

**FY2017 2nd Quarter
Consolidated Results
(Fiscal year ended March 31, 2018)**

November 15, 2017

1. Overview

- ◆ Favorable world economy
- ◆ Foreign-exchange environment a positive factor
- ◆ Cost reduction effect since previous fiscal year

(Billions of yen)		FY16 Q2(YTD)	FY17 Q2(YTD)	Variance
Net Sales		122.3	133.0	+10.6
Operating Profit		3.1	6.8	+3.7
Ordinary Profit		1.6	6.9	+5.2
Profit attributable to owners of parent		-1.5	2.4	+3.9
Exchange Rate(JPY)	USD	105.2	111.0	+5.8

Extraordinary Losses

Implement structural reform at Group companies

- Implement at 15 bases in Japan and overseas
from 1st quarter to 3rd quarter
Number of employees reduced Approximately 250
- Extraordinary losses in 1st Half of FY2017
0.95 billion yen
- Improvement effect

FY2017	<u>Approximately 0.95 billion yen</u>
FY2018	<u>Approximately 1.75 billion yen</u>

- ◆ Favorable performance in Electronic Devices Business
- ◆ Continue investment in Watches Business
- ◆ Geopolitical risks remain in global markets

(Billions of yen)	Previous (Aug. 2)	Latest (Nov. 14)	Variance vs. Prev.
Net Sales	260.0	270.0	+10.0
Operating Profit	6.5	9.0	+2.5
Ordinary Profit	7.0	10.0	+3.0
Profit attributable to owners of parent	5.0	10.0	+5.0
Dividend per share *(Year End/JPY)	37.5	37.5	±0

*The Company conducted a share consolidation of every five shares of its common stock into one share as of October 1, 2017.

Extraordinary Income (Forecast)

Extraordinary income, etc. expected from additional transfer of shares in semiconductor business company

(Billions of yen)	Full Year Forecast
Ordinary Profit	10.0
Profit attributable to owners of parent	10.0

Extraordinary losses in 1st Half

Approximately -1.0 billion yen

Extraordinary income/losses forecast in 3rd quarter and after

Approximately 6.0 billion yen

Full-year income taxes, etc. Approximately -5.0 billion yen

2. Consolidated Results

FY2017 Statements of Income 2nd Quarter (Apr. - Sep. 2017)

(Billions of yen)		FY16 Q2(YTD)	FY17 Q2(YTD)	Variance	
				Amt.	%
Net Sales		122.3	133.0	+10.6	+8.7%
Gross Profit		45.7	50.3	+4.6	+10.1%
%		37.3%	37.8%	+0.5pt	
Operating Profit		3.1	6.8	+3.7	+120.7%
%		2.6%	5.2%	+2.6pt	
Ordinary Profit		1.6	6.9	+5.2	+315.6%
%		1.4%	5.2%	+3.8pt	
Income before income taxes		1.2	5.8	+4.5	+362.0%
Profit attributable to owners of parent		-1.5	2.4	+3.9	—
%		-1.2%	1.8%	+3.0pt	
Exchange Rates (JPY)	USD	105.2	111.0	+5.8	+5.5%
	EUR	118.0	126.3	+8.2	+7.0%

