

NOTICE OF THE 157TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Date and Time Thursday, June 28, 2018,
at 10 a.m. Japan time

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

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SEIKO HOLDINGS CORPORATION

Stock Exchange Code 8050

[Translation]

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

(Stock Exchange Code 8050)

June 8, 2018

To Shareholders with Voting Rights:

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

NOTICE OF THE 157TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

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

You are cordially invited to attend the 157th Ordinary General Meeting of Shareholders of SEIKO HOLDINGS CORPORATION (the “Company”). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing, or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights in either of the methods described on pages 2 and 3 by 6 p.m. on Wednesday, June 27, 2018, Japan time.

1. Date and Time: Thursday, June 28, 2018, at 10 a.m. Japan time

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

3. Meeting Agenda:

Matters to be reported: The Business Report, Non-consolidated Financial Statements, Consolidated Financial Statements and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements, for the Company’s Fiscal Year Ended on March 31, 2018 (from April 1, 2017 to March 31, 2018)

**Proposals to be resolved: Proposal 1: Distribution of Surplus
Proposal 2: Election of Two (2) Directors**

4. Decisions Concerning Convocation

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

Regarding disclosures on the Internet

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

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

The Consolidated Financial Statements and Non-Consolidated Financial Statements that the Board of Corporate Auditors and the Accounting Auditor have audited contain the Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statement as posted on the Company's website.

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

The Company's Website

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

Notice regarding Exercise of Voting Rights

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

Shareholders attending the meeting in person



Date and time of the meeting

**Thursday, June 28, 2018, at 10 a.m.,
Japan time**

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

Shareholders not attending the meeting in person

Exercise of voting rights in writing (by mail)



Deadline

**Must reach the Company by 6 p.m. on Wednesday,
June 27, 2018, Japan time**

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

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



Deadline

By 6 p.m. on Wednesday, June 27, 2018, Japan time

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

Notice regarding Exercise of Voting Rights via the Internet

1 Exercise of voting rights via the Internet

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

Voting Website

<https://soukai.mizuho-tb.co.jp/>

- (2) The deadline for exercising voting rights is 6 p.m. on Wednesday, June 27, 2018, Japan time, and votes must be entered by the above deadline. Please exercise your voting rights promptly.
- (3) If you exercise a voting right both in writing and via the Internet, the vote submitted through the Internet will be taken as the valid vote. If you exercise a voting right multiple times via the Internet, the vote last submitted will be taken as the valid vote.
- (4) The password (including the password that may be changed by a shareholder) is valid only for this general meeting of shareholders. A new password will be issued at the time of convocation of the next general meeting of shareholders.
- (5) Please note that shareholders are responsible for any expenses incurred for accessing the Internet.

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

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

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

2 Contact information

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

1 Inquiries regarding the operation of the voting website:

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

2 Other inquiries regarding administration of shares:

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

For
reference

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

Reference Documents for the General Meeting of Shareholders

Agenda of the Ordinary General Meeting of Shareholders

Proposal 1 Distribution of Surplus

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

Matters related to the year-end dividend

1 Type of dividend assets

Cash

2 Allotment of dividend property to shareholders and its total amount

Amount per common share: 37.5 yen

Total amount of dividends: 1,550,449,238 yen

Note: The Company conducted a share consolidation by which five common shares have been consolidated into one share, effective October 1, 2017. As the Company has already paid an interim dividend of 7.5 yen per share with a record date of September 30, 2017 prior to the share consolidation, when the annual dividend for the 157th fiscal year is converted on the basis prior to the share consolidation, it is equivalent to 15 yen per share, consisting of an interim dividend of 7.5 yen and a year-end dividend of 7.5 yen. When the annual dividend for the 157th fiscal year is converted on the basis subsequent to the share consolidation, it is equivalent to 75 yen per share, consisting of an interim dividend of 37.5 yen and a year-end dividend of 37.5 yen.

3 Effective date of distribution of surplus

June 29, 2018

Proposal 2 Election of Two (2) Directors

The Company proposes the election of two (2) Directors, consisting of one (1) Director to replace Mr. Akio Naito, Director, who will retire from office by voluntary resignation at the closing of this General Meeting of Shareholders, and one (1) additional Director to increase the number of Directors to further enhance and reinforce the management system.

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

The candidates for Director are as follows.

1

Kazuhiko Sakamoto (November 6, 1965)

Newly Appointed



Number of shares of the Company held

100

Career, positions, responsibilities, and significant concurrent positions

April 1988	Joined the Company
June 1994	Seconded to SEIKO Hong Kong Ltd.
April 2007	General Manager, Finance & Accounting Department of WAKO Co., Ltd.
June 2010	General Manager, Corporate Strategy & Planning Department of WAKO Co., Ltd.
July 2012	Senior Vice President of WAKO Co., Ltd.
June 2015	General Manager, Corporate Strategy & Planning Department of the Company
March 2017	General Manager, Finance & Accounting Department of the Company (to present)

Reasons for nomination as candidate for director

The Company nominates Mr. Kazuhiko Sakamoto as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in finance & accounting, and corporate strategy & planning as a member of the Company Group since joining the Company; and (ii) and currently serving as the General Manager, Finance & Accounting Department of the Company and being involved in the management of its group companies.

2

Tetsu Kobayashi (January 17, 1960)

Newly Appointed



Number of shares of the Company held

4,000

Career, positions, responsibilities, and significant concurrent positions

April 1982	Joined Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)
March 2005	Executive General Manager, Corporate Strategy Division of Seiko Instruments Inc.
June 2007	General Manager, Watch Movement Division of Seiko Instruments Inc.
March 2008	Senior Vice President of Seiko Instruments Inc.
July 2009	Executive General Manager, Watches Business Headquarters of Seiko Instruments Inc.
October 2010	Director of Seiko Instruments Inc.
October 2014	President of Seiko Precision Inc.
November 2017	Executive General Manager, Corporate Technology Division of Seiko Instruments Inc. (to present)
February 2018	Chief Executive Vice President of Seiko Instruments Inc.
April 2018	President of Seiko Instruments Inc. (to present); Director of Seiko Precision Inc. (to present)

Reasons for nomination as candidate for director

Mr. Tetsu Kobayashi has been engaged in planning, development, production, and sales in the Watches Business and the Electronic Devices Business of Seiko Instruments Inc. as a member of the Company Group since joining the Company, and has a broad range of knowledge and experience regarding its businesses. The Company nominates Mr. Kobayashi as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including currently being engaged in management direction as President of Seiko Instruments Inc.

