



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2019 [Japanese GAAP]

February 13, 2020

Stock Listing: Tokyo

Company name: SEIKO HOLDINGS CORPORATION  
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(Note) Amounts under one million yen have been rounded down.

## 1. Consolidated financial results for the nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2019	184,728	(1.8)	8,115	(20.0)	9,357	(25.3)	6,375	(34.2)
December 31, 2018	188,168	(9.7)	10,141	(11.3)	12,527	5.1	9,689	116.8

Note: Comprehensive income  
 Nine months ended December 31, 2019: 6,431 million yen (16.9) %  
 Nine months ended December 31, 2018: 7,735 million yen (30.9) %

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	154.67	154.65
December 31, 2018	235.08	235.06

## (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	315,824	113,723	35.6
March 31, 2019	303,036	110,415	36.0

(Reference) Shareholder's equity  
 As of December 31, 2019: 112,448 million yen  
 As of March 31, 2019: 109,221 million yen

## 2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2019	-	37.50	-	37.50	75.00
ending March 31, 2020	-	37.50	-		
ending March 31, 2020 (Forecast)				37.50	75.00

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

## 3. Consolidated financial forecast for the fiscal year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% 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, 2020	248,000	0.3	9,000	(4.2)	10,500	(8.0)	7,500	(18.9)	181.96

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

## Business Results

### 1. Overview

During the nine-month period ended December 31, 2019, in the world economy, growth in the U.S. showed signs of a slowdown due to sluggish growth in personal consumption and stagnation in capital investment, despite a steady U.S. employment environment. In Europe, while the U.K. economy lacked strength due to uncertainty over the BREXIT issue, the Eurozone showed signs of an economic recovery, with the exception of France, which was affected by large-scale demonstrations. In China, despite support from government measures to spur the economy, automobile sales fell year on year, and manufacturing investment and exports also slowed due to increasingly serious U.S.-China friction. In other parts of Asia, growth slowed in many economies due to the impact of demonstration activities in Hong Kong and U.S.-China trade friction. Meanwhile, business sentiment deteriorated for the Japanese economy due to the consumption-tax hike as well as unusual weather, in addition to continued weak overseas demand against the backdrop of a global slowdown centered on manufacturing.

Under such circumstances, the Company proceeded with selection and concentration broadly, as well as investment for growth in line with the policies of the 7th Mid-Term Management Plan. As a result, for the nine-month period ended December 31, 2019, the Company reported consolidated net sales of 184.7 billion yen, a year-on-year decrease of 1.8%. On a per-segment basis, while sales under the Systems Solutions Business progressed favorably, sales under the Watches Business declined slightly year on year, and sales under the Electronic Devices Business also declined year on year. On an overall consolidated basis, domestic net sales came to 105.5 billion yen (a year-on-year increase of 0.7%), and overseas net sales were 79.2 billion yen (a year-on-year decrease of 5.0%). Overseas net sales comprised 42.9% of net sales overall.

In terms of income, operating profit decreased 2.0 billion yen compared to the same period of the previous fiscal year to 8.1 billion yen (a year-on-year decrease of 20.0%), mainly due to an approximate 15% increase in advertising and promotion expenses from the same period of the previous fiscal year along with the strengthening of investment. Ordinary profit decreased 3.1 billion yen compared to the same period of the previous fiscal year to become 9.3 billion yen (a year-on-year decrease of 25.3%), due to deterioration in non-operating income and expenses mainly owing to a decrease in share of profit of entities accounted for using equity method. Gain on sales of non-current assets of 0.3 billion yen was posted as extraordinary income. Retirement benefit expenses of 0.1 billion yen associated with a revision of the law for retirement benefits overseas were posted as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests were 6.3 billion yen (a year-on-year decrease of 34.2%).

The average exchange rates for the nine-month period ended December 31, 2019, were 108.7 yen to

1 US dollar and 121.0 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 108.0 billion yen, a year-on-year decrease of 1.7 billion yen, or 1.6%. Efforts were made to accelerate the expansion of sales in Japan, the U.S. and Asia by promoting the Global Brands strategy set out in the basic policies of the 7th Mid-Term Management Plan. Net sales of watches in Japan remained at the same level as the previous fiscal year, mainly due to the impact of natural disasters and stagnant personal consumption following the consumption-tax hike. While net sales of Grand Seiko and other Global Brands, which had experienced a significant impact from a surge in demand, decreased due to the reaction immediately following the hike, net sales increased year on year on a nine-month cumulative basis. The Company will continue to promote initiatives to increase net sales, such as through the new opening in December of the world's largest Grand Seiko Boutique in Osaka. On a distribution channel basis, sales at department stores increased year on year, while a drop was seen in sales at mass retailers. Overseas, Global Brands also continued to grow in all regions, and overall net sales of watches overseas increased year on year, excluding the impact of changes in the distribution of some products and foreign currency fluctuations.