Net Sales : y/y +10.6

Exchange rate fluctuations +3.5

Operating Profit : y/y +3.7

Impact of increased net sales +4.0

Impact of improved GP% +0.6

Increase in Selling, general and administrative expenses -0.8

Ordinary Profit : y/y +5.2

Increase in Operating profit +3.7

Decrease in Foreign exchange Losses +1.1

Increase in Equity method Income +0.1

Decrease in Interest expenses +0.2

Others -0.0

Extraordinary Income/Losses: -1.0

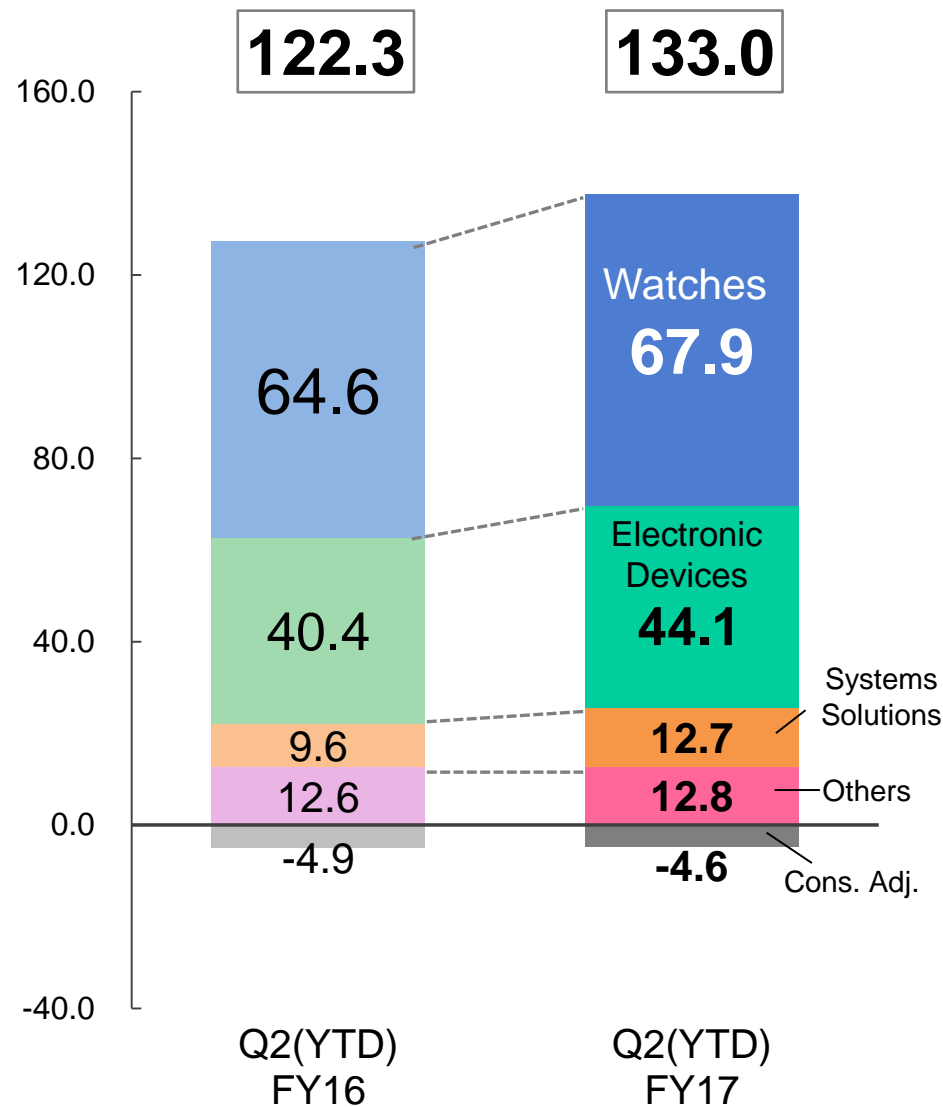
Extraordinary Losses -1.0

Business structure improvement expenses -0.9

Loss on liquidation of subsidiaries and associates -0.1

Sales by Reported Segments (Apr. - Sep. 2017)