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

[For reference]

<Decision process of the nomination of the Director candidates>

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

The nomination of the Director candidates listed in Proposal 2 was determined by the Board of Directors after being deliberated on by that committee.

1 Matters related to current status of the Corporate Group

(1) Business developments and results

During the fiscal year ended March 31, 2018, in the world economy, a balanced economic recovery continued in both developed and emerging countries, due to factors including steady performance in the U.S. and European economies, continued stable growth of the Chinese economy, and accelerated growth in Asian economies. In the meantime, uncertainty is increasing in the global economic outlook stemming from higher interest rates and growing protectionism in the U.S. and other countries.

The Japanese economy is picking up gradually in response to a recovery in export and production activities, followed by an improvement in personal consumption and the employment and income situation. However, there are grounds for concern regarding both future trends in an unstable stock market and foreign exchange rates, and the impact of geopolitical risks such as the situation in North Korea.

For the fiscal year ended March 31, 2018, the Company reported consolidated net sales of 268.5 billion yen, a year-on-year increase of 11.4 billion yen, or 4.4%. On a per-segment basis, sales under the Watches Business, the Systems Solutions Business and Others increased year on year, while sales under the Electronic Devices Business declined compared to the previous fiscal year

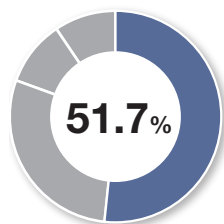
affected by the exclusion of the semiconductor business from the scope of consolidation. On an overall consolidated basis, domestic net sales came to 143.0 billion yen (a year-on-year increase of 6.1%), and overseas net sales were 125.4 billion yen (a year-on-year increase of 2.6%). Overseas net sales comprised 46.7% of net sales overall.

In terms of income, operating income increased by 3.3 billion yen compared to the previous fiscal year to 10.8 billion yen (a year-on-year increase of 44.7%), due to an increase in net sales and other factors. Ordinary income increased by 4.2 billion yen from the previous fiscal year to become 10.9 billion yen (a year-on-year increase of 63.5%), as a result of improvements in non-operating income and expenses due to the improved investment profit and loss by application of the equity method and a decrease in interest expenses. A gain from the transfer of the semiconductor business of 9.3 billion yen was posted as extraordinary income, and transfers to provision for loss on lease agreements of 2.1 billion yen, business structure improvement expenses of 1.9 billion yen and others were posted as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests came to 11.5 billion yen (a year-on-year increase of 6.1 billion yen, or 114.0%).

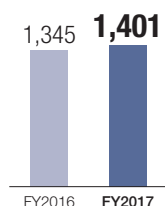
Results for each segment are as follows.

Watches Business

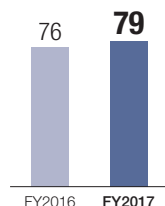
Composition of net sales



Net sales (Billions of yen)



Operating income (Billions of yen)



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

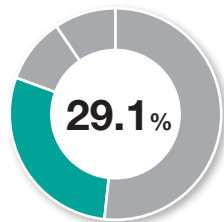
Net sales under the Watches Business came to 140.1 billion yen, a year-on-year increase of 5.5 billion yen, or 4.1%. In Japan, the independently branded Grand Seiko performed strongly, and sales of the Presage and

Prospex were also up year-on-year due to the introduction of new products. On a distribution channel basis, sales to independent stores, outlets and via the Internet rose compared to the previous fiscal year. On the overseas front, e-commerce sales were favorable in China, and sales were strong for Asia and Europe, with the effects of foreign exchange rates being one of the factors. Sales of watch movements were up year-on-year as market conditions began to recover for some products.

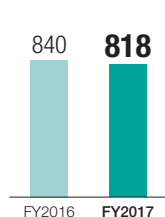
With regard to income, the increase in net sales resulted in 7.9 billion yen in operating income (a year-on-year increase of 3.8%).

Electronic Devices Business

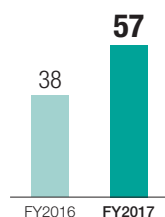
Composition of net sales



Net sales (Billions of yen)



Operating income (Billions of yen)

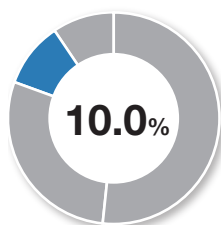


*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

Net sales under the Electronic Devices Business came to 81.8 billion yen (a year-on-year decrease of 2.2 billion yen, or 2.6%). This decline is partly because the semiconductor business was excluded from the scope of consolidation in January 2018. However, operating income increased by 1.9 billion yen from the previous fiscal year to become 5.7 billion yen (a year-on-year increase of 52.1%), due to the strong performance of products such as high performance metal products for semiconductor manufacturing facilities and thermal printers for POS terminals.

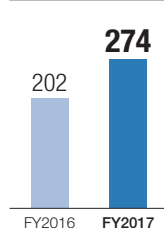
Systems Solutions Business

Composition of net sales

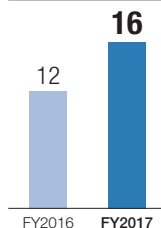


*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

Net sales (Billions of yen)



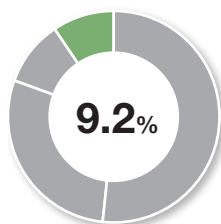
Operating income (Billions of yen)



Net sales under the Systems Solutions Business came to 27.4 billion yen (a year-on-year increase of 35.1%), and operating income to 1.6 billion yen (a year-on-year increase of 25.1%). In addition to the acquisition of IIM Corporation that offers computer-performance management software, sales were favorable for some businesses such as mobile wireless telecommunications devices for automobiles and for home security, and network-related devices mainly for broadcasting and telecommunications.

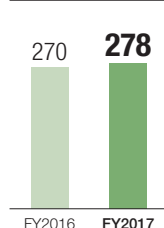
Others

Composition of net sales

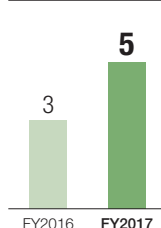


*The above ratio was calculated based on values after the adjustment of intersegment sales or transfers.

Net sales (Billions of yen)



Operating income (Billions of yen)



Net sales under Others amounted to 27.8 billion yen (a year-on-year increase of 3.0%), and operating income to 0.5 billion yen (a year-on-year increase of 81.0%). Among segments included in Others, net sales grew year-on-year for the Wako Business, while those for the Clock Business were down from the previous fiscal year.

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

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

The Company formulated and is promoting the Sixth Medium-Term Management Plan beginning in the fiscal year ended March 31, 2017, as described below.

