companies are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

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

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

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

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

4. Matters relating to accounting policies

(1) Accounting policy for measuring significant assets

1) Securities

Available-for-sale securities

Securities other than shares that do not have market prices

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.)

Shares that do not have market prices

Stated at cost using the moving-average method

Investment Limited Partnership

Stated on a net basis equivalent to equity interests, based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement

2) Derivatives

Market value method

3) Inventories

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

(2) Depreciation methods for significant depreciable assets

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

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

Domestic consolidated companies use economically estimated useful lives, which reflect the estimated useful lives and actual use of each asset.

2) Intangible assets (excluding leased assets)

The straight-line method is used. As for software for in-house use, the straight-line method is used with a usable period of 5 years.

3) Leased assets

Leased assets relating to finance lease with transfer of ownership

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

Lease assets relating to finance lease without transfer of ownership

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

4) Right-of-use assets

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

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

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

2) Allowance for investment loss of subsidiaries and affiliates

In order to prepare for possible losses on investments to subsidiaries and affiliates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and affiliates of 4 million yen is directly reduced from the amount of investment securities.

3) Provision for bonuses

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

4) Provision for goods warranties

To provide for warranties of the goods sold at some of the consolidated subsidiaries overseas, respective estimated amount based on the past experience is posted.

5) Provision for loss on lease contracts

To provide for the loss expected to incur during the non-cancellable periods, an amount equivalent to the portion of rents for the real estate deemed likely to be non-performing up to the expiry of lease agreements is posted.

6) Provision for business restructuring

The Company has posted an estimated amount of losses expected to be incurred in the future as a result of business restructuring.

7) Provision for stock benefits

This is provided for based on the estimated amount of share delivery obligations at the end of the current fiscal year in preparation for the future delivery of the Company's shares to Directors who execute business duties, etc. at the parent company and its domestic consolidated subsidiaries pursuant to the Rules for Delivery of Shares to Officers.

8) Provision for retirement benefits for directors (and other officers)

Some of the domestic consolidated companies passed a resolution to discontinue their respective Directors' retirement benefit systems during the fiscal year ended March 2005 and that ended March 2014. Accordingly, the amount of retirement benefits for incumbent officers is posted corresponding to the terms of office till the end of the Ordinary General Meeting of Shareholders during the relevant consolidated fiscal year.

(4) Accounting for employees' retirement benefits

1) Method to attribute the estimated retirement benefits to the periods

To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review.

2) Method of amortization of actuarial gains and losses and prior service costs

The actuarial differences that resulted are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 8 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference. Prior service costs are basically recognized by the straight-line method over various periods that are not more than the average remaining service period of employees at the time of the accrual thereof.

(5) Accounting standards for significant income and expenses

1) Watches Business

The Group manufactures, sells, and provides repair services for its own products as the wholesale of watches, and provides retail services, including other companies' products, as the retail of watches.

With regard to the time of satisfaction of performance obligations for the wholesale of watches, the Group applies the alternative treatment prescribed in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (hereinafter, the "Revenue Recognition Implementation Guidance"), and recognizes revenue at the time of shipment, if the period between the shipment and the transfer of control of products to customers is primarily a normal period of time for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer. For the retail of watches, revenue is recognized when products are delivered to customers.

For transactions in which returns are expected at the time of sale, such amounts are not recognized as revenue, but are estimated based on historical experience and recognized as a liability for returns.

For transactions in which the Group acts as an agent, revenue is recognized at a net amount. For transactions in which the Group acts as the principal, revenue is recognized at a gross amount.

The Group generally receives consideration for transactions in the Watches Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.

2) Electronic Devices Business

The Group manufactures and sells products related to electronic devices, precision devices, and printing devices.

The Group applies the alternative treatment prescribed in Paragraph 98 of the Revenue Recognition Implementation Guidance, and recognizes revenue at the time of shipment, if the period between the shipment and the transfer of control of products to customers is primarily a normal period of time for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer.

The Group generally receives consideration for transactions in the Electronic Devices Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.

3) Systems Solutions Business

The Group develops and sells products for businesses related to system, IoT, and payment, and provides maintenance services for products sold and made-to-order software services.

With regard to the time of satisfaction of performance obligations for the sale of products, revenue is recognized when products are delivered to customers or when customers inspect the products. For maintenance services, revenue is recognized over the period the services are provided, as performance obligations are deemed to be satisfied over time, since the Group provides uniform services over the contract period. For the provision of made-to-order software services, revenue is recognized based on the degree of progress toward satisfying performance obligations, as performance obligations are deemed to be satisfied over a certain period of time. The degree of progress is measured based on the percentage of costs incurred to the end of each fiscal year of the total expected costs.

The Group generally receives consideration for transactions in the Systems Solutions Business within one to six months from the time when performance obligations are satisfied (in some cases, advance payments are received based on contracts), and the receivables arising from contracts with such customers are not adjusted for significant financial components.

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

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

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

(7) Significant hedge accounting methods

1) Hedge accounting method

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

2) Means of hedging and hedged items

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

3) Hedging policy

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

4) Assessment of hedge effectiveness

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

(8) Method and period of amortization of goodwill

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

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

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

(10) Matters relating to application of consolidated tax system

Consolidated taxation system is applied.

(11) Application of tax effect accounting concerning the transition from the consolidated taxation system to the Group Tax Sharing System

The parent company and its domestic consolidated subsidiaries, with a few exceptions, will make a transition from the consolidated taxation system to the group tax sharing system from the following consolidated fiscal year. However, they do not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) to items subjected to the transition to the Group Tax Sharing System and the review of the non-consolidated taxation system associated with the transition to the Group Tax Sharing System, which is established under the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 of 2020), due to the application of Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the tax act before the revision. From the beginning of the following consolidated fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021), which provides for the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting, when the group tax sharing system is adopted.

(Significant accounting estimates)

1. Valuation of inventories

(1) Amount recorded in the consolidated financial statements for the current fiscal year

	(Millions of yen)	
	Previous fiscal year	Current fiscal year
Watches Business	44,321	45,313
Electronic Devices Business	14,060	17,269
Systems Solutions Business	4,274	4,860
Time Creation, WAKO and other Businesses	6,326	6,267
Adjustments	(558)	(662)
<u>Consolidated Total</u>	<u>68,424</u>	<u>73,048</u>

(2) Information on the details of significant accounting estimates for identified items

At the Group, inventories are evaluated by writing down the book values in response to decreased profitability.

At each operating subsidiary, decreased profitability is reflected for products, etc. that have been removed from the operating cycle process beyond a certain holding period and holding volume, by using a regular write-down method of book values determined mainly based on past sales and disposal performance.

However, products, etc., which exceed a certain holding period and holding volume but are judged to be in the operating cycle process in light of recent sales performance and future sales forecasts, are excluded from the regular write-down of book values, in whole or in part.

The Watches Business deals with products directly related to personal consumption. Therefore, its business results and profitability of products are strongly affected by domestic and overseas economic trends, especially personal consumption. In addition, business results and profitability of products of the Electronic Devices Business are affected by demand trends of electronic devices, etc., in Japan and overseas. Economic trends and personal consumption may fluctuate significantly due to factors beyond the Group's control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining a regular write-down method of book values, in order to reflect the fact that profitability has decreased. In addition, significant judgments are made as to whether or not products, etc. excluded from the regular write-down of book values are in the operating cycle process.

Estimates involving such judgments and assumptions may be affected by future trends in personal consumption, etc., and may have a significant impact on amounts of inventories in the consolidated financial statements for the following fiscal year.

2. Valuation of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

	(Millions of yen)	
	Previous fiscal year	Current fiscal year
Deferred tax assets	2,273	2,200

(2) Information on the details of significant accounting estimates for identified items

Deferred tax assets are recognized by reasonably estimating the timing and amounts of future taxable income based on business plans, etc., and by judging collectability. Such estimates may be affected by changes in uncertain economic conditions in the future. If the timing and amounts of taxable income actually generated differ from the estimates, it may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

(Accounting estimates associated with the spread of the novel coronavirus)

Although it is still difficult to predict when the novel coronavirus will be contained, the Company has made accounting estimates of the recoverability of deferred tax assets, etc., based on the assumption that economic activities will recover in Japan and overseas from the following fiscal year.

(Changes in significant accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Accounting Standard, etc.”), etc., effective from the beginning of the fiscal year ended March 31, 2022, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when control of these goods or services is transferred to customers. Accordingly, as a result of determining the role of the Group (as an agent or a principal) in providing goods or services to customers, the Company has changed its method to recognize revenue at a net amount, for transactions in which it is determined that the Group acted as an agent. In addition, for transactions in which the Group acts as the principal, the Company has changed its method to recognize revenue, which had previously been recognized at a net amount after deducting the amount equivalent to commissions for distributors from the amount to be received from the customers, at a gross amount. In sales transactions in which goods are expected to be returned, the Company does not recognize revenue at the time of sales, but instead recognizes the amount of compensation for merchandise and finished goods that are expected to be returned as refund liabilities in “Other” under “Current liabilities,” and the assets that are recognized as the right to recover merchandise and finished goods from customers at the time of settlement of refund liabilities as return assets in “Other” under “Current assets.”

The application of the Revenue Recognition Accounting Standard, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retroactive application of the new accounting policy, assuming that it has been applied to periods prior to the beginning of the fiscal year ended March 31, 2022, is added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the beginning balance.

“Notes and accounts receivable - trade,” which had been presented under “Current assets” in the consolidated balance sheets of the previous fiscal year, has been included in “Notes receivable - trade,” “Accounts receivable – trade,” and “Contract assets” from the current fiscal year. “Other,” which had been presented under “Current liabilities” in the consolidated balance sheets of the previous fiscal year, has been included in “Contract liabilities” and “Other” from the current fiscal year. In accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has not reclassified financial statements for the previous fiscal year using the new presentation method.

As a result, compared to before the application of the Revenue Recognition Accounting Standard, etc., accounts receivable - trade decreased by 396 million yen, contract assets increased by 343 million yen, merchandise and finished goods decreased by 4 million yen, raw materials and supplies increased by 27 million yen, other in current assets increased by 1,313 million yen, investment securities increased by 26 million yen, deferred tax assets increased by 358 million yen, accounts payable - other decreased by 39 million yen, contract liabilities increased by 6,311 million yen, other in current liabilities decreased by 3,610 million yen, the balance of retained earnings decreased by 993 million yen in the consolidated balance sheets for the current fiscal year. Net sales increased by 2,834 million yen, cost of sales decreased by 282 million yen, and selling, general and administrative expenses increased by 2,881 million yen in the consolidated statements of income for the current fiscal year. Accordingly, operating profit increased by 235 million yen, and ordinary profit and profit before income taxes increased by 299 million yen, respectively.