Grand Seiko showed continuous growth in the U.S. In Europe, net sales increased year on year in Germany, the Netherlands and France and the other countries on a local currency basis. Though net sales in Hong Kong declined due to the demonstration activities, net sales in China increased mainly in e-commerce on the Singles' Day, November 11, which drove net sales in Asia.

The watch movements business enjoyed favorable sales of mechanical movements, while demand for analogue quartz movements continued to be stagnant.

Operating profit was 10.6 billion yen, an increase of 0.3 billion yen, or 3.2%, mainly due to the effects of improved efficiency from increased production and continued cost-reduction efforts, while strengthening investment for growth.

In addition, a change in the allocation method of expenses related to headquarters for some consolidated subsidiaries resulted in an increase of 0.7 billion yen in operating profit.

### b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 38.4 billion yen, a year-on-year decrease of 3.8 billion yen, or 9.2%. Operating profit was 0.6 billion yen, a year-on-year decrease of 1.0 billion yen, or 62.1%. Sales of micro batteries and quartz crystals grew as we worked to shift our portfolio to key products in our areas of strength and growth markets in line with the basic policies of the 7th Mid-

Term Management Plan. However, a recovery in sales of precision components for automobiles and high-performance metals for semiconductor production equipment was delayed due to impacts from the external environment, such as a slowdown in the Chinese economy and stagnant investment in semiconductor production equipment. In addition, a change in the allocation method of expenses related to headquarters for some consolidated subsidiaries resulted in an increase of 0.7 billion yen in operating profit.

### **c. Systems Solutions Business**

The Systems Solutions Business performed favorably, and net sales came to 23.8 billion yen, a year-on-year increase of 1.2 billion yen, or 5.5%. Operating profit was 2.2 billion yen, a year-on-year increase of 0.5 billion yen, or 29.6%. In addition to continued stable demand for the mobile communication equipment-related business for IoT, sales of new products for consumers, digital contracts, and application performance management software were also favorable. In addition, profit increased year on year by continuing to stabilize profits for each product.

### **d. Others**

Net sales under Others amounted to 22.5 billion yen, a year-on-year increase of 1.9 billion yen, or 9.7%. Operating profit was 0.1 billion yen, a year-on-year decrease of 3.8%. Although reaction following the consumption-tax hike has been observed in businesses such as the Clocks Business and the Wako Business, net sales increased year on year on a nine-month cumulative basis. Operating profit fell slightly year on year.

## **2. Financial Condition**

### **a. Status of Assets, Liabilities, and Net Assets**

#### **-Assets**

Total assets at the close of the nine-month period ended December 31, 2019 amounted to 315.8 billion yen, an increase of 12.7 billion yen from the close of the previous fiscal year. Total current assets came to 147.8 billion yen, an increase of 8.8 billion yen from the close of the previous fiscal year. This was due to increases of 8.2 billion yen in inventories and 0.5 billion yen in notes and accounts receivable - trade. Under non-current assets, total property, plant and equipment increased 4.9 billion yen from the close of the previous fiscal year due to an increase of 4.5 billion yen in property, plant and equipment, as a result of adopting IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from the first quarter of the fiscal year ending March 31, 2020. Meanwhile, decreases of 0.8 billion yen in intangible assets and 0.1 billion yen in investments and

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other assets resulted in total non-current assets of 167.9 billion yen, an increase of 3.9 billion yen relative to the close of the previous fiscal year.

## **-Liabilities**

For liabilities, total loans came to 106.8 billion yen, due to increases of 2.2 billion yen in short-term loans payable, 35 million yen in current portion of long-term loans payable and 0.1 billion yen in long-term loans payable. In addition, notes and accounts payable - trade increased by 2.9 billion yen, and current liabilities and non-current liabilities increased by 1.0 billion yen and 3.5 billion yen, respectively, due to the adoption of IFRS 16 "Leases," while accounts payable - other decreased by 1.5 billion yen. As a result, total liabilities amounted to 202.1 billion yen, an increase of 9.4 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 113.7 billion yen, owing to an increase of 3.2 billion yen in shareholders' equity.