1 Long-term vision

The Seiko Holdings Group has established its long-term vision of what the Group aims to be 10 years in the future, based on the Group slogan, 'SEIKO Moving Ahead, Touching Hearts'.

We aim to be a trend-setting and innovative global group that shares excitement with all its stakeholders around the world by providing products and services that exceed the highest expectations of our customers.

2 Basic policy

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

3 Reinforcing profitability and investment for growth

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

4 Reinforcing the management foundation

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

5 Target figures under the Sixth Medium-Term Management Plan

(i) Consolidated income forecast

(Billions of yen)

	Actual	Actual	Medium-Term Management Plan
	FY2016	FY2017	FY2018
Net sales	257.1	268.5	310
Operating income	7.4	10.8	17
Ordinary income	6.6	10.9	18
Net income attributable to owners of parent	5.3	11.5	12.5

(ii) Net sales by segment

(Billions of yen)

	Actual	Actual	Medium-Term Management Plan
	FY2016	FY2017	FY2018
Watches Business	134.5	140.1	190
Electronic Devices Business	84	81.8	75
Systems Solutions Business	20.2	27.4	25
Others	27	27.8	30
Consolidated total	257.1	268.5	310

(iii) Operating income by segment

(Billions of yen)

	Actual	Actual	Medium-Term Management Plan
	FY2016	FY2017	FY2018
Watches Business	7.6	7.9	17
Electronic Devices Business	3.8	5.7	2.5
Systems Solutions Business	1.2	1.6	1.5
Others	0.3	0.5	1
Consolidated total	7.4	10.8	17

(iv) Balance sheet items

(Billions of yen)

	Actual	Actual	Medium-Term Management Plan
	FY2016	FY2017	FY2018
Total assets	328.8	307.5	340
Net assets	107.1	105.1	120
Equity capital ratio	29.8%	33.8%	35%
Net interest-bearing liabilities	101.2	79.1	75

6 Developments in the fiscal year ended March 31, 2018

(i) Reinforcing profitability and investment for growth

In the Watches Business, the Company worked to increase profit aiming for further growth as a core business of the Group. In Japan, the policy to make the Grand Seiko an independent brand and the effort to expand high-end products proceeded successfully, resulting in a further increase in sales; also, the Presage and PROSPEX brands significantly grew supported by the strategy to intensify the global brands and the expanded market demand for mechanical watches. On the overseas front, the Company focused on the sale of global brands and successfully increased the sales thereof. Particular in China, the awareness of and expectations for SEIKO were raised thanks to favorable e-commerce sales, and sales for European and Asian markets also remained strong. The Company will continue investments to improve the value of brands centered on the global brands with a goal of “developing SEIKO to be a true global brand aiming for 2020 and becoming the leading company in the global watch market”, and strongly promote measures to achieve the target figures for the last year of the Medium-Term Management Plan.

In the Electronic Devices segment, the Company sought to generate profit and improve profitability by distributing its management resources mainly to the core business. As a result of the organization and improvement of unprofitable businesses that the Company has been working on for several years, the profitability of not only the semiconductor business but also other businesses has increased. For the last fiscal year, the equity method will apply to the semiconductor business and the said business will be excluded from the scope of consolidation; however, the Company will ensure stable profitability from high performance metal products for semiconductor manufacturing facilities, thermal printers for POS terminals and ink-jet printer head products and aim to achieve the target figures for the last year of the plan.

In the Systems Solutions Business, the Company reinforced the business foundation as the third core business and made efforts to reinforce profitability. In addition to the steady performance of the existing businesses such as mobile wireless telecommunications devices for automobiles and for

home security, and network-related devices mainly for broadcasting and telecommunications, due to the acquisition of IIM Corporation that offers computer-performance management software, net sales in this business are increasing. The sales of Stock-type Business with potential for sustainable profitability such as maintenance of devices and systems, and software services mainly for payment-relay centers or performance management also increased, and both sales and operating income achieved the target figures for the last year of the plan ahead of schedule.

In the businesses included in Others, the Company made efforts to ensure stable profitability in order to continue stable corporate earnings. The Clocks Business, the Wako Business and the System Clocks Business all became profitable. The Company will work to stabilize profitability and cope with issues to achieve the target figures for the last year of the plan.

(ii) Reinforcing the management foundation

In order to reinforce corporate communication, the Company continuously engaged in PR and CSR activities through sports and music based on the Group slogan “SEIKO Moving Ahead, Touching Hearts”. The Company intensified IR activities and enriched constructive dialogue with its shareholders and investors, positively aiming at sustainable growth and mid- and long-term improvement of corporate value.

Regarding the policy for capital measures, the Company will distribute an interim dividend of 7.5 yen

and a year-end dividend of 37.5 yen per share (corresponding to an annual dividend of 15 yen before the share consolidation) aiming for continuous and stable dividends, which is a basic policy. While the capital adequacy ratio improved to 33.8%, the Company will further improve the equity capital to reach 35%, the target figure for the last year of the plan. Regarding the policy for financial measures, the Company made efforts to reduce interest-bearing liabilities, and as a result, net interest-bearing liabilities of 79.1 billion yen were recorded. The Company will advance further reduction efforts aiming at 75.0 billion yen, which is the target figure for the last year.

In order to reinforce corporate governance, the Company strived to build an effective corporate governance system through a corporate governance committee a majority of whose members are outside officers, to reinforce its internal systems.

In order to reinforce organizational and group functions, the Company led the planning for the Group’s management policies or implementation strategies, and reinforced their support for the operating companies, resulting in an improvement of profitability for the businesses at issue, and structural reform within the Group. In order to develop various human resources, which is a basic personnel policy, the Company will raise global human resources and executive candidates who will lead the next generation and aggressively promote measures to further all employees’ active participation and provide a working environment that enables employees to work in very diverse ways.

(3) Financing

There are no matters of special note.

(4) Capital expenditures

The Company invested 768 million yen in the Watches Business and 3,976 million yen in the Electronic Devices Business primarily to reinforce and renew manufacturing and other facilities, and 987 million yen in the Systems Solutions Business primarily to acquire software for marketing purposes, respectively.

(5) Trends in assets and profit/loss

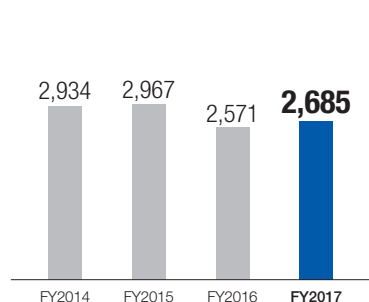
The operating results and assets in the fiscal year ended March 31, 2018 and the past three years are as follows.