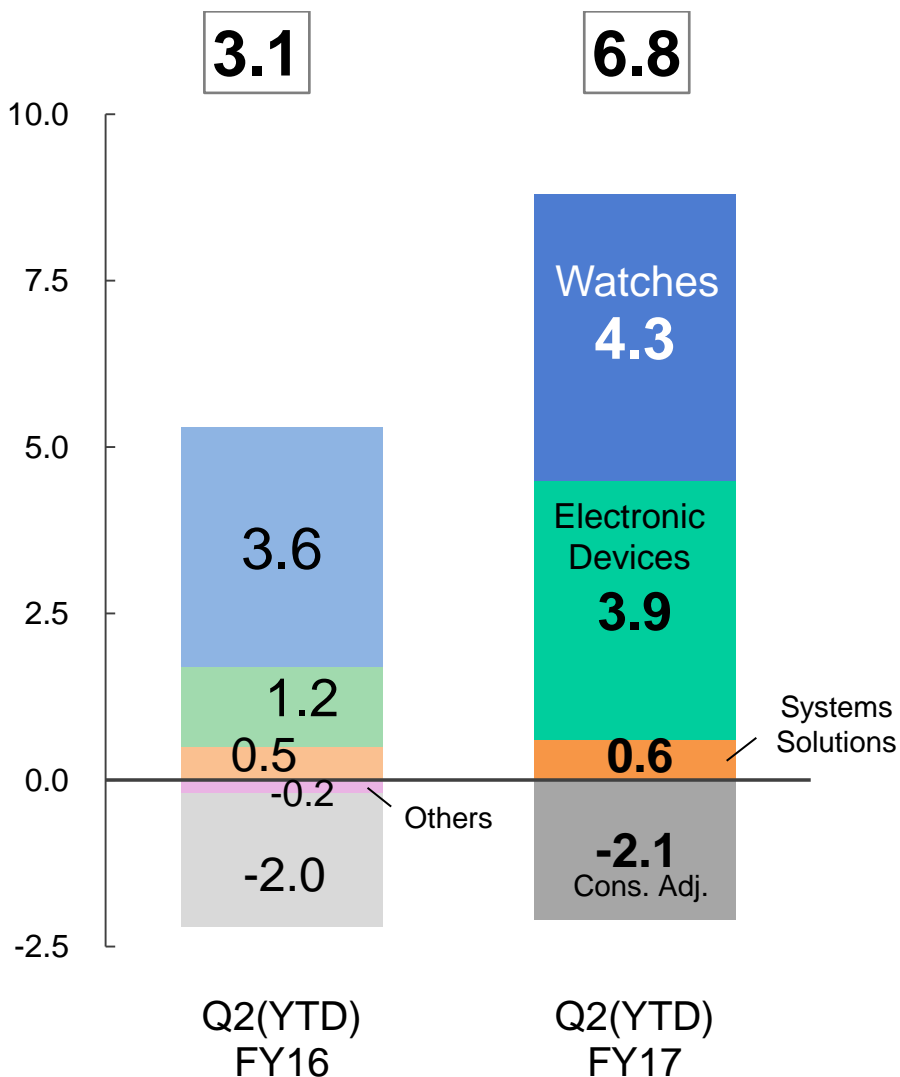
(Billions of yen)



(Billions of yen)	Net Sales (Composition ratio)		
	FY16 Q2(YTD)	FY17 Q2(YTD)	Variance
Watches	64.6 (53%)	67.9 (51%)	+3.2
Electronic Devices	40.4 (33%)	44.1 (33%)	+3.7
Systems Solutions	9.6 (8%)	12.7 (10%)	+3.1
Sub Total	114.7	124.8	+10.1
Others	12.6 (10%)	12.8 (10%)	+0.1
Cons. Adj.	-4.9 (-4%)	-4.6 (-3%)	+0.2
Cons. Total	122.3	133.0	+10.6

Operating Profit by Reported Segments (Apr. - Sep. 2017)

(Billions of yen)