In the consolidated statements of cash flows for the current fiscal year, profit before income taxes increased by 299 million yen, decrease (increase) in trade receivables increased by 304 million yen, decrease (increase) in inventories increased by 53 million yen, and other, net in cash flows from operating activities decreased by 656 million yen.

Due to the cumulative effects to net assets at the beginning of the current fiscal year, the beginning balance of retained earnings in the consolidated statements of changes in net assets decreased by 1,182 million yen.

For the current fiscal year, net assets per share decreased by 24.09 yen, and basic earnings per share and diluted earnings per share increased by 4.52 yen. In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes to “Revenue recognition” relating to the previous fiscal year are not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc., effective from the beginning of the fiscal year ended March 31, 2022. In accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Fair Value Measurement Accounting

Standard, etc. into the future. However, this application has no impact on the consolidated financial statements. In addition, the Company includes notes on matters relating to breakdown, etc. of market values of financial instruments by level in the notes to “Financial instruments.” However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes relating to the previous fiscal year are not presented.

(Notes - New accounting standards not yet applied)

For the Company and the domestic consolidated subsidiaries

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, the Accounting Standards Board of Japan)

1. Overview

The guidance provides the treatment regarding calculation of the fair value of investment trusts and notes thereof, as well as notes to the fair value of investments in partnerships, etc., for which the amount equivalent to equity interests is recorded on the balance sheet on a net basis.

2. Scheduled effective date

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2023.

3. Impact from applying new accounting standard, etc.

The application of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” has no significant impact on the consolidated financial statements.

(Changes in presentation)

(Consolidated statement of income)

“House rent and other rental revenues” presented separately under “Non-operating income” in the previous fiscal year have been included in “Others” under “Non-operating income” in the current fiscal year, due to the decreased materiality. To reflect this change in the presentation method, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 350 million yen presented in “House rent and other rental revenues” under “Non-operating expenses” in the consolidated statement of income for the previous fiscal year has been reclassified into “Others”.

(Supplementary information)

(Board Benefit Trust (BBT) for executive directors)

The Company has introduced a performance-linked stock compensation plan, “Board Benefit Trust (BBT)” (hereinafter, “the Plan”), for the Company’s Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors) and Directors who execute business duties of certain subsidiaries and who meet certain requirements (hereinafter, the “Directors, etc.”), for the purpose of raising awareness of the need to contribute to improvement of the Company’s mid- to long-term performance and enhancement of corporate value.

1. Outline of transactions

The Plan is a structure to deliver the Company’s shares to the Directors, etc., who meet certain requirements pursuant to the “Rules for Delivery of Shares to Officers” prescribed by the Company and certain subsidiaries.

The Company and certain subsidiaries grant points to the Directors, etc. according to their position and the degree of achievement of the mid- to long-term performance index, etc. in the relevant fiscal year, and deliver the Company’s shares to them according to the determined points at the time of retirement of the Directors who execute business duties. However, if a Director who executes business duties 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. The shares to be delivered to the Directors, etc. shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

2. Shares of the Company remaining in trust

The Company’s shares remaining in trust are posted as treasury shares in the “Net assets” section based on the book value in the trust (excluding the amount of incidental costs). The book value and number of shares of such treasury shares as of March 31, 2021 and 2022 are 148 million yen and 94,300 shares and 124 million yen and 78,800 shares, respectively.

(Notes - Consolidated balance sheet)

*1. Investments in unconsolidated subsidiaries and affiliates are as follows:

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Investment securities (stocks)	18,272	20,176

*2. Pledged assets and secured liabilities

(Millions of yen)		
Pledged assets		
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Cash and deposits	28	31
Buildings	51	-
Land	360	-
Investment securities	85	-
Deposits (Investments and other assets)	379	383
Total	904	414

(Millions of yen)		
Secured liabilities		
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Accounts payable - other	0	-
Gift certificates (Contract liabilities)	-	320
Gift certificates (Current liabilities; Other)	76	-
Long-term borrowings	220	-
Total	296	320

3. Guarantee obligations

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

(Millions of yen)		
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Employees (housing fund)	3	1

4. Discounted trade notes receivable (Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Amount of discount on trade notes receivable	919	944

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

(1) Method of revaluation

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

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

*6. Investment securities provided for lending shares are as follows: (Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Investment securities	368	406

7. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital. The status of the commitments as of the end of the current fiscal year is as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Total availability of loan commitment	28,500	33,500
Outstanding balance	12,700	12,900
Unused balance	15,800	20,600

(Notes - Consolidated statement of income)

*1. Revenue arising from contracts with customers

With respect to net sales, the Company does not disaggregate revenue arising from contracts with customers and other revenues. The amount of revenue arising from contracts with customers is presented in “Notes to consolidated Financial Statements (Revenue recognition), 1. Information regarding disaggregated revenue arising from contracts with customers.”

*2. Major components of selling, general and administrative expenses (Millions of yen)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Advertising and promotion expenses	14,929	15,985
Provision of allowance for doubtful accounts	90	50
Salaries and wages	28,827	32,970
Provision for bonuses	2,023	2,365
Retirement benefit expenses	1,224	1,294

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

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	4,095	4,106

*4. Gain on sales of non-current assets

Gain on sales of non-current assets in the previous fiscal year is posted from sales of land.

*5. Loss on the spread of infectious disease

The loss on the spread of infectious disease posted in the previous and current fiscal year mainly consist of fixed costs while suspension of operations and business activities.

*6. Business restructuring expenses

Detail of business restructuring expenses posted in the current fiscal year is as follows.

Expenses related to the transfer of headquarters functions of overseas subsidiaries	163 million yen
Valuation loss on the withdrawal of some of the production process of the Electronic Devices Business	58 million yen

(Notes - Consolidated statement of comprehensive income)

*1. Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities		
Amount arising during the period	7,709	520
Reclassification adjustments	(24)	(152)
Before tax-effect adjustment	7,685	368
Amount of tax effects	(2,439)	(72)
Valuation difference on available-for-sale securities	5,245	296
Deferred gains or losses on hedges		
Amount arising during the period	(227)	61
Reclassification adjustments	68	(314)
Before tax-effect adjustment	(158)	(253)
Amount of tax effects	14	54
Deferred gains or losses on hedges	(144)	(198)
Foreign currency translation adjustment		
Amount arising during the period	1,931	3,308
Reclassification adjustments	(53)	—
Before tax-effect adjustment	1,878	3,308
Amount of tax effects	-	—
Foreign currency translation adjustment	1,878	3,308
Remeasurements of defined benefit plans		
Amount arising during the period	416	628
Reclassification adjustments	275	222
Before tax-effect adjustment	691	850
Amount of tax effects	(138)	(170)
Remeasurements of defined benefit plans	553	680
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	(331)	1,171
Reclassification adjustments	1	—
Before tax-effect adjustment	(330)	1,171
Amount of tax effects	-	—
Share of other comprehensive income of entities accounted for using equity method	(330)	1,171
Total other comprehensive income	7,202	5,258

(Notes - Consolidated statement of changes in equity)

Previous fiscal year (from April 1, 2020 to March 31, 2021)

1. Issued shares and treasury shares

(Thousands of shares)

	At the beginning of period	Increase	Decrease	At the end of period
Issued shares:				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares:				
Common share (Note)	183	0	8	175
Total	183	0	8	175

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 102 thousand shares at the beginning of the current fiscal year and 94 thousand shares at the end of the current fiscal year of the Company held in the Board Benefit Trust (BBT).

The increase in common shares held as treasury shares is from purchase of shares less than one unit and due to a change in the ownership ratio of entities accounted for by the equity method.

The decrease of 8 thousand shares of common stock held as treasury shares was due to a decrease from a sale of the Company's shares held in the Board Benefit Trust (BBT), as well as a decrease requests for sale of shares less than one unit.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2020	Common share	1,550	37.50	March 31, 2020	June 29, 2020
Board of Directors meeting on November 10, 2020	Common share	516	12.50	September 30, 2020	December 7, 2020

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 26, 2020 includes a dividend of 3 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 10, 2020 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

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

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common share	1,033	Retained earnings	25.00	March 31, 2021	June 30, 2021

(Note) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2021 includes a dividend of 2 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

*3. "Other" of -0 million yen under treasury shares was the amount of changes due to a change in the ownership ratio of entities accounted for by the equity method.

Current fiscal year (from April 1, 2021 to March 31, 2022)

1. Issued shares and treasury shares

(Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares				
Common share (Note)	175	0	15	160
Total	175	0	15	160

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 94 thousand shares at the beginning of the current fiscal year and 78 thousand shares at the end of the current fiscal year of the Company held in the Board Benefit Trust (BBT).

The increase in common shares held as treasury shares is from purchase of shares less than one unit.

The decrease of 15 thousand shares of common stock held as treasury shares was due to a decrease from a sale of the Company's shares held in the Board Benefit Trust (BBT), as well as a decrease requests for sale of shares less than one unit.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common share	1,033	25.00	March 31, 2021	June 30, 2021
Board of Directors meeting on November 9, 2021	Common share	1,033	25.00	September 30, 2021	December 6, 2021

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2021 includes a dividend of 2 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 9, 2021 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

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

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2022	Common share	1,033	Retained earnings	25.00	March 31, 2022	June 30, 2022

(Note) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2022 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

*3. "Other" of 0 million yen under treasury shares was the amount of changes due to a change in the ownership ratio of entities accounted for by the equity method.

(Notes - Consolidated statement of cash flows)

*1. Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

	(Millions of yen)	
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Cash and deposits	32,611	30,740
Time deposits with maturities of more than three months	(271)	(1)
Cash and cash equivalents at the end of period	32,340	30,738

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

Previous fiscal year (from April 1, 2020 to March 31, 2021)

The relation between major components of assets, liabilities and acquisition price of consolidated subsidiary acquired by purchase of shares and “Purchase of shares of subsidiaries resulting in change in scope of consolidation” is as follows:

	(Millions of yen)
Current assets	2,853
Non-current assets	995
Goodwill	861
Current liabilities	(620)
Non-current liabilities	(1,602)
Acquisition price of shares	2,487
Cash and cash equivalents of the new consolidated subsidiary	(1,121)
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	1,365

Current fiscal year (from April 1, 2021 to March 31, 2022)

The relation between major components of assets, liabilities and acquisition price of consolidated subsidiary acquired by purchase of shares and “Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation” is as follows:

	(Millions of yen)
Current assets	984
Non-current assets	20
Goodwill	79
Current liabilities	(143)
Non-current liabilities	(340)
Acquisition price of shares	600
Cash and cash equivalents of the new consolidated subsidiary	(818)
Balance: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	218

*3. “Extra retirement payments” in the previous fiscal year consist of total amount paid including redundancy payment.

(Leases)

1. Finance lease transactions

Finance lease transactions without ownership transfer

1) Details of leased assets

Property, plant and equipment

Mainly production facilities (“machinery, equipment and vehicles”) and others (“tools, furniture and fixtures.”)