(i) Consolidated

Item	FY2014	FY2015	FY2016	FY2017
Net sales (Millions of yen)	293,472	296,705	257,115	268,529
Ordinary income (Millions of yen)	12,373	11,879	6,671	10,911
Net income attributable to owners of parent (Millions of yen)	21,778	12,142	5,392	11,541
Net income per share (Yen)	105	59	26	280
Total assets (Millions of yen)	333,701	329,115	328,857	307,590
Net assets (Millions of yen)	92,589	102,692	107,161	105,170
Net assets per share (Yen)	438	457	476	2,524

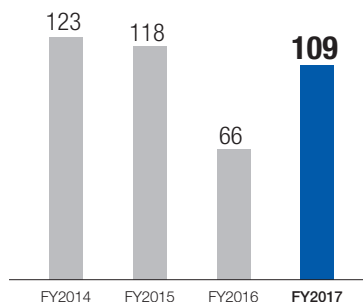
Net sales

(Billions of yen)



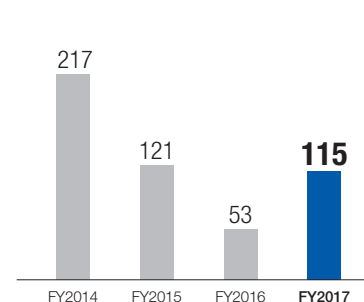
Ordinary income

(Billions of yen)



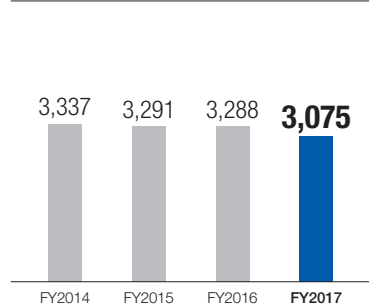
Profit attributable to owners of parent

(Billions of yen)



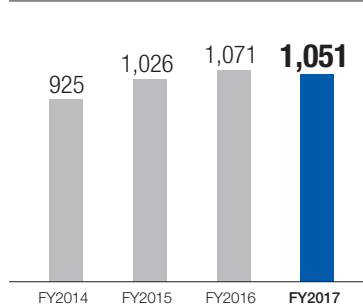
Total assets

(Billions of yen)



Net assets

(Billions of yen)



(ii) Non-consolidated

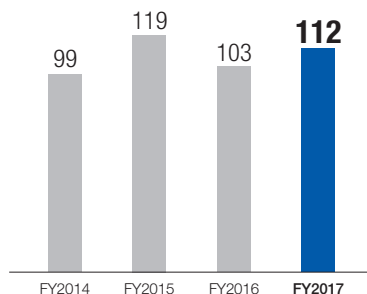
Item	FY2014	FY2015	FY2016	FY2017
Operating revenue (Millions of yen)	9,972	11,984	10,361	11,237
Ordinary income (Millions of yen)	1,730	4,393	2,324	3,308
Net income (Millions of yen)	14,953	3,370	3,271	3,763
Net income per share (Yen)	72	16	16	91
Total assets (Millions of yen)	158,703	147,145	161,853	179,469
Net assets (Millions of yen)	56,267	54,964	59,346	56,036
Net assets per share (Yen)	272	266	288	1,359

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

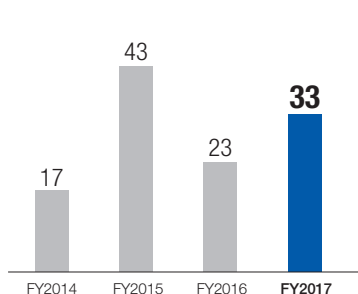
Note 2 Treasury shares are indicated as a deduction item on net assets, and the values of net income per share and of net assets are calculated by deducting the number of treasury shares from the average number of shares during the fiscal year and the total number of issued shares, respectively.

Note 3 The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. Net income per share and net assets per share are calculated as if said share consolidation was performed at the beginning of the current fiscal year.

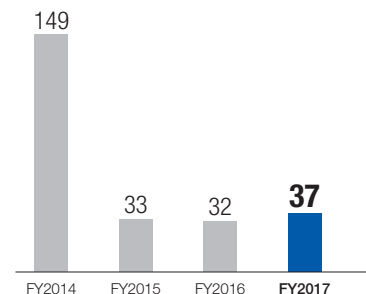
Operating income (Billions of yen)



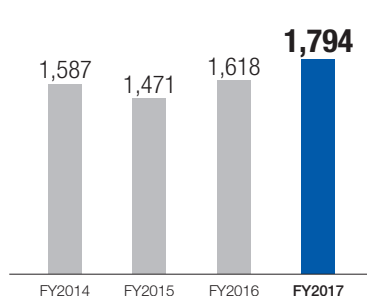
Ordinary income (Billions of yen)



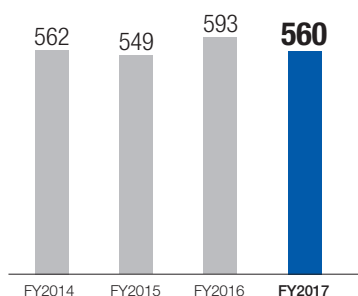
Net income (Billions of yen)



Total assets (Billions of yen)



Net assets (Billions of yen)



(6) Status of major parent companies and subsidiaries

(i) Relationship with parent companies

Not applicable.

(ii) Status of major subsidiaries

Company Name	Paid-in Capital	Capital Contribution Ratio	Details of Major Business Activities
SEIKO WATCH CORPORATION	5,000 million yen	100.0%	Sales of watches
CRONOS INC.	200 million yen	100.0%(*)	Sales of watches and other products
SEIKO Corporation of America	US\$111,000	100.0%(*)	Sales of watches and other products
SEIKO Hong Kong Ltd.	HK\$129,300,000	100.0%(*)	Sales of watches and other products
Seiko Instruments Inc.	9,756 million yen	100.0%	Manufacturing and sales of precision instruments, electronic devices, and other products
Morioka Seiko Instruments Inc.	1,000 million yen	100.0%(*)	Manufacturing watches
Seiko Instruments (H.K.) Ltd.	HK\$128,700,000	100.0%(*)	Manufacturing and sales of precision instruments, electronic devices, and other products
Seiko Instruments Singapore Pte. Ltd.	S\$32,288,000	100.0%(*)	Manufacturing and sales of precision instruments, electronic devices, and other products
SEIKO Solutions Inc.	500 million yen	100.0%	Development, sales, etc. of information and telecommunication systems, etc.