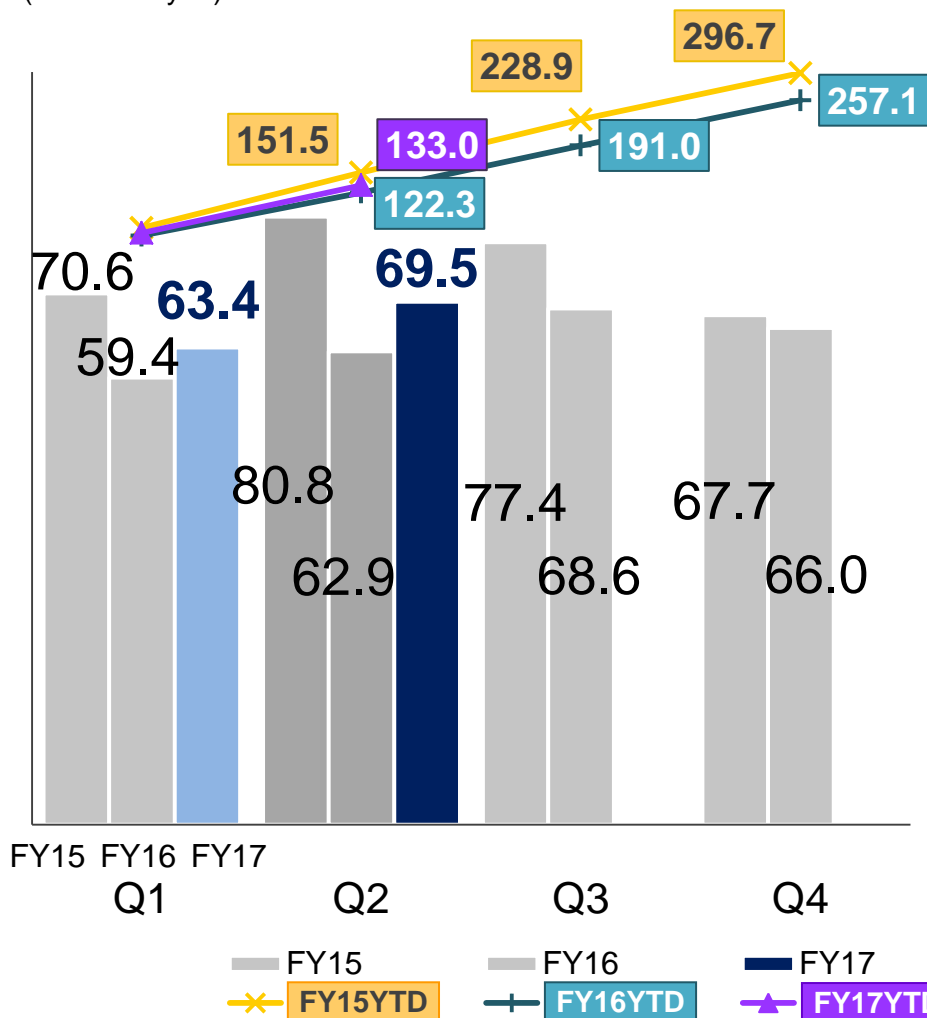


(Billions of yen)	Operating Profit		
	FY16 Q2(YTD)	FY17 Q2(YTD)	Variance
Watches	3.6	4.3	+0.7
Electronic Devices	1.2	3.9	+2.6
Systems Solutions	0.5	0.6	+0.1
Sub Total	5.3	8.9	+3.5
Others	-0.2	0.0	+0.2
Cons. Adj.	-2.0	-2.1	-0.0
Cons. Total	3.1	6.8	+3.7

