



CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2021 [Japanese GAAP]



November 9, 2021

Stock Listing: Tokyo

Company name: SEIKO HOLDINGS CORPORATION
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 Dividend payment date: December 6, 2021
 Supplemental information for financial statements: Available
 Investor meeting presentation: Scheduled (for institutional investors and analysts)

(Note) Amounts under one million yen have been rounded down.

1. Consolidated financial results for the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

(1) Consolidated financial results (% represents the change from the corresponding period of the previous fiscal year)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2021	110,395	26.2	3,453	-	3,561	-	1,193	(43.4)
September 30, 2020	87,490	(28.4)	(1,511)	-	(2,055)	-	2,107	(61.0)

Note: Comprehensive income
 Six months ended September 30, 2021: 5,555 million yen 222.4 %
 Six months ended September 30, 2020: 1,723 million yen (39.5) %

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	28.93	28.93
September 30, 2020	51.11	51.11

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	322,379	116,411	35.7
March 31, 2021	319,671	113,082	34.9

(Reference) Shareholder's equity
 As of September 30, 2021: 114,934 million yen
 As of March 31, 2021: 111,695 million yen

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2021	Yen -	Yen 12.50	Yen -	Yen 25.00	Yen 37.50
ending March 31, 2022	-	25.00			
ending March 31, 2022 (Forecast)			-	25.00	50.00

(Note) Revision of the latest announced dividends forecast: None

3. Consolidated financial forecast for the fiscal year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% represents the change from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	235,000	16.0	6,000	173.5	6,500	926.7	4,000	15.1	96.99

(Note) Revision of the latest announced financial forecast: Revised

*Notes

(1) Changes in significant subsidiaries during the period : Applicable

(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

Newly consolidated: Not applicable Excluded: Applicable / SEIKO Clock Inc.

(Note) Refer to Changes in significant subsidiaries during the period, (4) Notes to Quarterly Consolidated Financial Statements, 2. Quarterly Consolidated Financial Statements and Major Notes, for detail.

(2) Application of specific accounting procedures to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting principles and estimates, and restatements

1) Changes in accounting policies in accordance with revisions of accounting standards : Applicable

2) Changes in accounting policies other than 1) : Not applicable

3) Changes in accounting estimates : Not applicable

4) Restatements : Not applicable

(Note) Refer to Changes in accounting policies, (4) Notes to Quarterly Consolidated Financial Statements, 2. Quarterly Consolidated Financial Statements and Major Notes, for detail.

(4) Number of shares issued (Common shares)

1) Number of shares issued at the end of period (including treasury shares):

As of September 30, 2021	41,404,261 shares /	As of March 31, 2021	41,404,261 shares
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2) Number of treasury shares at the end of period:

As of September 30, 2021	160,387 shares /	As of March 31, 2021	175,589 shares
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3) Average numbers of shares issued during the period for:

Six months ended September 30, 2021	41,237,479 shares
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Six months ended September 30, 2020	41,225,072 shares
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(Note) For the purpose of calculating the number of treasury shares at the end of period and the average numbers of shares issued during the period, treasury shares held in the Board Benefit Trust (BBT) are included in the treasury shares deducted in the calculation.

*This report is out of scope of audit by certified public accountants or audit firms.

*Explanations about the appropriate use of financial forecasts and other important notes

(Cautionary statements with respect to financial forecast)

The financial forecasts which appear in this report have been prepared based solely on the information which was available to the Company as of the date on which the report was released and the Company does not in any way guarantee the achievement of the forecasts. Actual results may differ significantly from the forecasted figures due to a number of factors. For assumptions used in the financial forecasts and instructions to use the financial forecasts, refer to (3) Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2022 (FY2021), 1. Business Results, for detail.

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1. Business Results

(1) Overview

During the six-month period ended September 30, 2021, the world economy was affected by the spread of mutant strains of the novel coronavirus in some regions. However, many countries recovered, due in part to the effectiveness of vaccinations. Meanwhile, the impact of issues such as shortages of semiconductors and raw materials and global logistics interruptions became apparent. Although these factors slowed the pace of recovery in the U.S., progress was made in easing and lifting measures taken to restrict movement, and the economy continued to recover throughout the period. In Europe, the easing of the movement restrictions led to increased personal consumption, etc., which drove the recovery of the region's economies. In China as well, the economy progressed steadily, but a resurgence of infections, measures taken by the government to contain infections, the cooling of the real estate market, sluggish exports, and other factors slowed economic growth. In other Asian countries, vaccination rates have remained low, and enhanced restrictions on economic activities have resulted in economic stagnation.