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

(7) Major business segments of the Corporate Group

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

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

(8) Major business locations of the Corporate Group

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

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

(9) Status of employees of the Corporate Group

The number of employees of the Company and its consolidated subsidiaries is 12,033 (a decrease of 1,032 from the previous fiscal year-end).

(10) Major lenders and amounts borrowed

(Millions of yen)

Lenders	Outstanding Balance of Loans
Mizuho Bank, Ltd.	40,574
Sumitomo Mitsui Banking Corporation	20,778
Aozora Bank, Ltd.	12,842

2 Matters related to the Company shares

(1) Total number of shares authorized to be issued
149,200,000 shares

(2) Total number of shares issued and outstanding
(including 58,948 treasury shares)
41,404,261 shares

(3) Number of shareholders at the end of the
fiscal year ended March 31, 2018

12,916

(4) Major shareholders (top 10)

Name	Number of shares held (shares)	Percentage of shares held (%)
Sanko Kigyo K.K.	4,735,500	11.5
Etsuko Hattori	3,613,908	8.7
Shinji Hattori	2,279,289	5.5
The Dai-ichi Life Insurance Company, Limited	1,800,000	4.4
Hideo Hattori	1,620,855	3.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,029,400	2.5
Japan Trustee Services Bank, Ltd. (Trust Account)	993,500	2.4
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	967,500	2.3
SHIMIZU CORPORATION	744,200	1.8
FUJI BUILDING Co., Ltd.	671,400	1.6

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

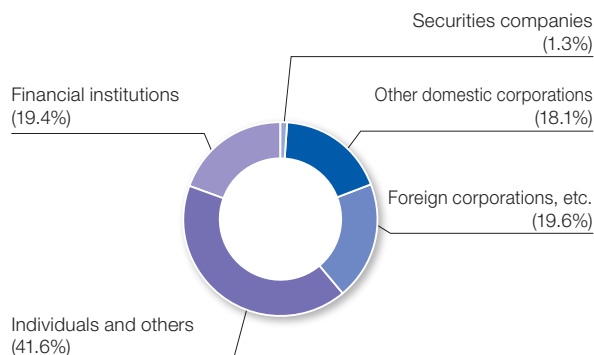
(5) Other important matters related to shares

Effective October 1, 2017, the Company changed the number of unit shares from 1,000 shares to 100 shares and conducted a share consolidation by which five common shares have been consolidated into one share.

3 Matters related to stock acquisition rights issued by the Company

Not applicable.

Breakdown by type of shareholder



4 Matters related to officers

(1) Name, etc. of Directors and Corporate Auditors (as of March 31, 2018)

Name	Position and responsibility at the Company	Significant concurrent positions at other entities
Shinji Hattori	Chairman & Group CEO	Chairman & CEO of SEIKO WATCH CORPORATION Outside Director of JAPAN POST INSURANCE Co., Ltd.
Yoshinobu Nakamura	President	
Akihiro Okuma	Executive Director in charge of Secretariat, Human Resources, General Affairs, IT Planning, and Long-Term Management & Technology Strategy	Director, Senior Executive Vice President of SEIKO Solutions Inc. Outside Director of OHARA INC.
Hiromi Kanagawa	Director in charge of Public Relations, Sports Branding, and Corporate Culture General Manager of the Corporate Culture Department	
Shimesu Takizawa	Director in charge of Finance & Accounting, Corporate Strategy & Planning, and Legal & Intellectual Property General Manager of the Corporate Strategy & Planning Department	Director, Executive Vice President of Seiko Instruments Inc.
Shuji Takahashi	Director in charge of Watches Business	President & COO & CMO of SEIKO WATCH CORPORATION
Akio Naito	Director	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION Chairman, President & CEO of SEIKO Corporation of America
Shuntaro Ishii	Director	Representative Director, Senior Executive Vice President of Seiko Instruments Inc.
Carsten Fischer	Director	
Nobuhiro Endo	Director	Chairman of the Board (Representative Director) of NEC Corporation Outside Director of JAPAN POST INSURANCE Co., Ltd.
Seiichi Mikami	Standing Corporate Auditor	Outside Corporate Auditor of OHARA INC.
Haruhiko Takagi	Standing Corporate Auditor	
Yoshiaki Yamauchi	Corporate Auditor	Outside Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD. Certified public accountant
Yoshiro Aoki	Corporate Auditor	
Tomoyasu Asano	Corporate Auditor	President of the Cardiovascular Institute Outside Auditor of Tokyu Fudosan Holdings Corporation

Note 1: Messrs. Carsten Fischer and Nobuhiro Endo, Directors, are outside directors set forth in Article 2, item 15 of the Companies Act.

Note 2: Messrs. Yoshiaki Yamauchi, Yoshiro Aoki, and Tomoyasu Asano, Corporate Auditors, are outside company auditors set forth in Article 2, item 16 of the Companies Act.

Note 3: The Company has reported to the Tokyo Stock Exchange Messrs. Carsten Fischer and Nobuhiro Endo, Directors, and Mr. Yoshiaki Yamauchi, Corporate Auditor, as independent officers.

Note 4: Messrs. Seiichi Mikami and Haruhiko Takagi, Standing Corporate Auditors, have experience as officers in charge of Finance & Accounting in the Company's group companies and have reasonable-degrees of knowledge about finance and accounting. Mr. Yoshiaki Yamauchi, Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge about finance and accounting.

Note 5: Changes in significant concurrent positions at other entities of Directors and Corporate Auditors of the Company during and after this fiscal year are as follows:

- (1) Mr. Akihiro Okuma, Executive Director, assumed office of Director, Executive Vice President of Seiko Instruments as of April 1, 2018.
- (2) Mr. Shuntaro Ishii, Director, retired from office of Representative Director, Senior Executive Vice President of Seiko Instruments Inc. as of April 1, 2018.
- (3) Mr. Carsten Fischer, Outside Director, retired from Outside Director of Kate Spade & Company as of July 11, 2017.
- (4) Mr. Tomoyasu Asano, Outside Corporate Auditor, assumed office of President of the Cardiovascular Institute as of June 30, 2017.

Note 6: The Company has a relationship (product transactions) with NEC Corporation at which Mr. Nobuhiro Endo, Outside Director, has a concurrent position. The scale of such transactions is extremely small compared with the business scale of both companies.