Consolidated Quarterly Performance

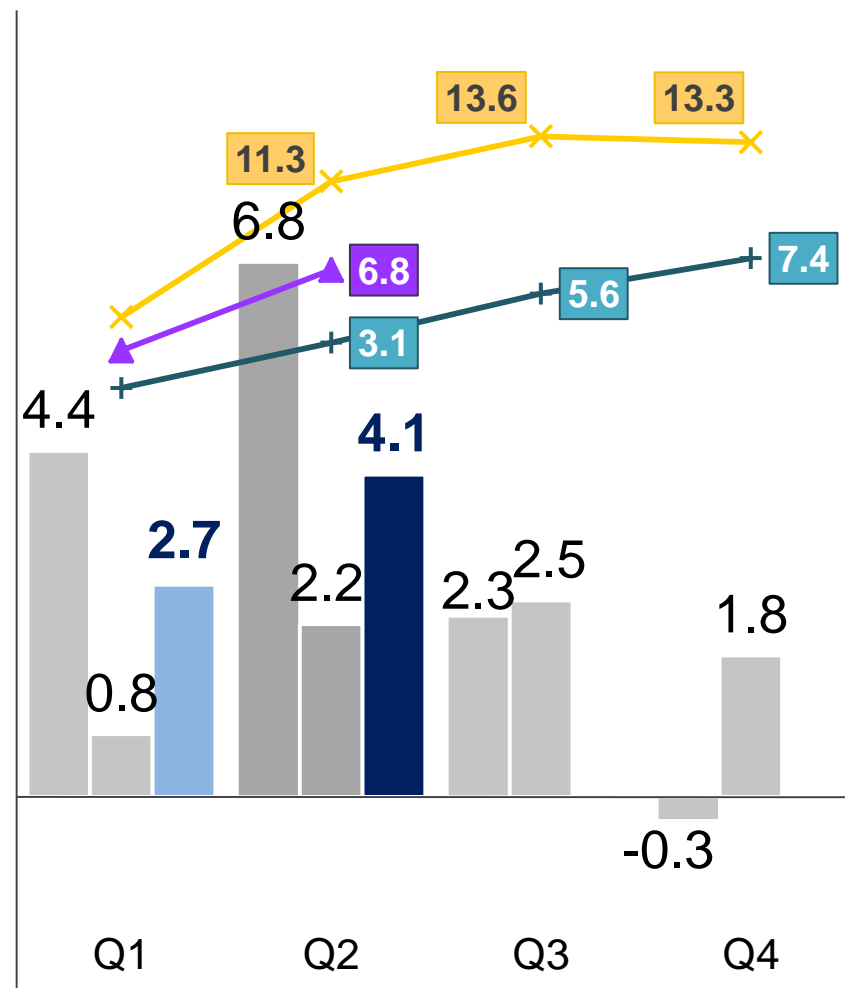
Net Sales

(Billions of yen)



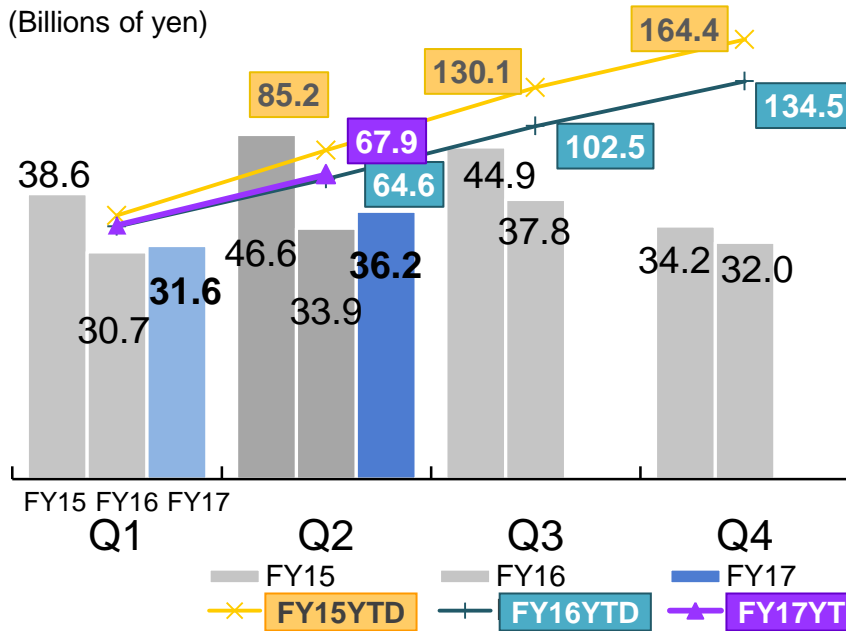
Operating Profit

(Billions of yen)



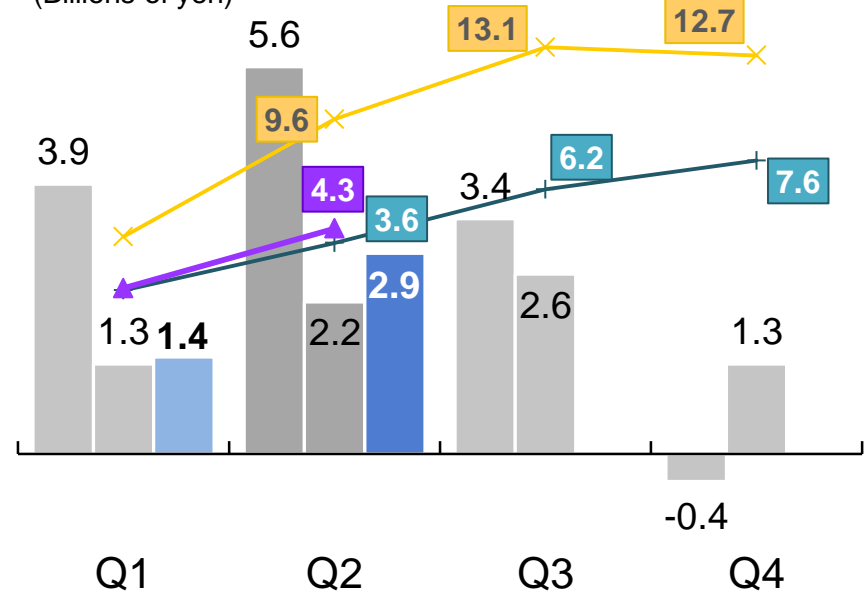
Net Sales

(Billions of yen)