In Japan, production activities and capital investment by companies recovered and business confidence continued to improve, while personal consumption remained sluggish.

(Millions of yen)

	6M19 (a)	6M20 (b)	6M21 ①	Variance ① - (a)	Variance ① - (b)
Net sales	122,152	87,490	110,395	(11,757)	22,905
Operating profit (loss)	7,016	(1,511)	3,453	(3,562)	4,964
%	5.7%	(1.7)%	3.1%	(2.6)pt	-
Ordinary profit (loss)	7,848	(2,055)	3,561	(4,287)	5,617
%	6.4%	(2.3)%	3.2%	(3.2)pt	-
Profit attributable to owners of parent	5,407	2,107	1,193	(4,214)	(913)
%	4.4%	2.4%	1.1%	(3.3)pt	(1.3)pt
Exchange rate (v. JPY)					
USD	108.6 yen	106.9 yen	109.8 yen	1.2	2.9
EUR	121.4 yen	121.3 yen	130.9 yen	9.5	9.6

Amid these circumstances, the Company's Watches Business, Clocks Business, Wako Business, and other business segments in the domestic market were affected by an extension and expansion of areas under a state of emergency due to a rapid spread of infections of mutant strains. However, net sales for overseas markets under the Watches Business grew, exceeding the levels before the coronavirus pandemic in many countries and regions, thanks to steady progress in efforts to expand Global Brands (GB), centered on Grand Seiko and Seiko Prospex. The Electronic Devices Business also increased

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net sales by steadily capturing continued favorable demand. In addition, net sales under the Systems Solutions Business increased year on year, thanks to successful efforts to diversify business and expand the stock business. As a result, for the six-month period ended September 30, 2021, the Group reported consolidated net sales of 110.3 billion yen, a year-on-year increase of 26.2%.

On an overall consolidated basis, domestic net sales came to 57.6 billion yen (a year-on-year increase of 15.4%), and overseas net sales were 52.7 billion yen (a year-on-year increase of 40.5%). Overseas net sales comprised 47.8% of net sales overall.

Advertising and promotion expenses for the six-month period ended September 30, 2021 increased by approximately 10% from the same period of the previous fiscal year, when activities were significantly restricted due to the spread of the novel coronavirus, but fell by approximately 15% from the same period two years prior. Although other expenses also increased year on year following a recovery in business activities, operating profit improved by 4.9 billion yen year on year to 3.4 billion yen (operating losses of 1.5 billion yen in the same period of the previous fiscal year), as a result of a recovery in net sales. Non-operating income and expenses improved year on year, primarily due to an improvement in share of profit of entities accounted for using equity method, and ordinary profit increased by 5.6 billion yen year on year to 3.5 billion yen (ordinary losses of 2.0 billion yen in the same period of the previous fiscal year). Subsidy income of 91 million yen was posted as extraordinary income, and a loss of 0.9 billion yen 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 were 1.1 billion yen (a year-on-year decrease of 43.4%).

The average exchange rates for the six-month period ended September 30, 2021 were 109.8 yen to 1 US dollar and 130.9 yen to 1 euro.

Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business came to 57.5 billion yen, a year-on-year increase of 14.0 billion yen, or 32.4%, and a decrease of 13.5 billion yen, or 19.0% from the same period two years prior. Although net sales of completed watches in Japan fell short of the plan for the six-month period ended September 30, 2021, they recovered significantly year on year. In terms of individual brands, watches such as Grand Seiko models inspired by the white birch forests in Hiraniwa Plateau, Iwate Prefecture, where we are engaged in conservation efforts, achieved strong sales. On a distribution channel basis, e-commerce sales grew while the effects of restrictions on activities remained.

Meanwhile, sales of GB grew in all regions overseas, with net sales rising not only year on year but also from the same period two years prior. In the U.S., net sales, driven by the ever-growing Grand Seiko and Seiko Prospex, grew significantly both year on year and from the same period two years prior. In Europe as well, the number of stores carrying Grand Seiko increased in countries such as the

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U.K. and France, and sales of Seiko Prospex and Seiko Presage also grew, as a result of the easing of restrictions on activities and an increase in brand recognition. In China, sales of GB such as Grand Seiko grew strongly, despite the impact of a resurgence of infections. The impact of resurgences continued in other Asian countries. However, sales of watches, primarily GB, were strong in Australia. Grand Seiko sales grew steadily in other countries as well.