Note 7: As of April 1, 2018, positions and responsibility of Directors at the Company changed as follows:

Position	Name	Responsibility at the Company
Executive Director	Akihiro Okuma	In charge of Secretariat, Human Resources, General Affairs, and IT Planning
Executive Director	Shuntaro Ishii	In charge of Legal & Intellectual Property and Long-Term Management & Technology Strategy
Director	Shimesu Takizawa	In charge of Finance & Accounting, and Corporate Strategy & Planning General Manager of the Corporate Strategy & Planning Department

(2) Overview of agreements limiting liability

The Company entered into an agreement with each of Messrs. Carsten Fischer and Nobuhiro Endo, Outside Directors, and Messrs. Yoshiaki Yamauchi, Yoshiro Aoki, and Tomoyasu Asano, 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 that stipulated by laws. 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.

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

Classification	Number of payees	Amount of compensation, etc.	Remarks
Director	14	228 million yen	
Corporate Auditor	5	68 million yen	
Total	19	296 million yen	

Note 1: The foregoing includes one Director who retired from his office as of April 6, 2017 and three Directors who retired from their offices at the close of the 156th Ordinary General Meeting of Shareholders held on June 29, 2017.

Note 2: The amount of compensation, etc. above does not include the expenses recorded for the fiscal year ended March 31, 2018 of performance-based bonuses of 38 million yen (payees: 6 Executive Directors).

Note 3: The amount of compensation, etc. above does not include the expenses recorded for the fiscal year ended March 31, 2018 of performance-based share compensation of 18 million yen (payees: 6 Executive Directors).

(4) Matters related to outside officers

① Main activities of outside officers

Classification	Name	Main activities
Director	Carsten Fischer	He attended all of the 13 Board of Directors meetings held during the fiscal year ended March 31, 2018, and made necessary remarks on discussion items and deliberation items, mainly based on his broad experience through managing global companies and as a marketing expert.
Director	Nobuhiro Endo	He attended all of the 10 Board of Directors meetings held after his assumption of office of Director in June 2017, and made necessary remarks on discussion items and deliberation items, mainly based on his broad experience through managing global companies.
Corporate Auditor	Yoshiaki Yamauchi	He attended all of 13 Board of Directors meetings and 8 of the 9 Audit Committee meetings held during the fiscal year ended March 31, 2018, and made remarks, as necessary, mainly from the expert viewpoint of a certified public accountant.
Corporate Auditor	Yoshiro Aoki	He attended all of 13 Board of Directors meetings and all of 9 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2018, and made remarks, as necessary, mainly based on his broad experience through managing companies.
Corporate Auditor	Tomoyasu Asano	He attended all of 10 Board of Directors meetings and all of 9 Board of Corporate Auditors meetings held during the fiscal year ended March 31, 2018, and made remarks, as necessary, mainly based on his broad experience through managing insurance companies.

Note: In addition to the number of Board of Directors meetings held above, one resolution was made in writing which shall be deemed to have been made at a Board of Directors meeting pursuant to Article 370 of the Companies Act and Article 29 of the Articles of Incorporation of the Company.

② Aggregate amount of compensation, etc. for outside officers

Number of payees	Amount of compensation, etc.	Compensation, etc. for officers paid by the Company's subsidiaries
6	46 million yen	4 million yen

Note: The foregoing includes one Director who retired from his office on April 6, 2017.

5 Matters related to the Accounting Auditor

(1) Name of the accounting auditor

KPMG AZSA LLC

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

(i) Total amount of compensation, etc. for the services (auditing and attesting financial documents) set forth in Article 2, paragraph 1 of the “Certified Public Accountants Act (Act No. 103 of 1948)” payable by the Company and its subsidiaries to the accounting auditor

..... 225 million yen

(ii) Amount of compensation, etc. (out of (i) above) payable by the Company to the accounting auditor

..... 63 million yen

(iii) Total amount of monies and other financial benefits payable by the Company and its subsidiaries to the accounting auditor

..... 234 million yen

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

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

Note 3: The amounts of (i) and (iii) above include the amount payable by ABLIC Inc. (former tradename: SII Semiconductor Corporation) that was excluded from the scope of consolidation for the fourth quarter of the consolidated accounting period.

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

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

(4) Non-audit operations

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

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

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

6 Systems and policies of the Company

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

- (1) System to ensure that the duties of Directors and employees are executed in compliance with laws and regulations and the Articles of Incorporation

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

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

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

- (iii) The Company shall develop necessary systems so that the person who made the report in the preceding two paragraphs might not be treated disadvantageously because of having made such report.
 - (iv) In conducting internal audits, the General Manager of the Internal Audit Department shall cooperate with standing Corporate Auditors in advance, and make efforts to report important matters to standing Corporate Auditors in a timely manner. In addition, the General Manager shall report the results of internal audits to standing Corporate Auditors without delay, and regularly report them to the Board of Corporate Auditors.
- (8) Other systems to ensure that audits by Corporate Auditors are effectively conducted
- (i) The Company shall ensure a system where, besides the Internal Audit Department, the General Affairs Department and the Finance & Accounting Department will assist audits by Corporate Auditors from time to time based on respective instructions of Corporate Auditors.
 - (ii) The Company shall ensure that Corporate Auditors will attend important meetings and committees established to ensure proper operations, and to be held in a timely manner, by the Board of Directors.
 - (iii) The President shall meet with the Board of Corporate Auditors, as necessary, and exchange opinions regarding important management issues.
 - (iv) If a Corporate Auditor requests that the Company pay expenses incurred in executing his/her duties, the Company shall promptly pay them unless the Company proves that they are not necessary for the Corporate Auditor to execute his/her duties.

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

- (1) System for compliance with corporate ethics and laws and regulations
- (i) The Company has established a Corporate Ethics Committee chaired by the President to discuss corporate ethical issues and the system for compliance with corporate ethics, including those relating to its subsidiaries, and reports the result of discussions to the Board of Directors. The Committee held two meetings during the fiscal year ended March 31, 2018.
 - (ii) The Company has established a “Corporate Ethics Helpline” internally and at a law firm as a contact point to receive consultations or whistle-blowing from employees regarding violations of laws and regulations within the Company. The Company has made sure all employees are well informed about how to use these helplines by posting them on the internal intranet and distributing portable cards, etc.
 - (iii) The Company regularly provides training sessions on corporate ethics to enhance awareness of compliance with corporate ethics and laws and regulations. During the fiscal year ended March 31, 2018, the Company provided training sessions titled “Responding to Scandals” for standing officers and “Laws and Regulations related to Working Hours” for employees.
- (2) Risk management system
- (i) The Company has established the Risk Management Committee chaired by the President to discuss the Company Group’s risk management system and various risk issues. The Committee held four meetings during the fiscal year ended March 31, 2018.
The Committee also reports the matters discussed thereat and important risks to be addressed horizontally within groups to the Board of Directors.