Operating Profit

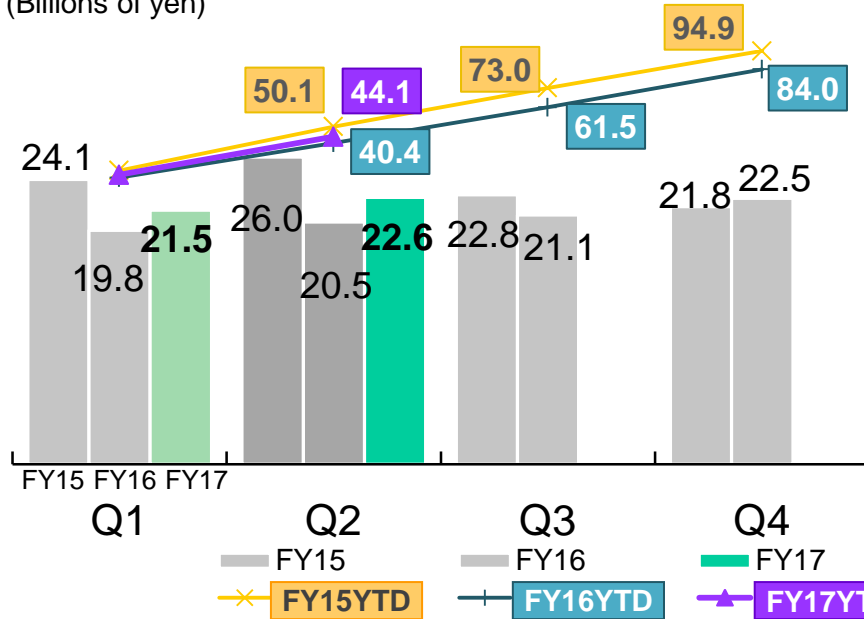
(Billions of yen)



- **Watches (In Japan)** : The independently branded Grand Seiko performed strongly. Presage and Prospex were also up year on year due to the introduction of new products. On a distribution channel basis, sales to specialty stores, the Internet, and outlets rose compared to the same period of the previous fiscal year.
- **Watches (in Overseas)** : Sales were strong for Asia and Europe, with the effects of foreign exchange rates being one of the factors.
- **Movements** : Sales were up year on year as market conditions began to recover for a part of products.

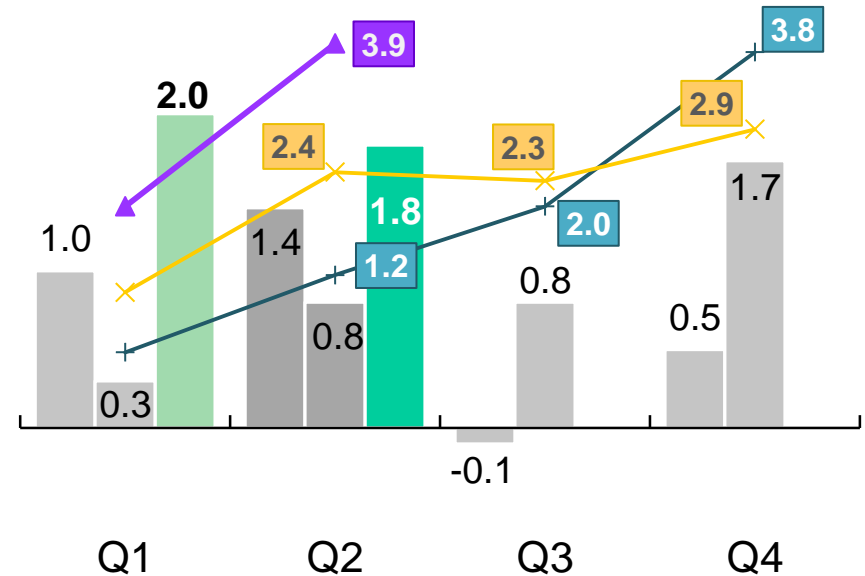
Net Sales

(Billions of yen)