Intangible assets

Mainly software.

2) Depreciation method of leased assets

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

2. Right-of-use assets

1) Details of right-of-use assets

Fixed assets

Mainly retail stores, offices and production facilities (“buildings and structures”), vehicles (“machinery, equipment and vehicles”) and others (“tools, furniture and fixtures.”)

2) Depreciation method of right-of-use assets

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

3. Operating lease transactions

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

(Millions of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Due within one year	3,375	3,024
Due after one year	7,871	4,432
Total	11,246	7,457

(Financial instruments)

1. Overview of financial instruments

(1) Policy to manage financial instruments

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

(2) Description of financial instruments and related risks

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

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

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 borrowings.

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

(3) Risk management structure regarding financial instruments

1) Management of credit risk

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

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

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

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

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

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

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

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

3) Management of liquidity risk related to financing

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

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

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

2. Market value of financial instruments

Amounts posted on the consolidated balance sheet, market values, and the corresponding differences between the two are as follows.

Previous fiscal year (as of March 31, 2021)	(Millions of yen)		
	Balance sheet amount	Market value	Difference
(1) Investment securities			
1) Shares of subsidiaries and associates	15,383	17,425	2,041
2) Available-for-sale securities	22,619	22,619	-
Total assets	38,003	40,044	2041
(2) Current portion of bonds payable	350	350	0
(3) Current portion of long-term borrowings	17,315	17,317	2
(4) Bonds payable	450	450	0
(5) Long-term borrowings	35,263	35,291	28
Total liabilities	53,378	53,409	31
Derivative transactions (*3)	(258)	(258)	-

(*1) Notes to cash are omitted. Deposits, notes receivable - trade, accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and accounts payable - other are omitted, as these are settled within a short time frame and therefore have a market value approximate to their book value.

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

Classification	Previous fiscal year (as of March 31, 2021)
Unlisted shares of subsidiaries and affiliates	2,888
Unlisted shares	147
Investment Limited Partnership	424

Unlisted shares and unlisted shares of subsidiaries and affiliates have no market price, and it is recognized that ascertaining their market value is extremely difficult. As such, these items are not included in “(1) Investment securities”.

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

Current fiscal year (as of March 31, 2022)

(Millions of yen)

	Balance sheet amount	Market value	Difference
(1) Investment securities			
1) Shares of subsidiaries and associates	16,884	13,369	(3,514)
2) Available-for-sale securities	22,826	22,826	—
Total assets	39,710	36,195	(3,514)
(2) Current portion of bonds payable	150	149	(0)
(3) Current portion of long-term borrowings	23,719	23,732	12
(4) Bonds payable	300	299	(0)
(5) Long-term borrowings	28,752	28,754	2
Total liabilities	52,922	52,935	13
Derivative transactions (*3)	(631)	(631)	—

(*1) Notes to cash are omitted. Deposits, notes receivable - trade, accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and accounts payable - other are omitted, as these are settled within a short time frame and therefore have a market value approximate to their book value.

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

Classification	Previous fiscal year (as of March 31, 2022)
Unlisted shares of subsidiaries and affiliates	3,292
Unlisted shares	142
Investment Limited Partnership	391

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

(Note 1) Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

Previous fiscal year (as of March 31, 2021)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	32,611	-	-	-
Notes and accounts receivable - trade	37,176	3	4	1
Accounts receivable - other	4,932	-	-	-
Total	74,720	3	4	1

Current fiscal year (as of March 31, 2022)		(Millions of yen)		
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	30,740	-	-	-
Notes receivable - trade	2,730	-	-	-
Accounts receivable - trade	35,685	8	-	-
Accounts receivable - other	4,437	-	-	-
Total	73,593	8	-	-

(Note 2) Redemption schedule after the balance sheet date for borrowings and other interest-bearing debts

Previous fiscal year (as of March 31, 2021)		(Millions of yen)				
	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	72,611	-	-	-	-	-
Current portion of bonds payable and Bonds payable	350	150	300	-	-	-
Current portion of long-term borrowings and Long-term borrowings	17,315	18,297	7,596	2,110	260	7,000
Total	90,276	18,447	7,896	2,110	260	7,000

Current fiscal year (as of March 31, 2022)		(Millions of yen)				
	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	63,709	-	-	-	-	-
Current portion of bonds payable and Bonds payable	150	300	-	-	-	-
Current portion of long-term borrowings and Long-term borrowings	23,719	12,898	6,941	1,512	7,400	-
Total	87,579	13,198	6,941	1,512	7,400	-

3. Matters relating to breakdown, etc. of market values of financial instruments by level

Market values of financial instruments are classified into the following three levels based on the observability and materiality of inputs used to calculate market values.

Level 1 market value: Market value calculated using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the market value measurement

Level 2 market value: Market value calculated using observable inputs other than Level 1 inputs

Level 3 market value: Market value calculated using unobservable inputs

When multiple inputs that have a significant impact on the calculation of market value are used, the market value is classified in the level with the lowest priority in the calculation of market value among the levels to which those inputs belong.

(1) Financial instruments recorded in the consolidated balance sheet at market value

Current fiscal year (as of March 31, 2022)

(Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	22,826	-	-	22,826
Derivative transactions				
Currency-related	-	27	-	27
Interest-related				
Total assets	22,826	27	-	22,853
Derivative transactions				
Currency-related	-	(572)	-	(572)
Interest-related	-	(86)	-	(86)
Total liabilities	-	(658)	-	(658)

(2) Financial instruments other than those recorded in the consolidated balance sheet at market value

Current fiscal year (as of March 31, 2022)

(Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Shares of subsidiaries and affiliates				
Stocks	13,369	-	-	13,369
Total assets	13,369	-	-	13,369
Current portion of bonds payable	-	149	-	149
Current portion of long-term borrowings	-	23,732	-	23,732
Bonds payable	-	299	-	299
Long-term borrowings	-	28,754	-	28,754
Total liabilities	-	52,935	-	52,935

(Note) Valuation methods used for the measurement of market value and a description of inputs

Assets

Investment securities

Listed shares are valued using quoted prices. Since listed shares are traded in active markets, their market value is classified as Level 1 market value.

Liabilities

Current portion of bonds payable and Bonds payable

The market value of bonds payable, which are issued by subsidiaries, is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the remaining term and credit risk of the bonds. It is classified as Level 2 market value.

Current portion of long-term borrowings and Long-term borrowings

The market value of long-term borrowings is calculated by taking into account the remaining term of the bonds liabilities and discounting the total amount of principal and interest by the assumed interest rate that would be applied when new borrowings are conducted. It is classified as Level 2 market value. The market value of long-term borrowings that are subject to exceptional accounting treatment for interest-rate swaps is calculated by taking into account the remaining term of the bonds liabilities and 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.

Derivative transactions

The market values of interest-rate swaps and forward exchange contracts are calculated using observable inputs such as interest rates and foreign exchange rates. They are classified as Level 2 market values. Derivatives conducted through exceptional accounting treatment of for interest-rate swaps are treated as being one with the long-term borrowings 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 borrowings concerned.

(Securities)

1. Available-for-sale securities

Previous fiscal year (as of March 31, 2021)

(Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	22,466	7,770	14,695
	Subtotal	22,466	7,770	14,695
Securities whose B/S amount do not exceed their acquisition price	Shares	153	174	(21)
	Subtotal	153	174	(21)
Total		22,619	7,944	14,674

Current fiscal year (as of March 31, 2022)

(Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	22,793	7,614	15,179
	Subtotal	22,793	7,614	15,179
Securities whose B/S amount do not exceed their acquisition price	Shares	32	37	(5)
	Subtotal	32	37	(5)
Total		22,826	7,652	15,174

2. Available-for-sale securities sold

Previous fiscal year (as of March 31, 2021)

This information is not provided due to its low materiality.

Current fiscal year (as of March 31, 2022)

This information is not provided due to its low materiality.

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

Previous fiscal year (as of March 31, 2021)

(Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	1,345	-	(81)	(81)
	EUR	767	-	(24)	(24)
	Buy:				
	USD	143	-	(2)	(2)
	EUR	15	-	0	0
Total		2,271	-	(108)	(108)

Current fiscal year (as of March 31, 2022)

(Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	2,541	-	2,641	(150)
	EUR	661	-	693	(32)
	Buy:				
	USD	170	-	173	2
	EUR	52	-	52	(0)
Total		3,425	-	3,560	(179)

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

Previous fiscal year (as of March 31, 2021)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		4,774	-	(157)
	EUR		1,853	-	(52)
	GBP		332	-	(27)
	AUD		309	-	(14)
	THB		1,034	-	14
	Buy:	Accounts payable - trade			
USD		4,367	205	267	
Deferral hedge accounting (“furiate-shori”) of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	EUR		198	-	(6)
	GBP		41	-	(3)
	AUD		49	-	(2)
	Buy:	Accounts payable - trade			
	USD		382	-	18
THB		33	-	1	
Total			13,377	205	37

Current fiscal year (as of March 31, 2021)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		7,764	-	(291)
	EUR		1,838	-	(64)
	GBP		155	-	(4)
	AUD		426	-	(28)
	Buy:	Accounts payable - trade			
	USD		131	-	23
Deferral hedge accounting ("furiate-shori") of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		340		(20)
	EUR		86	-	(2)
	GBP		13	-	(0)
	AUD		46	-	(3)
	Buy:	Accounts payable - trade			
	USD		270	-	20
Total			11,073	-	(370)

(2) Interest-related transactions

Previous fiscal year (as of March 31, 2021)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Swaps:				
	Pay fixed/receive floating	Short-term borrowings	13,000	13,000	(179)
Special treatment	Swaps:				
	Pay fixed/receive floating	Long-term borrowings	1,990	1,170	Note

Note: Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings that represent hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

Current fiscal year (as of March 31, 2022)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Swaps:				
	Pay fixed/receive floating	Short-term borrowings	13,000	5,000	(86)
Special treatment	Swaps:				
	Pay fixed/receive floating	Long-term borrowings	1,170	530	Note

Note: Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings that represent hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

(Retirement benefits)

1. Outline of adopted retirement benefit plans

Certain domestic consolidated subsidiaries have a retirement lump-sum plan (non-installment type) and a defined benefit pension plan (installment type) to pay retirement benefits to employees.

Under the retirement lump-sum plan, a lump-sum payment based on salaries and service periods is paid as retirement benefits.

In addition, redundancy payments that are not subject to retirement benefit liability calculated based on an actuarial method in accordance with retirement benefit accounting may be paid in some cases when employees retire.

Certain overseas consolidated subsidiaries have a defined benefit pension plan (installment type) or a retirement lump-sum plan (non-installment type) to prepare for paying retirement benefits to employees. The parent company and certain consolidated subsidiaries have a defined contribution pension plan. Under a retirement lump-sum plan held by certain domestic consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using the simplified method.