In the watch movements business, demand for analogue quartz movements showed signs of recovery. Operating profit increased by 2.3 billion yen year on year, resulting in operating profit of 3.3 billion yen (a year-on-year increase of 224.7%). The increase was despite expenses returning to normal levels year on year following a recovery in business activities

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 31.2 billion yen, a year-on-year increase of 39.1%. Operating profit was 2.6 billion yen (compared to operating losses of 0.1 billion yen in the same period of the previous fiscal year). Business results, such as sales of thermal printers, were affected by delays in the supply of components and materials and soaring prices of materials due to the spread of infections of mutant strains. However, favorable performance continued for micro batteries for medical equipment and quartz crystals, as well as high-performance metals for semiconductor production equipment, precision components for automobiles and data centers, inkjet printheads, and other products. As a result, both revenue and profits grew significantly year on year.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 16.8 billion yen, a year-on-year increase of 0.1 billion yen, or 0.6%. Operating profit was 1.9 billion yen, a year-on-year increase of 0.2 billion yen, or 12.4%. Some industries, such as food service, were affected by the coronavirus pandemic, and there were difficulties in procuring components and materials for some products, such as mobile communication equipment. However, in conjunction with the progress in the digitalization of society, there was growth in the network-related business for 5G and the Digital Transformation (DX)-related business for the public sector and communications industry, the performance management and security-related business, the IoT business, and other businesses, resulting in continued growth in both revenue and profits for 22 consecutive quarters.

d. Time Creation, WAKO and other Businesses

Net sales under the Time Creation, WAKO and other Businesses amounted to 12.1 billion yen, a year-on-year increase of 1.5 billion yen, or 15.1%. Operating losses were 0.3 billion yen (compared to operating losses of 0.5 billion yen in the same period of the previous fiscal year). The recovery in domestic business was slow due to the impact of the declaration of the state of emergency, which was issued again in July.

(2) Financial Condition

a. Status of Assets, Liabilities, and Net Assets

-Assets-

Total assets at the close of the six-month period ended September 30, 2021 amounted to 322.3 billion yen, an increase of 2.7 billion yen from the close of the previous fiscal year. Total current assets came to 147.2 billion yen, a decrease of 2.8 billion yen from the close of the previous fiscal year. This was due to decreases of 3.8 billion yen in cash and deposits, and 3.8 billion yen in notes and accounts receivable - trade, and contract assets in comparison to notes and accounts receivable - trade as of the end of the previous fiscal year, offsetting an increase of 5.0 billion yen in inventories. Total non-current assets came to 175.1 billion yen, an increase of 5.5 billion yen from the close of the previous fiscal year. This was due to decreases of 0.5 billion yen in total property, plant and equipment and 0.5 billion yen in intangible assets, and an increase of 6.5 billion yen in investments and other assets.

-Liabilities-

For liabilities, total borrowings came to 120.3 billion yen, due to decreases of 2.4 billion yen in short-term borrowings and 3.0 billion yen in long-term borrowings, and an increase of 0.5 billion yen in current portion of long-term borrowings. In addition, accounts payable - other decreased by 1.9 billion yen, while notes and accounts payable - trade increased by 0.7 billion yen, electronically recorded obligations - operating increased by 0.7 billion yen, and deferred tax liabilities increased by 1.9 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 3.3 billion yen over the close of the previous fiscal year to become 116.4 billion yen, mainly owing to an increase of 4.0 billion yen in valuation difference on available-for-sale securities, offsetting a decrease of 0.9 billion yen in shareholders' equity.

b. Overview of Cash Flows

The balance of cash and cash equivalents at the end of the six-month period ended September 30, 2021 came to 28.8 billion yen, a decrease of 2 million yen relative to the end of the previous fiscal year.

This is primarily due to the following factors:

-Cash flows from operating activities-

Net cash provided by operating activities came to positive 7.6 billion yen (compared to a negative cash flow of 9.4 billion yen for the same period of the previous fiscal year), an increase of 17.0 billion yen year on year. This was the result of the Company posting 2.7 billion yen in income before income taxes, factoring in depreciation amounting to 5.2 billion yen, a 4.0 billion-yen decrease in trade

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receivables, a 1.7 billion-yen decrease in accounts receivable - other, and a 1.2 billion-yen increase in trade payables, as well as adjustments such as a 4.8 billion-yen increase in inventories (posted as a decrease) and 2.3 billion-yen decrease in accounts payable - other (posted as a decrease).