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- Further, in order to confirm and share the risks and the counter-measures against them as experienced by each group company, the Company newly established a Group Risk Management Committee consisting of respective Representative Directors of the Company and its subsidiaries and held two meetings of the Committee during the fiscal year ended March 31, 2018.
- (ii) Regarding responses when risks occur, the “Crisis Management Manual” sets out for the Company’s basic policy therefor and measures to respond to respective risks, such as disasters.
- (3) System to ensure that the duties of Directors are efficiently executed
- (i) The Company has determined the assignment of duties for each Director upon a resolution of the Board of Directors, and the responsibility and authority of each division/department in accordance with the “Duty Assignment Rules”.
 - (ii) The Company has established a council called the “Strategic Conference for Management” where the President and Executive Directors exchange opinions and share information with other Directors, Corporate Auditors, or General Managers of divisions/departments when they decide on and execute important matters relating to execution of their duties. The Strategic Conference for Management held 44 meetings during the fiscal year ended March 31, 2018.
 - (iii) The Company has provided the “Consolidated Business Management Rules” for the execution of the operations of its subsidiaries in order to perform its management and support functions from the viewpoint of consolidated management.
- (4) System to ensure the proper operations of the Company Group
- (i) Pursuant to the “Consolidated Business Management Rules”, the Company properly discusses with its subsidiaries in advance regarding their business plan, annual budgets, and measures to respond to important corporate ethical issues, receives reports on material business matters from them, and dispatches its officers or employees to subsidiaries, as necessary, to supervise and audit them. As of the end of the fiscal year ended March 31, 2018, the Company has dispatched eight Directors, two Corporate Auditors, and two employees.
Furthermore, the President of each subsidiary reports the execution status of its operations to the Company’s Board of Directors as necessary; during the fiscal year ended March 31, 2018, five subsidiaries made such reports.
 - (ii) Each division/department of the Company assists its subsidiaries to develop a system to comply with corporate ethics and laws and regulations, and a system to comply with business operation laws. During the fiscal year ended March 31, 2018, briefings were held to discuss topics such as “Responding to Scandals”, “EU General Data Protection Regulation”, and “Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors”.
- (5) System to ensure that audits by Corporate Auditors are effectively conducted
- (i) The Internal Audit Department holds a regular meeting once a month with standing Corporate Auditors and reports the performance status of internal audits.
 - (ii) Standing Corporate Auditors attend important meetings such as the Strategic Conference for Management, the Risk Management Committee, and the Corporate Ethics Committee, etc.
 - (iii) The President attends the Board of Corporate Auditors’ meetings to exchange opinions and gather information relating to material business issues, etc.

Consolidated Financial Statements

Consolidated Balance Sheet (As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	(142,488)	Current liabilities:	(134,469)
Cash and deposits	34,229	Notes and accounts payable - trade	24,921
Notes and accounts receivables - trade	38,109	Electronically recorded obligations - operating	7,956
Merchandise and finished goods	38,381	Short-term loans payable	49,916
Work in process	10,701	Current portion of long-term loans payable	21,476
Raw materials and supplies	7,928	Accounts payable - other	12,598
Accounts receivable - other	3,537	Income taxes payable	1,275
Deferred tax assets	4,216	Deferred tax liabilities	2
Other	6,589	Provision for bonuses	3,534
Allowance for doubtful accounts	Δ1,206	Provision for goods warranties	445
		Provision for loan agreement losses	348
		Other provision	350
		Asset retirement obligations	51
		Other	11,589
Non-current assets:	(165,102)	Non-current liabilities	(67,950)
Property, plant and equipment:	(89,498)	Long-term loans payable	40,075
Buildings and structures	72,303	Deferred tax liabilities	4,811
Machinery, equipment and vehicles	80,147	Deferred tax liabilities for land revaluation	3,614
Tools, furniture and fixtures	30,419	Provision for loan agreement losses	1,832
Other	1,766	Provision for environmental measures	351
Accumulated depreciation	Δ145,116	Provision for gift certificate exchange losses	157
Land	49,199	Provision for long-term goods warranties	77
Construction in progress	779	Provision for loss on business withdrawal	57
Intangible assets:	(18,036)	Provision for directors' retirement benefits	36
Goodwill	9,149	Other provision	38
Other	8,887	Net defined benefit liability	10,810
Investments and other assets:	(57,566)	Asset retirement obligations	676
Investment securities	46,774	Other	5,410
Deferred tax assets	2,092	Total liabilities	202,420
Other	8,908	(Net assets)	
Allowance for doubtful accounts	Δ208	Shareholders' equity:	(84,886)
Total assets	307,590	Capital stock	10,000
		Capital surplus	7,245
		Retained earnings	67,975
		Treasury shares	Δ334
		Accumulated other comprehensive income:	(19,123)
		Valuation difference on available-for-sale securities	11,639
		Deferred gains or losses on hedges	Δ294
		Revaluation reserve for land	8,190
		Foreign currency translation adjustment	468
		Remeasurements of defined benefit plans	Δ879
		Non-controlling interests	(1,159)
		Total net assets	105,170
		Total liabilities and net assets	307,590

Consolidated Statements of Income (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount
Net sales	268,529
Cost of sales	166,231
Gross profit	102,297
Selling, general and administrative expenses	91,461
Operating income	10,836
Non-operating income:	(3,255)
Interest income	152
Dividend income	735
Equity method investment gain	734
House rent and other rental revenues	426
Royalty revenue	386
Other	820
Non-operating expenses:	(3,180)
Interest expenses	1,293
Exchange loss	558
Other	1,327
Ordinary income	10,911
Extraordinary income:	(9,373)
Gain on business transfer	9,373
Extraordinary losses:	(4,456)
Transfers to provision for loss on lease agreements	2,181
Business structure improvement expenses	1,955
Impairment loss	177
Loss from liquidation of affiliates	142
Profit before income taxes	15,828
Income taxes - current	2,338
Income taxes - deferred	470
Profit	13,019
Profit attributable to non-controlling interests	1,477
Profit attributable to owners of parent	11,541

Consolidated Statements of Changes in Equity (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the fiscal year	10,000	7,245	59,535	Δ329	76,451
Changes of items during the consolidated fiscal year					
Dividends of surplus			Δ3,100		Δ3,100
Profit attributable to owners of parent			11,541		11,541
Purchase of treasury shares				Δ4	Δ4
Net changes of items other than shareholders' equity					
Total changes of items during the consolidated fiscal year	—	—	8,440	Δ4	8,435
Balance at end of current period	10,000	7,245	67,975	Δ334	84,886