2. Defined-benefit plan

(1) Adjustments between the beginning and ending balances of retirement benefits obligation (except for plans using a simplified method)

	(Millions of yen)	
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Retirement benefits obligation at the beginning of the period	13,823	15,007
Service cost	84	73
Interest cost	223	220
Actuarial gains and losses generated	804	(445)
Retirement benefits paid	(1,024)	(1,558)
Effect of foreign currency translation	1,086	579
Other	8	(0)
Retirement benefits obligation at the end of the period	15,007	13,874

(2) Adjustments between the beginning and ending balances of plan assets (except for plans using a simplified method)

	(Millions of yen)	
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Plan assets at the beginning of the period	7,390	9,607
Expected return on plan assets	169	184
Actuarial gains and losses generated	1,357	207
Contribution from employers	119	105
Retirement benefits paid	(439)	(503)
Effect of foreign currency translation	1,003	580
Other	7	(3)
Plan assets at the end of the period	9,607	10,178

(3) Adjustments between the beginning and ending balances of net defined benefit liability for plans using a simplified method

	(Millions of yen)	
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Net defined benefit liability at the beginning of the period	4,021	3,611
Retirement benefit expenses	287	186
Retirement benefits paid	(261)	(600)
Contribution to plans	(72)	(50)
Increase due to newly consolidated subsidiary	(363)	1
Net defined benefit liability at the end of the period	3,611	3,147

(4) Adjustments between the ending balances of retirement benefits obligation and plan assets and the net defined benefit liability and net defined benefit assets reported on the consolidated balance sheet

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Retirement benefits obligation for funded plans	10,451	10,308
Plan assets	(10,467)	(11,081)
	(16)	(773)
Retirement benefits obligation for unfunded plans	9,027	7,617
Net defined liability and assets reported on the consolidated balance sheet	9,011	6,843
Net defined benefit liability	9,402	7,617
Net defined benefit assets	(391)	(773)
Net defined liability and assets reported on the consolidated balance sheet	9,011	6,843

(Note) This includes a plan using the simplified method.

(5) The amounts of components of retirement benefit expenses

	(Millions of yen)	
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Service cost	84	73
Interest cost	223	220
Expected return on plan assets	(169)	(184)
Amortization of actuarial gains and losses	257	193
Amortization of prior service cost	(115)	-
Retirement benefit expenses calculated using the simplified method	287	186
Non-recurring redundancy payments	109	183
Other	1	2
Total	679	674

(6) Remeasurements of defined benefit plans reported under "Other comprehensive income"

Remeasurements of defined benefit plans (reported under "Other comprehensive income" in the statements of comprehensive income) (before tax effects) are as follows:

	(Millions of yen)	
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Prior service cost	(115)	-
Actuarial gains and losses	807	850
Total	691	850

(7) Remeasurements of defined benefit plans reported under “Accumulated other comprehensive income”

Remeasurements of defined benefit plans (reported under “Accumulated other comprehensive income” in the net assets section in the consolidated balance sheets) (before tax effects) are as follows:

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Unrecognized actuarial gains and losses	(336)	514
Total	(336)	514

(Note) The above items are related to consolidated companies and do not include unrecognized items (share of other comprehensive income) of affiliates accounted for by the equity method.

(8) Plan assets

Major components of plan assets

Ratio of each major component of plan assets is as follows:

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Bonds	33%	37%
Stocks	40%	33%
Cash and deposits	5%	1%
Alternative	22% (Note)	29% (Note)
Total	100%	100%

(Note) “Alternative” included in “Other” in the previous fiscal year has been presented separately in the current fiscal year, to clarify the classification of presentation. To reflect this change in the presentation method, the notes for the previous fiscal year have been reclassified. As a result, 22 % presented in “Other” for the previous fiscal year has been reclassified into “Alternative”.

Alternative mainly represents investments in funds.

(9) Actuarial assumptions used

Principal actuarial assumptions

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Discount rate	0.3 - 6.5%	0.4 - 7.1%

3. Defined contribution plans

The required amounts of contribution to the Group’s defined contribution plans were 1,412 million yen for the previous fiscal year (ended March 31, 2021) and 1,460 million yen for the current fiscal year (ended March 31, 2022).

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Deferred tax assets:		
Write-down of inventory	1,231	1,407
Allowance for doubtful accounts	206	369
Provision for bonuses	976	1,198
Net defined benefit liability	2,708	2,272
Loss on valuation of securities	768	839
Impairment loss	3,182	3,289
Unrealized gains on inventories	500	497
Mark-to-market gains from participation in consolidated taxation system	192	14
Net operating losses carried forward (Note 3)	8,397	7,093
Other	4,527	5,352
Subtotal deferred tax assets	22,691	22,336
Valuation allowance for net operating loss carry forwards (Note 3)	(6,580)	(5,211)
Valuation allowance for the sum of deductible temporary differences, etc.	(6,510)	(6,361)
Subtotal valuation allowance (Note 2)	(13,090)	(11,572)
Total deferred tax assets	9,601	10,763
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	4,634	4,680
Valuation difference of consolidated subsidiaries by the market value method	3,611	3,611
Retained earnings of overseas subsidiaries	1,003	1,239
Other	1,425	2,100
Total deferred tax liabilities	10,673	11,631
Net deferred tax assets (liabilities) (Note 1)	(1,072)	(868)

(Changes in presentation)

“Long-term accounts payable - other” presented separately under “Deferred tax assets” in the previous fiscal year has been included in “Other” in the current fiscal year, due to decreased materiality. To reflect this change in the presentation method, the notes for the previous fiscal year have been reclassified. As a result, 8 million yen presented in “Long-term accounts payable - other” under “Deferred tax assets” in the previous fiscal year has been reclassified into “Other”.

(Note) 1. Net deferred tax assets (liabilities) as of March 31, 2021 and 2022 are included in the following accounts in the consolidated balance sheet:

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Deferred tax assets - non-current assets	2,273	2,200
Deferred tax liabilities - non-current liabilities	3,346	3,069

Previous fiscal year (as of March 31, 2021)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

Current fiscal year (as of March 31, 2022)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

(Note) 2. Valuation allowance decreased by 1,517 million yen, due mainly to a decrease in valuation allowance for net operating loss carry forwards.

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

Previous fiscal year (Ended March 31, 2021)							(Millions of yen)
	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	809	711	225	571	1,988	4,091	8,397
Valuation allowance	(755)	(645)	(219)	(565)	(1,128)	(3,266)	(6,580)
Deferred tax assets	54	66	5	5	859	824	(b)1,816

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

(b) For tax losses carried forward of 8,397 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 1,816 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

Current fiscal year (Ended March 31, 2022)							(Millions of yen)
	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	460	141	522	1,509	624	3,833	7,093
Valuation allowance	(442)	(129)	(505)	(697)	(458)	(2,976)	(5,211)
Deferred tax assets	18	11	16	811	166	857	(b)1,882

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

(b) For tax losses carried forward of 7,093 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 1,882 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

2. The reconciliation of significant differences between the statutory tax rate and effective income tax rate after application of tax-effect accounting

Previous fiscal year (as of March 31, 2021)	
Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	3.01 %
Non-deductible amount (Entertainment expenses, etc.)	0.51 %
Amortization of goodwill	4.55 %
Different tax rates applied to foreign consolidated subsidiaries	(4.77)%
Share of profit of entities accounted for using equity method	8.53 %
Unrealized gains on inventories	1.79 %
Per capita tax	1.38 %
Aggregation of income of specified foreign subsidiary companies, etc.	6.30
Consolidation adjustment related to the transfer of shares in equity-method affiliates	(9.61)
Other	0.61
Actual effective income tax rate after application of tax-effect accounting	42.94 %

Current fiscal year (as of March 31, 2022)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	(2.81)%
Non-deductible amount (Entertainment expenses, etc.)	0.58 %
Amortization of goodwill	3.31 %
Different tax rates applied to foreign consolidated subsidiaries	(6.41)%
Share of profit of entities accounted for using equity method	(2.81)%
Unrealized gains on inventories	0.30 %
Per capita tax	0.98 %
Aggregation of income of specified foreign subsidiary companies, etc.	1.22 %
Other	0.53 %
Actual effective income tax rate after application of tax-effect accounting	25.51 %

(Business combinations, etc.)

Description is omitted due to its insignificance.

(Asset retirement obligations)

Description is omitted due to its insignificance.

(Leased Property)

The Company and some of its subsidiaries have real estate for rent in Tokyo and other areas.

For the previous fiscal year, lease revenue (loss) related to the real estate for rent was 320 million yen (primarily, lease revenue was posted under non-operating income, while rental expenses were posted under non-operating expenses), and gain on sales of non-current assets was 537 million yen (posted under extraordinary income).

For the current fiscal year, lease revenue (loss) related to the real estate for rent was 133 million yen (primarily, lease revenue was posted under non-operating income, while rental expenses were posted under non-operating expenses), and gain on sales of non-current assets was 8 million yen (posted under non-operating income).

The amounts posted on the consolidated balance sheet, changes during the fiscal year, and the market value of the real estate for rent were as follows:

(Millions of yen)		
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Carrying value		
Balance at the beginning of the year	15,698	17,191
Increase/Decrease during the year	1,492	(918)
Balance at the end of the year	17,191	16,272
Fair value at the end of the year	19,675	18,972

Notes: 1. The carrying value shown here is calculated by deducting the relevant accumulated depreciation and impairment loss from the property's acquisition cost.

2. Of the increase/decrease during the period, the main factors for the previous fiscal year were an increase due to the reclassification of leased property from commercial real estate to rental real estate (1,410 million yen) and the acquisition of rental real estate (1,022 million yen), and a decrease due to the sale of rental real estate (463 million yen) and a decrease in the rate of rent (272 million yen). The main factors for the current fiscal year were an increase due to the acquisition of rental real estate (532 million yen) and an increase in the rate of rent (272 million yen), and a decrease due to the reclassification of leased property from commercial real estate to rental real estate (1,391 million yen) and the sale of rental real estate (180 million yen).

3. The fair value was mainly based on real-estate appraisal value which was calculated by external real-estate appraisers.