-Cash flows from investing activities-

Net cash used in investing activities came to negative 4.0 billion yen (compared to a negative cash flow of 3.5 billion yen for the same period of the previous fiscal year) due to cash outflows consisting mainly of 3.2 billion yen in purchase of property, plant and equipment (posted as a decrease) and 0.3 billion yen in loan advances (posted as a decrease), and cash inflows consisting mainly of 0.1 billion yen in proceeds from sales of investment securities.

-Cash flows from financing activities-

Net cash used in financing activities came to negative 7.1 billion yen (compared to a positive cash flow of 15.8 billion yen for the same period of the previous fiscal year) due mainly to repayments and borrowings of long- and short-term borrowings, as well as cash dividends paid.

(3) Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2022 (FY2021)

During the six-month period ended September 30, 2021, net sales were sluggish for the Watches Business, Wako Business, and other businesses in Japan and Southeast Asia due to the spread of infections of mutant strains. Meanwhile, business results in the Electronic Devices Business improved significantly. For the third quarter onward, risk factors, such as ongoing semiconductor shortages, soaring prices of components and materials, and changes in the Chinese market, will remain. However, an economic recovery is expected due to the easing of restrictions on activities in Japan. Taking these factors into consideration, the Company has revised its consolidated financial forecast and forecasted results by segment as described below.

Note that the exchange rates for the financial forecast from the third quarter onward are as follows:

1 US dollar = 105 yen; 1 euro = 125 yen.

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■ Forecast for the consolidated business results for the year ending March 31, 2022 (FY2021)

(Billions of yen)	Current forecast (as of Nov. 9, 2021)	Year-on-year change (%)	Previous forecast (as of Aug. 10, 2021)
Net sales	235.0	16.0	235.0
Operating profit	6.0	173.5	5.5
Ordinary profit	6.5	926.7	6.0
Profit attributable to owners of parent	4.0	15.1	4.0
Earnings per share	96.99 yen		97.00 yen

■ Forecasted results by segment for the year ending March 31, 2022 (FY2021)

(Billions of yen)	Net Sales		Operating Profit	
	Current	Previous	Current	Previous
Watches Business	123.0	126.0	7.0	7.0
Electronic Devices Business	63.0	56.0	4.0	3.0
Systems Solutions Business	36.0	36.0	4.0	4.0
Total for reported segments	222.0	218.0	15.0	14.0
Time Creation, WAKO and other Businesses	27.0	30.0	0.0	0.5
Consolidated total	235.0	235.0	6.0	5.5

Note: Consolidated total represents figures after consolidation adjustment such as the elimination of inter-segment sales.

The forecasted results which appear in this report have been prepared based solely on the information which was available to us as of the date on which the report was released. As a result, actual results may differ from the forecasted figures due to a number of factors, such as changes in the business environment in the future.

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2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	32,611	28,805
Notes and accounts receivable - trade	37,185	-
Notes and accounts receivable - trade, and contract assets	-	33,298
Inventories	68,424	73,444
Accounts receivable - other	4,932	3,176
Other	8,306	9,852
Allowance for doubtful accounts	(1,421)	(1,350)
Total current assets	150,039	147,226
Non-current assets		
Property, plant and equipment		
Buildings and structures	74,459	75,845
Machinery, equipment and vehicles	79,098	80,494
Tools, furniture and fixtures	34,183	34,247
Other	8,831	8,978
Accumulated depreciation	(150,227)	(152,238)
Land	54,409	54,214
Construction in progress	2,422	1,105
Total property, plant and equipment	103,177	102,647
Intangible assets		
Goodwill	7,336	6,859
Other	8,493	8,428
Total intangible assets	15,830	15,287
Investments and other assets		
Investment securities	41,463	47,635
Deferred tax assets	2,273	2,581
Other	6,996	7,107
Allowance for doubtful accounts	(109)	(106)
Total investments and other assets	50,625	57,217
Total non-current assets	169,632	175,152
Total assets	319,671	322,379