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	14,962	39	8,190	Δ402	Δ1,121	21,668	9,042	107,161
Changes of items during the consolidated fiscal year ended March 31, 2018								
Dividends of surplus								Δ3,100
Profit attributable to owners of parent								11,541
Purchase of treasury shares								Δ4
Net changes of items other than shareholders' equity	Δ3,322	Δ334	—	870	242	Δ2,544	Δ7,882	Δ10,426
Total changes of items during the consolidated fiscal year	Δ3,322	Δ334	—	870	242	Δ2,544	Δ7,882	Δ1,990
Balance at end of the fiscal year	11,639	Δ294	8,190	468	Δ879	19,123	1,159	105,170

Non-consolidated Financial Statements

Non-Consolidated Balance Sheet (As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	68,376	Current liabilities:	70,137
Cash and deposits	14,634	Short-term loans payable	44,640
Prepaid expenses	391	Current portion of long-term loans payable	20,408
Short-term loans receivable	45,057	Lease obligations (current)	1
Accounts receivable - other	7,467	Accounts payable - other	2,358
Deferred tax assets	200	Accrued expenses	431
Other	625	Income taxes payable	17
Non-current assets:	111,092	Deposit received	1,978
Property, plant and equipment	23,053	Unearned income	214
Buildings	3,804	Provision for bonuses	86
Furniture and fixtures	778	Non-current liabilities	53,295
Land	18,460	Long-term loans payable	38,844
Leased assets	10	Lease obligations (non-current)	8
Intangible assets:	2,535	Deferred tax liabilities	3,918
Leasehold	1,952	Deferred tax liabilities for land revaluation	3,614
Trademark rights	12	Provision for loss on subsidiaries and affiliates	2,274
Software	550	Provision for environmental measures	143
Other	20	Provision for Board Benefit Trust	32
Investments and other assets:	85,503	Asset retirement obligations (non-current)	123
Investment securities	23,043	Guarantee deposits received	3,882
Shares of subsidiaries and affiliates	59,899	Other	453
Contributions in subsidiaries and affiliates	0	Total liabilities	123,432
Long-term loans receivable from subsidiaries and affiliates	9,986	(Net assets)	
Bankruptcy and reorganization claims	32	Shareholders' equity:	37,492
Long-term prepaid expenses	8	Capital stock	10,000
Guaranty money deposited	2,402	Capital surplus	6,625
Other	198	Capital reserve	2,378
Allowance for doubtful accounts	△10,067	Other capital surplus	4,246
Total assets	179,469	Retained earnings	21,174
		Retained earnings reserve	121
		Other retained earnings	
		Retained earnings carried forward	21,053
		Treasury shares	△307
		Valuation and translation adjustments	18,544
		Valuation difference on available-for-sale securities	10,550
		Deferred gains or losses on hedges	△196
		Revaluation reserve for land	8,190
		Total net assets	56,036
		Total liabilities and net assets	179,469

Non-Consolidated Statements of Income (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount
Operating income:	(11,237)
Dividend received from subsidiaries and affiliates	6,467
Proceeds from management guidance	2,068
Royalty revenue	2,701
Operating expenses:	8,690
Operating income	2,547
Non-operating income:	(1,742)
Interest income	628
Dividend income	720
Other	393
Non-operating expenses:	(981)
Interest expenses	876
Other	104
Ordinary income	3,308
Extraordinary income:	(692)
Gain on forgiveness of consolidated tax debt	692
Extraordinary losses:	(844)
Transfers to provision for loss on investments to subsidiaries and affiliates	790
Business structure improvement expenses	53
Profit before income taxes	3,156
Income taxes - current	△682
Income taxes - deferred	75
Profit	3,763

Non-Consolidated Statements of Changes in Equity (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings	Total retained earnings
					Retained earnings carried forward		
Balance at beginning of current period	10,000	2,378	4,246	6,625	121	20,390	20,512
Changes of items during period							
Dividends of surplus						Δ3,100	Δ3,100
Profit						3,763	3,763
Purchase of treasury shares							
Net changes of items other than shareholders' equity during period							
Total changes of items during period	—	—	—	—	—	662	662
Balance at end of current period	10,000	2,378	4,246	6,625	121	21,053	21,174

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	Δ303	36,833	14,322	—	8,190	22,512	59,346
Changes of items during period							
Dividends of surplus		Δ3,100					Δ3,100
Profit		3,763					3,763
Purchase of treasury shares	Δ4	Δ4					Δ4
Net changes of items other than shareholders' equity during period			Δ3,771	Δ196	—	Δ3,967	Δ3,967
Total changes of items during period	Δ4	658	Δ3,771	Δ196	—	Δ3,967	Δ3,309
Balance at end of current period	Δ307	37,492	10,550	Δ196	8,190	18,544	56,036

Audit Report

[Translation]

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

Independent Auditor's Report

May 10, 2018

The Board of Directors
SEIKO HOLDINGS CORPORATION

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

We have audited the consolidated financial statements, comprising the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in shareholders' equity and the notes to the consolidated financial statements of SEIKO HOLDINGS CORPORATION for the consolidated fiscal year from April 1, 2017 to March 31, 2018 in accordance with Article 444, Paragraph 4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Conflicts of Interest

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

[Translation]

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

Independent Auditor's Report

May 10, 2018

The Board of Directors
SEIKO HOLDINGS CORPORATION

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

We have audited the financial statements, comprising the balance sheets, the statements of income, the statements of changes in shareholders' equity and the notes to the financial statements, and accompanying schedules thereto of SEIKO HOLDINGS CORPORATION for the 157th fiscal year from April 1, 2017 to March 31, 2018 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Conflicts of Interest

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

[Translation]

Certified copy of audit report by the Board of Corporate Auditors

Audit Report

The Board of Corporate Auditors has deliberated on, prepared and submitted this Audit Report as below, based on the audit reports made by the Corporate Auditors concerning the execution of duties by Directors for the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018).

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

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

In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report and accompanying schedules thereto, and the financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in shareholders' equity, and notes to non-consolidated financial statements) and accompanying schedules thereto, and consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholders' equity, and notes to consolidated financial statements) for the fiscal year ended March 31, 2018.

2. Results of audits

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

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

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

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

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

May 11, 2018

Board of Corporate Auditors
Seiko Holdings Corporation

Seiichi Mikami [seal]
Standing Corporate Auditor

Haruhiko Takagi [seal]
Standing Corporate Auditor

Yoshiaki Yamauchi [seal]
Outside Corporate Auditor

Yoshiro Aoki [seal]
Outside Corporate Auditor

Tomoyasu Asano [seal]
Outside Corporate Auditor