(Revenue recognition)

1. Information regarding disaggregated revenue arising from contracts with customers

Current fiscal year (from April 1, 2021 to March 31, 2022)

Information by type of goods or services

(Millions of yen)

	Reported segment			Time Creation, WAKO and other Businesses (Note 2)	Total
	Watches Business	Electronic Devices Business	Systems Solutions Business		
Wholesale of watches (Note 1)	102,077	-	-	-	102,077
Retail of watches (Note 1)	23,666	-	-	-	23,666
Electronic devices (Quartz crystals, micro batteries, etc.)	-	19,909	-	-	19,909
Precision devices (Precision components, etc.)	-	14,472	-	-	14,472
Printing devices	-	17,427	-	-	17,427
System-related (Including IT performance management)	-	-	15,254	-	15,254
IoT-related	-	-	13,166	-	13,166
Payment-related	-	-	5,992	-	5,992
Other	-	12,864	-	27,313	40,177
Transactions with other segments	(2,669)	(6,505)	(1,901)	(3,685)	(14,762)
Revenue arising from contracts with customers	123,074	58,168	32,511	23,627	237,382
Revenues from external customers	123,074	58,168	32,511	23,627	237,382

Information by region

(Millions of yen)

	Reported segment			Time Creation, WAKO and other Businesses (Note 2)	Total
	Watches Business	Electronic Devices Business	Systems Solutions Business		
Japan	53,391	17,863	32,174	20,974	124,403
Americas	17,042	5,513	261	1,515	24,332
Europe	17,099	7,263	29	92	24,485
Asia and others	35,540	27,528	45	1,044	64,160
Revenue arising from contracts with customers	123,074	58,168	32,511	23,627	237,382
Revenues from external customers	123,074	58,168	32,511	23,627	237,382

(Note 1) The wholesale of watches is classified as manufacturing, sales, and repair services for the Company's own products. The retail of watches is classified as retail services including other companies' products.

(Note 2) Although portions of rental revenues from real estate are included, they are included in "Revenue arising from contracts with customers" due to their low financial significance.

2. Useful information in understanding revenue arising from contracts with customers

Useful information in understanding revenue arising from contracts with customers is as presented in “(Notes - important matters that are the basis for preparation of consolidated financial statements), (5) Accounting standards for significant income and expenses.”

3. Relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue arising from contracts with customers that exist at the end of the fiscal year under review, which is expected to be recognized in and after the following fiscal year

1) Balance, etc. of contract assets and contract liabilities

(Millions of yen)

	Current fiscal year	
	Balance at the beginning of the year	Balance at the end of the year
Contract assets	82	343
Contract liabilities	4,599	6,574

Of the amount of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 2,540 million yen.

2) Transaction prices allocated to remaining performance obligations

The Company has applied the practical expedient to notes on transaction prices allocated to remaining performance obligations. Contracts with an initially expected term of one year or less are not included in the notes. The performance obligations primarily relate to the Systems Solutions Business. The total transaction prices allocated to remaining performance obligations and the period in which the Company expects to recognize the amounts as revenue are as follows.

(Millions of yen)

	Current fiscal year
One year or less	568
Over one year, two years or less	764
Over two years, three years or less	573
Over three years	596
Total	2,502

(Segment Information, etc.)

<Segment information>

1. Outline of the reported segments

The Company's reported segments are business units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about management resources to be allocated to the segments and assessing the segment's performance.

As a holding company, the Company has a business structure for consolidating and managing each operating subsidiary, which is responsible for comprehensively developing domestic and global strategies as well as engaging in business activities for the merchandise, finished goods and associated services.

In view of this, the Company is comprised of segments centered around a core company of each business classified by merchandise and finished goods. Three reported segments are specified; namely the Watches Business, Electronic Devices Business and Systems Solutions Business.

The main merchandise and finished goods belonging to each reported segment are as follows:

Reported Segment:	Main merchandise and finished goods:
Watches Business	Watches and watch movements
Electronic Devices Business	Quartz crystals, micro batteries and materials, printers, and hard disk drive components
Systems Solutions Business	Wireless communication equipment, information network systems, data services and computer performance management software
Time Creation, WAKO and other Businesses	Clocks / High-end jewelry, apparel and fashion accessories / System clocks etc.

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reporting segment

The accounting method for the reported segments is the same as basis of preparation for the consolidated financial statements.

Intersegment transactions are based on market prices.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reporting segment

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Watches	Electronic Devices	Systems Solutions	Total				
Net sales								
Revenues from external customers	103,136	45,075	32,486	180,698	21,972	202,671	-	202,671
Transactions with other segments	1,918	5,141	1,628	8,688	2,909	11,598	(11,598)	-
Total	105,054	50,217	34,114	189,386	24,882	214,269	(11,598)	202,671
Segment profits (losses)	5,600	1,302	3,538	10,441	(40)	10,401	(8,207)	2,194
Segment assets	108,863	73,697	23,912	206,474	38,134	244,608	75,062	319,671
Other items								
Depreciation and amortization expense	4,725	3,196	1,057	8,979	587	9,567	1,123	10,690
Amortization of goodwill	0	-	388	388	-	388	566	955
Investment amounts to equity method companies	134	621	-	756	5,074	5,830	11,073	16,904
Increase amounts of fixed assets and intangible assets	3,631	2,798	1,033	7,463	318	7,782	9,417	17,200

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

2. Adjustments are as follows:

- (1) Adjustments to segment profits (losses) in the amount of -8,207 million yen include -566 million yen in the amortization of goodwill, 303 million yen that mainly consists of the elimination of inter-segment transactions, and -7,944 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.
 - (2) Adjustments to segment assets in the amount of 75,062 million yen include -85,914 million yen in the elimination of inter-segment liabilities, 211,958 million yen in company-wide assets not appropriated to each reported segment, and -50,980 million yen that mainly consists of the elimination of investments and equity. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).
 - (3) Adjustment to investment in entities accounted for by the equity method in the amount of 11,073 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.
3. Segment profit (losses) has been adjusted for alongside operating profit on the consolidated statements of income.

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reported segment				Time Creation, WAKO and other Businesses (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Watches	Electronic Devices	Systems Solutions	Total				
Net sales								
Revenues from external customers	123,074	58,168	32,511	213,754	23,627	237,382	-	237,382
Transactions with other segments	2,669	6,505	1,901	11,077	3,685	14,762	(14,762)	-
Total	125,744	64,674	34,413	224,831	27,313	252,144	(14,762)	237,382
Segment profits	7,638	5,828	3,946	17,413	705	18,119	(9,348)	8,770
Segment assets	110,534	79,863	24,799	215,198	39,208	254,406	73,126	327,533
Other items								
Depreciation and amortization expense	4,778	3,314	1,092	9,184	467	9,652	1,226	10,879
Amortization of goodwill	0	-	394	395	-	395	566	962
Investment amounts to equity method companies	40	1,435	-	1,475	5,963	7,439	11,368	18,808
Increase amounts of fixed assets and intangible assets	4,554	4,717	780	10,052	326	10,379	475	10,855

(Note) 1. During the first quarter of the fiscal year ended March 31, 2022, SEIKO Clock Inc., the Company's consolidated subsidiary, ceased to exist through an absorption-type merger with the Company's consolidated subsidiary, SEIKO Time Systems Inc. as the surviving company. The surviving company, SEIKO Time Systems Inc. then changed its corporate name to SEIKO Time Creation Inc. Accordingly, the segment that had previously been presented as "Others" has been renamed "Time Creation, WAKO and other Businesses," in an effort to provide a more accurate description of the segment. There is no change to the scope of aggregation due to this change.

2. Adjustments are as follows:

(1) Adjustments to segment profits in the amount of -9,348 million yen include -566 million yen in the amortization of goodwill, 10 million yen that mainly consists of the elimination of inter-segment transactions, and -8,792 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.

(2) Adjustments to segment assets in the amount of 73,126 million yen include -72,545 million yen in the elimination of inter-segment liabilities, 212,462 million yen in company-wide assets not appropriated to each reported segment, and -66,790 million yen that mainly consists of the elimination of investments and equity. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).

(3) Adjustment to investment in entities accounted for by the equity method in the amount of 11,368 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.

3. Segment profit has been adjusted for alongside operating profit on the consolidated statements of income.

4. Matters related to changes, etc. in reported segments

As stated in changes in accounting policies, the Company has applied the Revenue Recognition Accounting Standard, etc., effective from the beginning of the fiscal year ended March 31, 2022, and changed accounting methods related to revenue recognition. Accordingly, the Company has similarly changed the calculation method of profit or loss of business segments. As a result of this change, for the current fiscal year, revenues from external customers increased by 3,413 million yen in the Watches Business and decreased by 579 million yen revenues in segments other than the Watches Business, compared to the previous method. Segment profit increased by 174 million yen in the Watches Business and by 60 million yen in segments other than the Watches Business. In addition, segment assets increased by 1,571 million yen in the Watches Business and by 96 million yen in segments other than the Watches Business.

<Information associated with reported segments >

Previous fiscal year (from April 1, 2020 to March 31, 2021)

1. Information for each product or service

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

2. Information for each region

(1) Net sales (Millions of yen)

Japan	P.R. China	Other	Total
113,109	28,662	60,898	202,671

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

(2) Property, plant and equipment (Millions of yen)

Japan	Other	Total
81,517	21,660	103,177

3. Information for each of main customers

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

Current fiscal year (from April 1, 2021 to March 31, 2022)

1. Information for each product or service

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

2. Information for each region

(1) Net sales (Millions of yen)

Japan	P.R. China	Other	Total
124,403	31,998	80,979	237,382

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

(2) Property, plant and equipment (Millions of yen)

Japan	Other	Total
82,058	23,041	105,100

3. Information for each of main customers

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

<Disclosure of impairment loss on non-current assets for each reported segment>

Previous fiscal year (from April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (from April 1, 2021 to March 31, 2022)

Not applicable.

<Amortization and unamortized balance of goodwill for each reported segment>

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(Goodwill)

(Millions of yen)

	Reported segment				Other	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Amortization of goodwill	0	-	388	388	-	566	955
Balance at the end of fiscal year	0	-	2,519	2,520	-	4,816	7,336

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

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Goodwill)

(Millions of yen)

	Reported segment				Time Creation, WAKO and other Businesses	Adjustments	Total
	Watches	Electronic Devices	Systems Solutions	Total			
Amortization of goodwill	0	-	394	395	-	566	962
Balance at the end of fiscal year	-	-	2,204	2,204	-	4,249	6,453

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

<Information about gain on bargain purchase for each reported segment>

Not applicable.

<Related parties>

1. Transactions with related parties

(1) Transactions of the Company with related parties

Parent company and major shareholders, etc. of the Company

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.2%	Property lease-in, etc.	Property lease-in	825	-	-
							Property acquisition	5,500	-	-

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.2%	Property lease-in, etc.	Property lease-in	609	-	-

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

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

2. For the acquisition of real estate, the price is determined through negotiations based on the evaluation of experts.

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

Non-consolidated subsidiaries and affiliates of the reporting company

Previous fiscal year (from April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (from April 1, 2021 to March 31, 2022)

Not applicable.

2. Notes concerning the parent company and significant affiliates

(1) Information of the parent company

Not applicable.

(2) Information of the significant affiliates

Not applicable in the current fiscal year.

OHARA INC., which was classified as a significant affiliate in the previous fiscal year, is no longer a significant affiliate from the current fiscal year due to its decreased materiality.

Condensed financial information of OHARA INC. is as follows.