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(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,310	20,014
Electronically recorded obligations - operating	6,048	6,801
Short-term borrowings	72,611	70,196
Current portion of bonds payable	350	100
Current portion of long-term borrowings	17,315	17,895
Accounts payable - other	9,266	7,347
Income taxes payable	1,478	1,279
Provision for bonuses	3,634	4,236
Other provisions	1,130	1,053
Asset retirement obligations	6	26
Other	14,528	18,268
Total current liabilities	145,679	147,220
Non-current liabilities		
Bonds payable	450	450
Long-term borrowings	35,263	32,248
Deferred tax liabilities	3,346	5,297
Deferred tax liabilities for land revaluation	3,614	3,614
Other provisions	1,242	912
Retirement benefit liability	9,402	9,174
Asset retirement obligations	729	737
Other	6,861	6,313
Total non-current liabilities	60,909	58,747
Total liabilities	206,589	205,967

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(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	75,909	74,887
Treasury shares	(315)	(291)
Total shareholders' equity	92,839	91,840
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,431	14,453
Deferred gains or losses on hedges	(133)	(73)
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	1,055	1,120
Remeasurements of defined benefit plans	(687)	(596)
Total accumulated other comprehensive income	18,856	23,094
Non-controlling interests	1,387	1,477
Total net assets	113,082	116,411
Total liabilities and net assets	319,671	322,379

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

a. Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	6M20	6M21
Net sales	87,490	110,395
Cost of sales	53,902	64,894
Gross profit	33,587	45,500
Selling, general and administrative expenses	35,098	42,047
Operating profit (loss)	(1,511)	3,453
Non-operating income		
Interest income	28	35
Dividend income	388	393
Other	717	784
Total non-operating income	1,135	1,213
Non-operating expenses		
Interest expenses	475	454
Other	1,204	651
Total non-operating expenses	1,679	1,105
Ordinary profit (loss)	(2,055)	3,561
Extraordinary income		
Subsidy income	556	91
Gain on sales of investment securities	7,603	-
Gain on sales of non-current assets	537	-
Total extraordinary income	8,697	91
Extraordinary losses		
Loss on the spread of infectious disease	3,172	945
Total extraordinary losses	3,172	945
Profit before income taxes	3,469	2,707
Income taxes	1,267	1,379
Profit	2,202	1,328
Profit attributable to non-controlling interests	94	135
Profit attributable to owners of parent	2,107	1,193

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b. Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	6M20	6M21
Profit	2,202	1,328
Other comprehensive income		
Valuation difference on available-for-sale securities	288	3,838
Deferred gains or losses on hedges	(168)	59
Foreign currency translation adjustment	(410)	(377)
Remeasurements of defined benefit plans, net of tax	115	92
Share of other comprehensive income of entities accounted for using equity method	(303)	613
Total other comprehensive income	(478)	4,227
Comprehensive income	1,723	5,555
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,622	5,430
Comprehensive income attributable to non- controlling interests	101	125

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(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	6M20	6M21
Cash flows from operating activities		
Profit before income taxes	3,469	2,707
Depreciation	5,174	5,286
Increase (decrease) in allowance for doubtful accounts	(13)	(76)
Increase (decrease) in retirement benefit liability	(175)	(193)
Interest and dividend income	(417)	(428)
Interest expenses	475	454
Foreign exchange losses (gains)	120	(18)
Share of loss (profit) of entities accounted for using equity method	627	(163)
Loss (gain) on sales of investment securities	(7,603)	-
Loss (gain) on sales of non-current assets	(537)	-
Loss on retirement of non-current assets	47	94
Decrease (increase) in trade receivables	3,569	4,081
Decrease (increase) in inventories	(6,887)	(4,886)
Decrease (increase) in accounts receivable - other	1,500	1,766
Increase (decrease) in trade payables	(3,678)	1,286
Increase (decrease) in accounts payable - other	(3,766)	(2,375)
Other, net	(618)	1,284
Subtotal	(8,713)	8,821
Interest and dividends received	417	429
Dividends received from entities accounted for using equity method	27	26
Interest paid	(474)	(455)
Extra retirement payments	(1)	-
Income taxes paid	(731)	(1,197)
Net cash provided by (used in) operating activities	(9,475)	7,624

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(Millions of yen)