### **3. Financial Forecast for the Year Ending March 31, 2020 (FY2019)**

Business performance during the nine-month period ended December 31, 2019 fell short of expectations amid an unstable environment, such as a sluggish market in Japan following the consumption-tax hike, the economic slowdown in China, and demonstration activities in Hong Kong. Considering these circumstances, the Company has made the following changes to the consolidated financial forecast for the year ending March 31, 2020 (FY2019) and the financial forecast by segment, announced on November 12, 2019.

With regard to the spread of the novel coronavirus infection, the resulting impact on the financial forecast has not been factored in, due to the difficulty in making reasonable estimates. Going forward, the Company will make an announcement immediately, if a change to the consolidated financial forecast is found to be necessary.

Note that the financial forecast is based on assumed exchange rates of 110.0 yen to 1 US dollar and 120.0 yen to 1 euro for the fourth quarter.

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## ■ Forecast for the consolidated business results for the year ending March 31, 2020 (FY2019)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	248.0	100.3
Operating profit	9.0	95.8
Ordinary profit	10.5	92.0
Profit attributable to owners of parent	7.5	81.1
Earnings per share (yen)	JPY 181.96	

## ■ Forecasted results by segment for the year ending March 31, 2020 (FY2019)

	Net Sales (Billions of yen)	Operating Profit (Billions of yen)
Watches Business	143.0	12.0
Electronic Devices Business	53.0	1.0
Systems Solutions Business	32.0	3.0
Total for reported segments	228.0	16.0
Others	30.0	0.8
Consolidated total	248.0	9.0

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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## Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	33,844	33,861
Notes and accounts receivable - trade	37,456	37,970
Inventories	58,305	66,604
Accounts receivable - other	3,116	3,049
Other	7,419	7,504
Allowance for doubtful accounts	(1,153)	(1,157)
Total current assets	138,989	147,833
Non-current assets		
Property, plant and equipment		
Buildings and structures	71,913	71,576
Machinery, equipment and vehicles	81,388	78,472
Tools, furniture and fixtures	31,772	32,939
Other	1,820	7,194
Accumulated depreciation	(148,177)	(147,904)
Land	48,998	48,694
Construction in progress	924	2,614
Total property, plant and equipment	88,640	93,587
Intangible assets		
Goodwill	8,289	7,645
Other	8,957	8,766
Total intangible assets	17,247	16,411
Investments and other assets		
Investment securities	45,913	46,473
Deferred tax assets	4,243	2,860
Other	8,165	8,801
Allowance for doubtful accounts	(163)	(143)
Total investments and other assets	58,159	57,992
Total non-current assets	164,047	167,991
<b>Total assets</b>	<b>303,036</b>	<b>315,824</b>

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(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	26,449	29,409
Electronically recorded obligations - operating	6,438	7,837
Short-term borrowings	49,610	51,861
Current portion of long-term borrowings	19,698	19,733
Accounts payable - other	12,402	10,826
Income taxes payable	1,281	1,312
Provision for bonuses	3,644	2,614
Other provisions	1,233	1,501
Asset retirement obligations	-	97
Other	12,213	14,167
Total current liabilities	132,972	139,360
Non-current liabilities		
Long-term borrowings	35,106	35,221
Deferred tax liabilities	2,451	2,718
Deferred tax liabilities for land revaluation	3,614	3,614
Other provisions	2,237	1,850
Retirement benefit liability	10,602	10,664
Asset retirement obligations	888	903
Other	4,748	7,767
Total non-current liabilities	59,647	62,739
<b>Total liabilities</b>	<b>192,620</b>	<b>202,100</b>



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(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	74,124	77,398
Treasury shares	(335)	(332)
Total shareholders' equity	91,034	94,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,099	10,050
Deferred gains or losses on hedges	(104)	(91)
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	878	529
Remeasurements of defined benefit plans	(876)	(541)
Total accumulated other comprehensive income	18,186	18,136
Non-controlling interests	1,194	1,275
Total net assets	110,415	113,723
Total liabilities and net assets	303,036	315,824

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## Statements of Income

(Millions of yen)