(Millions of yen)

	OHARA INC.	
	Previous fiscal year	Current fiscal year
Total current assets	28,438	-
Total non-current assets	21,183	-
Total current liabilities	7,147	-
Total non-current liabilities	6,290	-
Total net assets	36,183	-
Net sales	17,873	-
Loss before income taxes	(3,861)	-
Loss attributable to owners of parent	(4,226)	-

(Per-share information)	(Yen)	
	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Net assets per share	2,709.17	2,911.17
Basic earnings per share	84.30	155.56
Diluted earnings per share	84.30	155.56

(Notes) 1. For the purpose of calculating the basic earnings per share and diluted earnings per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders’ equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year (96 thousand shares for the previous fiscal year and 82 thousand shares for the current fiscal year).

For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year (94 thousand shares for the previous fiscal year and 78 thousand shares for the current fiscal year).

2. Calculation basis of net assets per share is as follows: (Millions of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Total net assets	113,082	121,624
Amounts deducted from total net assets	1,387	1,557
<i>Of which, non-controlling interests</i>	<i>1,387</i>	<i>1,557</i>
Net assets at the end of the fiscal year related to common shares	111,695	120,067
The number of common shares at the end of the fiscal year used to calculate net assets per share (Thousands of shares)	41,228	41,243

3. Calculation basis of basic earnings per share and diluted earnings per share is as follows: (Millions of yen)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Basic earnings per share:		
Profit attributable to owners of parent	3,475	6,415
Profit attributable to owners of parent pertaining to common stock	3,475	6,415
Average number of shares of common stock outstanding during the period (Thousands of shares)	41,226	41,240
Diluted earnings per share:		
Adjustments to profit attributable to owners of parent	(0)	(0)
<i>Of which, adjustments by potential shares of affiliates accounted for by the equity method</i>	<i>(0)</i>	<i>(0)</i>
The increased number of common shares (Thousands of shares)	-	-
Overview of potential shares that are not included in the calculation of diluted earnings per share due to absence of dilutive effects	-	-

(Significant subsequent events)

Not applicable.

(e) Consolidated supplemental schedules

Detailed schedule of bonds payable

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
Kiraboshi Bank, Ltd.	25th unsecured bonds	September 21, 2016	100	-	0.37	None	September 21, 2021
Mizuho Bank, Ltd.	26th unsecured bonds	November 25, 2016	100	-	0.26	None	November 25, 2021
The Shoko Chukin Bank, Ltd.	27th unsecured bonds	December 22, 2016	150	-	0.26	None	December 22, 2021
Mizuho Bank, Ltd.	29th unsecured bonds	February 20, 2018	150	150 (150)	0.06	None	February 20, 2023
Mizuho Bank, Ltd.	30th unsecured bonds	July 31, 2018	100	100	0.136	None	July 31, 2023
MUFG Bank, Ltd.	31st unsecured bonds	August 21, 2018	100	100	0.37	None	August 21, 2023
Kiraboshi Bank, Ltd.	32nd unsecured bonds	August 27, 2018	100	100	0.46	None	August 25, 2023
Total	-	-	800	450 (150)	-	-	-

(Note) 1. The amounts in parentheses presented under “Balance at the end of current fiscal year” represent the amounts scheduled to be redeemed within one year.

2. The following table shows the aggregate annual maturities of bonds within five years after the consolidated balance sheet date.

(Millions of yen)				
Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
150	300	-	-	-

Detailed schedule of borrowings

Classification	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Average interest rate (%)	Maturity date
Short-term borrowings	72,611	63,709	0.6	-
Current portion of long-term borrowings	17,315	23,719	0.8	-
Current portion of lease obligations	1,330	1,347	3.0	-
Long-term l borrowings (excluding current portion)	35,263	28,752	0.7	September 30, 2026
Lease obligations (excluding current portion)	3,922	3,749	2.4	October 31, 2030
Other interest-bearing debt (Current portion of) guarantee deposits received	110	120	0.1	-
Business security deposit	32	92	0.0	-
Total	130,584	121,490	-	-

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

2. Repayment deadlines for guarantee deposits received under other interest bearing debt are not set in particular. In addition, guarantee deposits received are included in “Other” under non-current liabilities in the consolidated balance sheets.
3. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations (excluding the current portion) within five years after the consolidated balance sheet date.

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	12,898	6,941	1,512	7,400
Lease obligations	947	758	565	424

Detailed schedule of asset retirement obligations

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are one percent or less of the total liabilities and net assets at the beginning and the end of the current fiscal year. Accordingly, the preparation of the schedule of asset retirement obligations has been omitted.

(2) Other

Quarterly financial information and others for the fiscal year

(Cumulative period)	First quarter (Three months ended June 30, 2021)	Second quarter (Six months ended September 30, 2021)	Third quarter (Nine months ended December 31, 2021)	Full year (Fiscal year ended March 31, 2022)
Net sales (Millions of yen)	54,609	110,395	173,861	237,382
Profit before income taxes (Millions of yen)	1,352	2,707	6,348	8,876
Profit attributable to owners of parent (Millions of yen)	53	1,193	3,910	6,415
Basic earnings per share (Yen)	1.30	28.93	94.81	155.56

(Accounting period)	First quarter (from April 1, 2021 to June 30, 2021)	Second quarter (from July 1, 2021 to September 30, 2021)	Third quarter (from October 1, 2021 to December 31, 2021)	Fourth quarter (from January 1, 2022 to March 31, 2022)
Basic earnings per share (Yen)	1.30	27.63	65.87	60.74

2. Non-Consolidated Financial Statements

(1) Non-consolidated financial statements

(a) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	8,197	8,230
Prepaid expenses	749	741
Short-term loans receivable	*1 58,206	*1 51,423
Accounts receivable - other	*1 5,803	*1 6,106
Other	*1 611	*1 469
Total current assets	73,569	66,972
Non-current assets		
Property, plant and equipment		
Buildings	5,530	6,712
Machinery and equipment	280	280
Tools, furniture and fixtures	1,757	1,593
Land	24,043	24,043
Leased assets	32	22
Construction in progress	991	6
Total property, plant and equipment	32,635	32,659
Intangible assets		
Leasehold right	1,952	1,952
Trademark right	6	3
Software	500	471
Other	20	20
Total intangible assets	2,479	2,448
Investments and other assets		
Investment securities	22,082	22,541
Shares of subsidiaries and associates	*2 60,106	*2 61,023
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	*1 12,340	*1 5,760
Claims provable in bankruptcy, claims provable in rehabilitation and other	23	24
Long-term prepaid expenses	37	29
Guarantee deposits	1,724	1,720
Other	*1 266	*1 298
Allowance for doubtful accounts	(12,412)	(5,833)
Total investments and other assets	84,168	85,564
Total non-current assets	119,283	120,672
Total assets	192,853	187,644

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Short-term borrowings	63,912	56,777
Current portion of long-term borrowings	17,240	23,719
Lease obligations	20	9
Accounts payable - other	*1 2,693	*1 2,593
Accrued expenses	*1 394	*1 443
Income taxes payable	13	59
Deposits received	*1 4,662	*1 6,600
Unearned revenue	238	232
Provision for bonuses	288	391
Other	-	57
Total current liabilities	89,464	90,885
Non-current liabilities		
Long-term borrowings	35,043	28,752
Lease obligations	11	12
Deferred tax liabilities	3,654	3,685
Deferred tax liabilities for land revaluation	3,614	3,614
Provision for loss of subsidiaries and associates	1,960	—
Provision for stock benefits	161	226
Asset retirement obligations	123	123
Guarantee deposits	*1 3,086	*1 3,142
Other	237	82
Total non-current liabilities	47,892	39,639
Total liabilities	137,357	130,524
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus		
Legal capital surplus	2,378	2,378
Other capital surplus	4,246	4,246
Total capital surplus	6,625	6,625
Retained earnings		
Legal retained earnings	121	121
Other retained earnings		
Retained earnings brought forward	21,189	22,379
Total retained earnings	21,310	22,500
Treasury shares	(288)	(265)
Total shareholders' equity	37,646	38,860
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,792	10,134
Deferred gains or losses on hedges	(133)	(64)
Revaluation reserve for land	8,190	8,190
Total Valuation and translation adjustments	17,849	18,260
Total net assets	55,495	57,120
Total liabilities and net assets	192,853	187,644

(b) Non-consolidated statement of income

(Millions of yen)

	FY2020	FY2021
Operating revenue		
Dividend from subsidiaries and associates	7,054	6,996
Management fee income	2,136	2,510
Royalty income	2,110	2,536
Total operating revenue	*2 11,301	*2 12,043
Operating expenses	*1,*2 10,864	*1,*2 12,332
Operating profit (loss)	436	(288)
Non-operating income		
Interest income	*2 692	*2 478
Dividend income	745	745
Other	*2 544	*2 546
Total non-operating income	1,982	1,770
Non-operating expenses		
Interest expenses	*2 716	*2 702
Rental expenses on real estate	*2 671	*2 923
Other	222	329
Total non-operating expenses	1,609	1,956
Ordinary profit (loss)	809	(473)
Extraordinary income		
Reversal of allowance for investment loss of subsidiaries and affiliates	-	*3 1,682
Gain on sales of non-current assets	506	-
Subsidy income	9	-
Gain from forgiveness of consolidated tax payable	0	-
Total extraordinary income	516	1,682
Extraordinary losses		
Provision of allowance for investment loss of subsidiaries and affiliates	*4 990	-
Loss on the spread of infectious disease	*5 262	*5 53
Total extraordinary losses	1,252	53
Profit before income taxes	73	1,155
Income taxes - current	(1,608)	(1,958)
Income taxes - deferred	120	(143)
Total income taxes	(1,487)	(2,101)
Profit	1,560	3,257

(c) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	10,000	2,378	4,246	6,625	121	21,695	21,817	(301)	38,140
Changes during period									
Dividends of surplus						(2,067)	(2,067)		(2,067)
Profit						1,560	1,560		1,560
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares			(0)	(0)				0	0
Disposal of treasury shares by ownership plan trust								13	13
Net changes in items other than shareholders' equity									
Total changes during period	-	-	(0)	(0)	-	(506)	(506)	12	(493)
Balance at end of period	10,000	2,378	4,246	6,625	121	21,189	21,310	(288)	37,646

	Valuation and translation adjustments				Total net assets
	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 period	4,547	(196)	8,190	12,541	50,681
Changes during period					
Dividends of surplus					(2,067)
Profit					1,560
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Disposal of treasury shares by ownership plan trust					13
Net changes in items other than shareholders' equity	5,245	62	-	5,308	5,308
Total changes during period	5,245	62	-	5,308	4,814
Balance at end of period	9,792	(133)	8,190	17,849	55,495

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	10,000	2,378	4,246	6,625	121	21,189	21,310	(288)	37,646
Changes during period									
Dividends of surplus						(2,067)	(2,067)		(2,067)
Profit						3,257	3,257		3,257
Purchase of treasury shares								(1)	(1)
Disposal of treasury shares			(0)	(0)				0	0
Disposal of treasury shares by ownership plan trust								24	24
Net changes in items other than shareholders' equity									
Total changes during period	-	-	(0)	(0)	-	1,190	1,190	23	1,213
Balance at end of period	10,000	2,378	4,246	6,625	121	22,379	22,500	(265)	38,860

	Valuation and translation adjustments				Total net assets
	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 period	9,792	(133)	8,190	17,849	55,495
Changes during period					
Dividends of surplus					(2,067)
Profit					3,257
Purchase of treasury shares					(1)
Disposal of treasury shares					0
Disposal of treasury shares by ownership plan trust					24
Net changes in items other than shareholders' equity	341	69	-	411	411
Total changes during period	341	69	-	411	1,624
Balance at end of period	10,134	(64)	8,190	18,260	57,120

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Standards and methods for evaluating securities

(1) Shares in subsidiaries and affiliates:

Stated at cost using the moving-average method

(2) Available-for-sale securities:

1) Securities other than shares that do not have market prices:

Market value method

2) Shares that do not have market prices:

Mainly stated at cost using the moving-average method

3) Investment Limited Partnership

Stated on a net basis equivalent to equity interests, based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement:

2. Standards and methods for evaluating derivatives

(1) Derivatives:

Market value method

3. Depreciation methods for non-current assets

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

The straight-line method is used for buildings (excluding equipment attached to buildings), and equipment attached to buildings, and structures acquired on or after April 1, 2016, and the declining-balance method for other property, plant and equipment. For a useful life, the estimated economic life is used, which reflects the usable period, actual period of use, and other factors for each asset.