	6M20	6M21
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,647)	(3,208)
Proceeds from sales of property, plant and equipment	1,013	135
Purchase of investment securities	(200)	(0)
Proceeds from sales of investment securities	10,164	186
Loan advances	(431)	(304)
Proceeds from collection of loans receivable	89	190
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,365)	-
Other, net	(163)	(1,021)
Net cash provided by (used in) investing activities	(3,540)	(4,021)
Cash flows from financing activities		
Proceeds from short-term borrowings	651,006	624,273
Repayments of short-term borrowings	(629,202)	(626,759)
Proceeds from long-term borrowings	7,000	7,900
Repayments of long-term borrowings	(10,346)	(10,335)
Dividends paid	(1,550)	(1,033)
Other, net	(1,065)	(1,161)
Net cash provided by (used in) financing activities	15,841	(7,116)
Effect of exchange rate change on cash and cash equivalents	(130)	(22)
Net increase (decrease) in cash and cash equivalents	2,694	(3,536)
Cash and cash equivalents at beginning of period	26,111	32,340
Cash and cash equivalents at end of period	28,806	28,804

(4) Notes to Quarterly Consolidated Financial Statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholder's equity)

Not applicable.

(Changes in significant subsidiaries during the period)

During the first quarter of the fiscal year ending 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.

(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, etc."), etc., effective from the beginning of the first quarter of the fiscal year ending 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 first quarter of the fiscal year ending March 31, 2022, is added to or subtracted from retained earnings at the beginning of

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the first quarter, and the new accounting policy is applied from the beginning balance.

As a result, for the six-month period ended September 30, 2021, net sales increased by 1,324 million yen, cost of sales decreased by 56 million yen, and selling, general and administrative expenses increased by 1,215 million yen. Accordingly, operating profit increased by 165 million yen, and ordinary profit and profit before income taxes increased by 189 million yen, respectively. In addition, the beginning balance of retained earnings decreased by 1,182 million yen. Due to the application of the Revenue Recognition Accounting Standard, etc., “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 and accounts receivable - trade, and contract assets” from the first quarter of the fiscal year ending March 31, 2022.

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. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information regarding disaggregated revenue from contracts with customers for the six-month period ended September 30, 2020 is 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 first quarter of the fiscal year ending 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 quarterly consolidated financial statements.

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(Segment Information)

I. For the six months ended September 30, 2020

Disclosure of sales and profit (loss) for each reported segment

(Millions of yen)

	Reported segments				Others	Grand total	Adjustment	Figures in consolidated statements of income
	Watches Business	Electronic Devices Business	Systems Solutions Business	Total				
Sales								
Revenues from external customers	42,713	20,082	15,972	78,768	8,721	87,490	-	87,490
Transactions with other segments	771	2,361	803	3,936	1,803	5,739	(5,739)	-
Net sales	43,485	22,443	16,775	82,704	10,525	93,229	(5,739)	87,490
Segment profit (loss)	1,040	(145)	1,692	2,587	(510)	2,077	(3,588)	(1,511)

- Notes:
1. The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 2. Adjustments to segment profit (loss) in the amount of -3,588 million yen include -283 million yen in the amortization of goodwill, -271 million yen that mainly consists of the elimination transactions with other segments, and -3,033 million yen in company-wide expenses not appropriated to each operating segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to operating segments.
 3. Segment profit (loss) has been adjusted for alongside operating loss on the quarterly consolidated statements of income.

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II. For the six months ended September 30, 2021

1. Disclosure of sales and profit (loss) for each reported segment

	Reported segments				Time Creation, WAKO and other Businesses	Grand total	Adjustment	Figures in consolidated statements of income
	Watches Business	Electronic Devices Business	Systems Solutions Business	Total				
Sales								
Revenues from external customers	56,427	27,947	15,872	100,247	10,148	110,395	-	110,395
Transactions with other segments	1,140	3,269	1,004	5,415	1,971	7,386	(7,386)	-
Net sales	57,568	31,217	16,877	105,662	12,119	117,782	(7,386)	110,395
Segment profit (loss)	3,380	2,613	1,902	7,895	(379)	7,516	(4,062)	3,453

- Notes:
- During the first quarter of the fiscal year ending 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.
 - Adjustments to segment profit (loss) in the amount of -4,062 million yen include -283 million yen in the amortization of goodwill, -283 million yen that mainly consists of the elimination of transactions with other segments, and -3,495 million yen in company-wide expenses not appropriated to each operating segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to operating segments.
 - Segment profit (loss) has been adjusted for alongside operating profit on the quarterly consolidated statements of income.

2. 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 first quarter of the fiscal year ending 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 six-month period ended September 30, 2021, revenues from external customers of the Watches Business increased by 1,506 million yen, and revenues from external customers of segments other than the Watches Business decreased by 181 million yen, compared to the previous method. However, the impact of this change on segment profit (loss) is immaterial.