	3Q FY2018	3Q FY2019
Net sales	188,168	184,728
Cost of sales	113,494	110,089
Gross profit	74,674	74,639
Selling, general and administrative expenses	64,532	66,523
Operating profit	10,141	8,115
Non-operating income		
Interest income	134	131
Dividend income	773	763
Share of profit of entities accounted for using equity method	1,664	1,150
Other	1,568	1,097
Total non-operating income	4,141	3,142
Non-operating expenses		
Interest expenses	752	739
Other	1,003	1,161
Total non-operating expenses	1,755	1,900
Ordinary profit	12,527	9,357
Extraordinary income		
Gain on sales of non-current assets	-	346
Gain on sales of memberships	106	-
Total extraordinary income	106	346
Extraordinary losses		
Retirement benefit expenses	-	158
Total extraordinary losses	-	158
Income before income taxes	12,634	9,544
Income taxes	2,918	3,083
Profit	9,715	6,460
Profit attributable to non-controlling interests	26	85
Profit attributable to owners of parent	9,689	6,375

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## Statements of Comprehensive Income

(Millions of yen)

	3Q FY2018	3Q FY2019
Profit	9,715	6,460
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,846)	(57)
Deferred gains or losses on hedges	162	10
Foreign currency translation adjustment	39	11
Remeasurements of defined benefit plans, net of tax	121	319
Share of other comprehensive income of entities accounted for using equity method	542	(314)
Total other comprehensive income	(1,980)	(29)
Comprehensive income	7,735	6,431
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,712	6,325
Comprehensive income attributable to non-controlling interests	22	106

## Notes to the Financial Statements

### 1. Changes in significant accounting policies

The Company adopted IFRS 16 “Leases” at its consolidated subsidiaries overseas, excluding those in the U.S., from the first quarter of the fiscal year ending March 31, 2020. Accordingly, the Company recognizes right-of-use assets and lease obligations with regard to all leases, in principle, for lessees’ lease transactions.

When applying IFRS 16, the Company has adopted a method of recognizing the cumulative effect of application of this standard on the application start date, which is allowed as a transitional measure.

There is no impact on retained earnings at the beginning of the fiscal year.

The standard’s application resulted in increases of 4,540 million yen in property, plant and equipment, 1,007 million yen in current liabilities, and 3,569 million yen in non-current liabilities, respectively, in the balance sheets for the nine months ended December 31, 2019. The impact of this standard on gains or losses or on segment information for the nine-month period ended December 31, 2019 is immaterial.

## Segment Information

### I. For the Nine Months Ended December 31, 2018

#### 1. Information about Sales and Income (Loss) by Reported Segment

	Sales 3Q FY2018	Operating Profit 3Q FY2018
Watches Business	109,801	10,352
Electronic Devices Business	42,386	1,709
Systems Solutions Business	22,659	1,709
Total for reported segments	174,847	13,771
Others	20,515	204
Subtotal	195,363	13,976
Adjustments	(7,194)	(3,834)
Consolidated total	188,168	10,141

- Notes:
- The “Others” category denotes business segments not included among reported segments, such as the Clocks Business.
  - Adjustments to segment income in the amount of -3,834 million yen include -424 million yen in the amortization of goodwill, 222 million yen that mainly consists of the elimination of inter-segment transactions, and -3,631 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses that fall under the parent company (holding company).
  - Segment income has been adjusted for alongside operating profit on the consolidated statements of income.

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## II. For the Nine Months Ended December 31, 2019

### 1. Information about Sales and Income (Loss) by Reported Segment

	Millions of yen	
	Sales 3Q FY2019	Operating Profit 3Q FY2019
Watches Business	108,031	10,684
Electronic Devices Business	38,489	647
Systems Solutions Business	23,898	2,214
Total for reported segments	170,419	13,546
Others	22,507	197
Subtotal	192,927	13,743
Adjustments	(8,198)	(5,628)
Consolidated total	184,728	8,115

- Notes:
1. The “Others” category denotes business segments not included among reported segments, such as the Clocks Business.
  2. Adjustments to segment income in the amount of -5,628 million yen include -424 million yen in the amortization of goodwill, 225 million yen that mainly consists of the elimination of inter-segment transactions, and -5,429 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.
  3. Segment income has been adjusted for alongside operating profit on the consolidated statements of income.

### 2. Change in Evaluation Method of Profit / Loss of Reported Segments

In order to appropriately evaluate the results of each reported segment, the Company changed to a method of considering expenses related to headquarters for some consolidated subsidiaries that had previously been allocated to the Watches Business and Electronic Devices Business as adjustments to segment income, which are company-wide expenses, from the first quarter of the fiscal year ending March 31, 2020. As a result of this change, compared to the previous method, segment income for the Watches Business increased by 711 million yen, segment income for the Electronic Devices Business increased by 756 million yen, and adjustments to segment income decreased by 1,467 million yen for the nine-month period ended December 31, 2019.

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