(2) Intangible assets (excluding leased assets)

The straight-line method is used. As for software for in-house use, the straight-line method is used with a usable period of 5 years.

(3) 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

(1) Allowance for doubtful accounts:

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

(2) 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.

(3) Allowance for investment loss of subsidiaries and associates:

In order to prepare for possible losses on investments to subsidiaries and associates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and associates of 4 million yen is directly reduced from the amount of shares of subsidiaries and associates.

(4) Provision for stock benefits:

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

5. Accounting standards for income and expenses

The Company's revenues consist of dividend from subsidiaries and associates, management fee income, and royalty income. Among these, management fee income represents the Company's obligations to perform services related to consolidated management and management of each associate based on contracts with each associate. Royalty income represents the Company's obligations to license the use of trademarks based on contracts with associates. The performance obligations for such management fee income and royalty income are recognized as revenue according to the contract period.

6. Hedge accounting method

(1) Hedge accounting method

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

(2) Means of hedging and hedged items:

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

(3) Hedging policy

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

(4) Assessment of hedge effectiveness

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

7. Application of consolidated taxation system

Consolidated taxation system is applied.

8. Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

As for the items subjected to the transition to the group tax sharing system established under the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020), as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018) are not adopted in accordance with the treatment under Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

From the beginning of the following consolidated fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021), which provides for the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting, when the group tax sharing system is adopted.

(Significant accounting estimates)

Valuation of deferred tax assets

1. Amount posted in the financial statements for the fiscal year under review

(Millions of yen)		
	Previous fiscal year	Current fiscal year
Deferred tax liabilities	3,654	3,685

Deferred tax assets of 740 million yen and deferred tax liabilities of 4,394 million yen are presented after offsetting in the previous fiscal year, and deferred tax assets of 856 million yen and deferred tax liabilities of 4,541 million yen are presented after offsetting in the current fiscal year

2. Information useful for understanding the content of accounting estimates

Deferred tax assets are posted if they are judged to be recoverable by making reasonable estimates of when future taxable income will occur and its amount based on business plans, etc. Such estimates may be affected by changes in uncertain economic conditions, etc. in the future. If the actual timing of when the taxable income occurs and its amount differ from the estimates, it may significantly affect the amount of deferred tax assets in the financial statements for the following fiscal year.

The Company has applied the consolidated taxation system. Accordingly, estimates for the income tax portion have been made for the entire consolidated taxation group.

(Accounting estimates associated with the spread of the novel coronavirus)

Although it is still difficult to predict when the novel coronavirus will be contained, the Company has made accounting estimates of the recoverability, etc. of deferred tax assets, based on an assumption that economic activities will recover in Japan and overseas from the following fiscal year.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Accounting Standard”) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) effective from the beginning of the fiscal year ended March 31, 2022, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when control of these goods or services is transferred to customers. This application has no impact on the financial statements.

In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes to “Revenue recognition” relating to the previous fiscal year are not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc., effective from the beginning of the fiscal year ended March 31, 2022. In accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. into the future. However, this application has no impact on the consolidated financial statements.

(Supplementary information)

(Board Benefit Trust (BBT) for executive directors)

Pursuant to a resolution passed at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company has introduced, effective August 26, 2016, a performance-linked stock compensation plan, "Board Benefit Trust (BBT)" (hereinafter, "the Plan"), for the Company's Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors) for the purpose of raising awareness of the need to contribute to improvement of the Company's mid- to long-term performance and enhancement of corporate value.

1. Outline of transactions

The Plan is a structure to deliver the Company's shares to the Company's Directors who execute business duties, who meet certain requirements pursuant to the "Rules for Delivery of Shares to Officers" prescribed by the Company.

The Company grants points to the Company's Directors who execute business duties according to their position and the degree of achievement of the mid- to long-term performance index, etc. in the relevant fiscal year, and deliver the Company's shares to them according to the determined points at the time of retirement of the Directors who execute business duties. However, if a Director who executes business duties 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. The shares to be delivered to the Company's Directors who execute business duties shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

2. Shares of the Company remaining in trust

The Company's shares remaining in trust are posted as treasury shares in the "Net assets" section based on the book value in the trust (excluding the amount of incidental costs). The book value and number of shares of such treasury shares as of March 31, 2021 and 2022 are 148 million yen and 94,300 shares and 124 million yen and 78,800 shares, respectively.

(Notes - Non-consolidated balance sheets)

*1. Receivables from and payables to subsidiaries and associates

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Short-term receivables	62,137	55,694
Short-term payables	6,914	8,147
Long-term receivables	12,413	5,882
Long-term payables	1,582	1,615

*2. Shares of subsidiaries and associates provided for lending shares are as follows:

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Shares of subsidiaries and associates	46	46

3. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital.

The status of the commitments as of the end of the fiscal year is as follows:

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Total availability of loan commitment	28,500	33,500
Outstanding balance	12,700	12,900
Unused balance	15,800	20,600

(Notes -Non-consolidated statement of income)

*1 Major components of operating expenses are as follows:

The Company is a holding company and does not sell any products.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 To March 31, 2021)	Current fiscal year (From April 1, 2021 To March 31, 2022)
Advertising and promotion expenses	4,039	4,757
Depreciation	161	150
Provision for bonuses	288	391
Salaries and wages	2,382	2,772
Outsourcing expenses	1,333	1,540

*2. Transactions with subsidiaries and associates

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 To March 31, 2021)	Current fiscal year (From April 1, 2021 To March 31, 2022)
Operating revenue	11,011	11,679
Operating expenses	4,672	5,877
Non-operating transactions	5,684	11,977

*3. The breakdown of the reversal of allowance for investment loss of subsidiaries and affiliates is as follows:

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 To March 31, 2021)	Current fiscal year (From April 1, 2021 To March 31, 2022)
Reversal of allowance for investment loss of subsidiaries and associates	-	1,380
Reversal of allowance for doubtful accounts for subsidiaries and associates	-	402
Provision of allowance for doubtful accounts for subsidiaries and associates (Δ)	-	(100)
Total	-	1,682

*4. The breakdown of the provision of allowance for investment loss of subsidiaries and affiliates is as follows:

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 To March 31, 2021)	Current fiscal year (From April 1, 2021 To March 31, 2022)
Provision of allowance for doubtful accounts for subsidiaries and associates	890	-
Provision of allowance for investment loss of subsidiaries and associates	567	-
Reversal of allowance for doubtful accounts for subsidiaries and associates (Δ)	(467)	-
Total	990	-

*5. Loss on the spread of infectious disease

Loss on the spread of infectious disease in the previous and current fiscal year mainly relate to Fixed cost while suspension of operations and business activities etc.

(Securities)

Investments in subsidiaries and affiliates

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	-	-	-
2. Affiliates' shares	2,177	7,938	5,760
Total	2,177	7,938	5,760

(Note)The amounts of shares in subsidiaries and affiliates recorded in the non-consolidated balance sheet for which it is extremely difficult to measure the fair value

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)
Subsidiaries' shares	56,151
Affiliates' shares	1,777

These shares are not included in above "Investments in subsidiaries and affiliates" because they do not have a market value and their fair value is not easily determinable.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	-	-	-
2. Affiliates' shares	2,177	5,977	3,799
Total	2,177	5,977	3,799

(Note)The amounts recorded in the non-consolidated balance sheet of shares that do not have market prices not included in the table above.

(Millions of yen)

	Current fiscal year (As of March 31, 2022)
Subsidiaries' shares	57,068
Affiliates' shares	1,777

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets		
Provision for bonuses	88	143
Allowance for doubtful accounts	3,800	1,786
Loss on valuation of shares in subsidiaries	6,103	8,202
Allowance for investment loss of subsidiaries and associates	1	1
Provision for loss of subsidiaries and associates	600	-
Impaired loss on non-current assets	713	713
Assets for adjustment of profit and loss due to transfer	1,202	1,197
Long-term accounts payable - other	8	8
Loss carried forward	2,534	2,406
Other	202	197
Deferred tax assets - subtotal	15,256	14,656
Valuation-related reserves concerning loss carried forward	(2,279)	(1,628)
Valuation-related reserves concerning the sum of deductible temporary differences	(12,236)	(12,171)
Valuation-related reserves-subtotal	(14,516)	(13,800)
Deferred tax assets - total	740	856
Deferred tax liabilities		
Assets for adjustment of profit and loss due to transfer	20	20
Valuation difference on available-for-sale securities	4,321	4,472
Other	51	48
Deferred tax liabilities - total	4,394	4,541
Net deferred tax assets (liabilities)	(3,654)	(3,685)

Previous fiscal year (As of March 31, 2021)

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

Current fiscal year (As of March 31, 2022)

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

2. The reconciliation of significant differences between the statutory tax rate and effective income tax rate after application of tax-effect accounting

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Statutory tax rate	30.62 %	30.62 %
Reconciliations:		
Non-deductible amount (Entertainment expenses, etc.)	13.86 %	0.94 %
Non-taxable items (dividend income)	(3,005.46) %	(189.14) %
Valuation allowance	1,024.69 %	(19.88) %
Other	(92.21) %	(4.48) %
Actual effective income tax rate after application of tax-effect accounting	(2,028.50) %	(181.94) %

(Business combinations, etc.)

Description is omitted due to its insignificance.

(Revenue recognition)

Useful information in understanding revenue arising from contracts with customers

Useful information in understanding revenue arising from contracts with customers is as presented in “Notes to Non-consolidated Financial Statements (Significant accounting policies), 5. Accounting standards for income and expenses.”

(Significant subsequent events)

Not applicable.

d. Non-consolidated supplemental schedules

Detailed schedule of fixed assets

(Millions of yen)

Category	Type of assets	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Depreciation or amortization for the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation or amortization
Property, plant and equipment	Buildings	5,530	1,726	13	530	6,712	7,587
	Machinery and equipment	280	83	4	78	280	171
	Tools, furniture and fixtures	1,757	298	11	449	1,593	2,856
	Land	24,043 (11,804)	-	-	-	24,043 (11,804)	-
	Leased assets	32	10	-	21	22	39
	Construction in progress	991	6	991	-	6	-
	Total	32,635 (11,804)	2,126	1,021	1,080	32,659 (11,804)	10,655
Intangible fixed assets	Leasehold right	1,952	-	-	-	1,952	-
	Trademark right	6	-	-	2	3	-
	Software	500	155	-	183	471	-
	Other	20	-	-	-	20	-
	Total	2,479	155	-	186	2,448	-

(Note) The amounts in parentheses in the “Balance at beginning of the fiscal year” and “Balance at end of the fiscal year” columns represent the revaluation reserve for land, which the land for business use was revaluated pursuant to the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998).

Detailed schedule of allowances

(Millions of yen)

Account	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Balance at the end of the current fiscal year
Allowance for doubtful accounts	12,412	100	6,680	5,833
Allowance for investment loss of subsidiaries and associates	4	-	0	4
Provision for bonuses	288	391	288	391
Provision for stock benefits	161	92	27	226
Provision for loss of subsidiaries and associates	1,960	-	1,960	-

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Information on Transfer and Repurchase of the Company's Stock

Fiscal year	From April 1 To March 31
General meeting of shareholders	June
Record date for dividend	March 31
Record dates for dividend of surplus	September 30 and March 31
Number of shares per unit of the Company's stock	100 shares
Repurchase and sale of stocks of less than a standard unit Address where repurchases are processed Administrator of shareholders' register Offices available for repurchase Charges for repurchase or sale	(Special account) 3-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Head Office Mizuho Trust & Banking Co., Ltd. (Special account) 3-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd. — Amount specifically determined as brokerage fees for the purchase and sale of shares
Method of public notice	Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun. The electronic public notice is presented on the Company's Web site at https://www.seiko.co.jp
Special benefits to shareholders	None

(Note) Pursuant to the provisions of SEIKO HOLDINGS CORPORATION's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following; (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to requests to SEIKO HOLDINGS CORPORATION in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to SEIKO HOLDINGS CORPORATION to sell shares less than one unit.

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company has no parent company or equivalent as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company filed the following documents between the beginning of the fiscal year ended March 31, 2022 and the date when this Securities Report (Yukashoken-Hokokusho) was filed.

(1) Securities Report and Accompanying Documents and Confirmation Note

Fiscal Year (the 160th) From April 1, 2020 to March 31, 2021

Submitted to the director of the Kanto Local Finance Bureau on July 29, 2021.

(2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on July 29, 2021.

(3) Quarterly Securities Reports and Confirmation Notes

(The 1st quarter of 161st period) From April 1, 2021 to June 30, 2021

Submitted to the director of the Kanto Local Finance Bureau on August 12, 2021.

(The 2nd quarter of 161st period) From July 1, 2021 to September 30, 2021

Submitted to the director of the Kanto Local Finance Bureau on November 11, 2021.

(The 3rd quarter of 161st period) From October 1, 2021 to December 31, 2021

Submitted to the director of the Kanto Local Finance Bureau on February 10, 2022.

(4) Extraordinary Reports

Submitted to the director of the Kanto Local Finance Bureau on July 1, 2021.

An extraordinary report according to the provision of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Part II [Information on Guarantors for the Company]

Not applicable

Independent Auditors' Audit Report and Internal Control Audit Report
(English Translation)

June 29, 2022

The Board of Directors
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC

Tokyo, Japan

Designated Limited Partner
Engagement Partner Certified Public Accountant Akihiro Otani

Designated Limited Partner
Engagement Partner Certified Public Accountant Toshiyuki Nishida

Designated Limited Partner
Engagement Partner Certified Public Accountant Kenji Ueda

<Financial statements audit>

Opinion

We have audited the accompanying consolidated financial statements presented under “Financial Information” of SEIKO HOLDINGS CORPORATION, which comprise the consolidated balance sheets as at March 31, 2022, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, in order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SEIKO HOLDINGS CORPORATION and its consolidated subsidiaries as at March 31, 2022, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Validity of valuation of inventories of the Watches Business	
Description of Key Audit Matters and the Reasons for the Decision	Auditor's Response
<p>In the consolidated balance sheet for the current fiscal year of SEIKO HOLDINGS CORPORATION, inventories of merchandise and finished goods, work in process, raw materials and supplies totaling 73,048 million yen are recorded. As described in notes to consolidated financial statements “(Significant accounting estimates), 1. Valuation of inventories” 45,313 million yen of the total amount is inventories of the Watches Business, which accounts for 13.8% of consolidated total assets.</p> <p>Inventories are evaluated by writing down the book values in response to decreased profitability. In the Watches Business, decreased profitability is reflected for products, etc. that have been removed from the operating cycle process beyond a certain holding period and holding volume, by using a regular write-down method of book values determined mainly based on past sales and disposal performance. However, products, etc., which exceed a certain holding period and holding volume but are judged to be in the operating cycle process in light of recent sales performance and future sales forecasts, are excluded from the regular write-down of book values, in whole or in part.</p> <p>The Watches Business deals with products directly related to personal consumption. Therefore, its business results and profitability of products are strongly affected by domestic and overseas economic trends, especially personal consumption. Economic trends, including personal consumption, may fluctuate significantly due to factors beyond management's control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining a regular write-down method of book values, in order to reflect the fact that profitability of inventories has decreased. In addition, significant judgments regarding sales estimates are made as to whether or not products, etc. are in the operating cycle process excluded from the regular write-down of book values. Valuation of inventories of the Watches Business is significantly affected by these judgments and assumptions, and therefore the estimates are highly uncertain.</p> <p>As such, we determined that the validity of the valuation of inventories of the Watches Business was of particular importance to our audit of the consolidated financial statements for the current fiscal year and identified as a “Key Audit Matter.”</p>	<p>In order to examine the validity of the valuation of inventories of the Watches Business, we selected consolidated subsidiaries engaged in this business that are considered to have a particularly high degree of uncertainty in estimates, taking into consideration the materiality of the balance of inventories, functions within the consolidated Group, products handled, performance trends in previous fiscal years, business plans, etc., and primarily performed the following procedures for inventories of the consolidated subsidiaries.</p> <p>(1) Assessment of internal control</p> <p>We assessed the effectiveness of the design and operation of internal control related to the valuation of inventories, including the determination of a regular write-down method of book values and its basis provisions in the accounting rules, and the confirmation by superiors of the judgment as to whether or not products, etc. are in the operating cycle process excluded from the write-down of book values.</p> <p>(2) Examination of the appropriateness of the regular write-down method of book values</p> <p>In order to evaluate the appropriateness of the regular write-down method of book values adopted by management, we primarily performed the following procedures.</p> <ul style="list-style-type: none"> • For the write-down rate of book values applied at the end of the current fiscal year, we compared the amounts that would have been obtained if this rate had been applied to the balance of inventories before the write-down of book values at the end of the previous fiscal year with the actual sales and disposal amounts for the current fiscal year. • We reviewed whether the significant judgments and assumptions made in determining the write-down rate of book values were consistent with the frequency of new product launches, distribution channels, management strategies for sales and disposal, and market forecast data published by external organizations. <p>(3) Examination of the validity of the judgment as to whether or not products, etc. are in the operating cycle process</p> <p>We evaluated the accuracy of management's sales estimates by comparing the past sales estimates of each product with actual sales in subsequent years and examining the causes of the differences between the two. After that, in order to evaluate the appropriateness of the judgments regarding the sales estimates that formed the basis for whether or not products, etc. are in the operating cycle process excluded from the regular write-down of book values at the end of the current fiscal year, we primarily performed the following procedures for products, etc. that are selected by taking into consideration their materiality, past sales performance, turnover period, and the number of months elapsed since their launches, etc.</p> <ul style="list-style-type: none"> • We asked questions to appropriate authorities regarding sales

estimates and reviewed relevant materials.

- We examined whether or not the sales estimates of such products, etc. were consistent with the content of the management strategy, including the product strategy, and market forecast data published by external organizations.

Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of other statements. Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the duties of directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the consolidated financial statements, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the consolidated financial statements is to read through other statements and consider whether there are any material differences between the other statements and the consolidated financial statements or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. Of matters discussed with corporate auditors and the board of corporate auditors, we determine the ones we judge to be of particular importance to our audit of the consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

<Internal control audit>

Opinion

We also have audited, pursuant to the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report as of March 31, 2022 of the Company.

In our opinion, the above internal control report, in which SEIKO HOLDINGS CORPORATION indicated that internal control over financial reporting as at March 31, 2022 was effective, fairly represents, in all material respects, evaluation results of internal control over financial reporting in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility for the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report.

We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

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

The English translation has no legal force and is provided for convenience only.

1. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report and Internal Control Audit Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of audit.

Independent Auditors' Audit Report
(English Translation)

June 29, 2022

The Board of Directors
SEIKO HOLDINGS CORPORATION

KPMG AZSA LLC

Tokyo, Japan

Designated Limited Partner
Engagement Partner Certified Public Accountant Akihiro Otani

Designated Limited Partner
Engagement Partner Certified Public Accountant Toshiyuki Nishida

Designated Limited Partner
Engagement Partner Certified Public Accountant Kenji Ueda

Opinion

We have audited the accompanying the non-consolidated financial statements presented under “Financial Information” of SEIKO HOLDINGS CORPORATION, which comprise the non-consolidated balance sheets as at March 31, 2022, and the non-consolidated statements of income, the non-consolidated statements of changes in net assets and significant accounting policies and other notes, and the non-consolidated supplemental schedules, in order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of SEIKO HOLDINGS CORPORATION as at March 31, 2022, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to report in our auditor’s report.

Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor’s report thereon. Management is responsible for the preparation and disclosure of other statements. Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the duties of directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the consolidated financial statements, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the consolidated financial statements is to read through other statements and consider whether there are any material differences between the other statements and the consolidated financial statements or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors

in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the non-Consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibility for the non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Of matters discussed with corporate auditors and the board of corporate auditors, we determine the ones we judge to be of particular importance to our audit of the non-consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

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.

The English translation has no legal force and is provided for convenience only.

1. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of audit.