Operating Profit

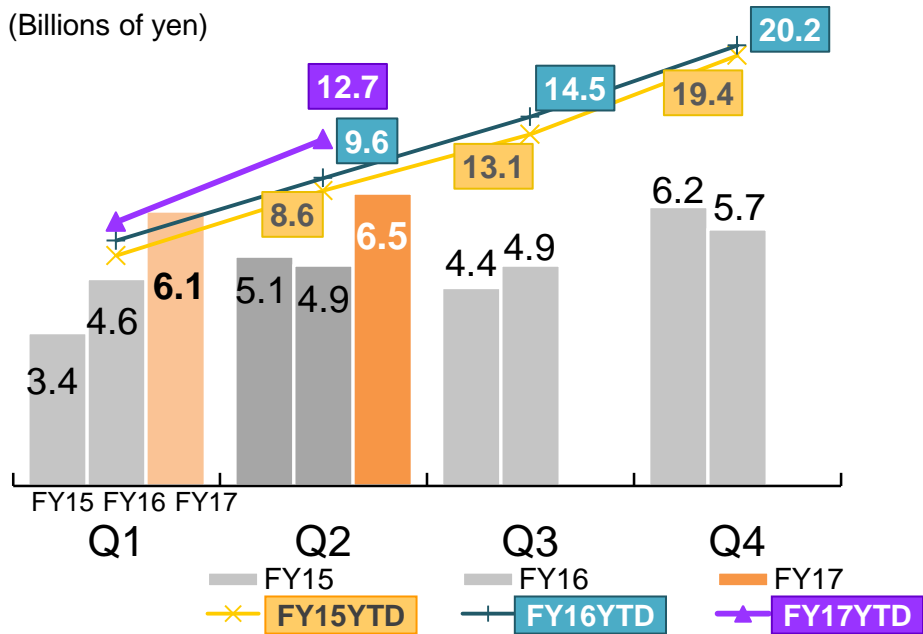
(Billions of yen)



- **Electronic devices** : Semiconductors mainly for smartphone components performed strong and high performance metal products for semiconductor manufacturing facilities continued their strength in sales.
- **Others** : Sales performed steadily for the thermal printers for POS terminals and other products.

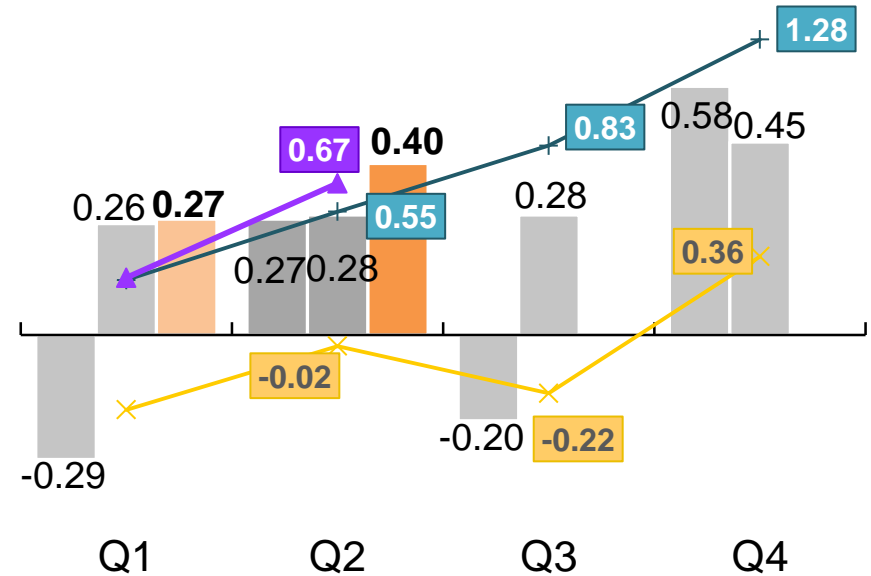
Net Sales

(Billions of yen)



Operating Profit

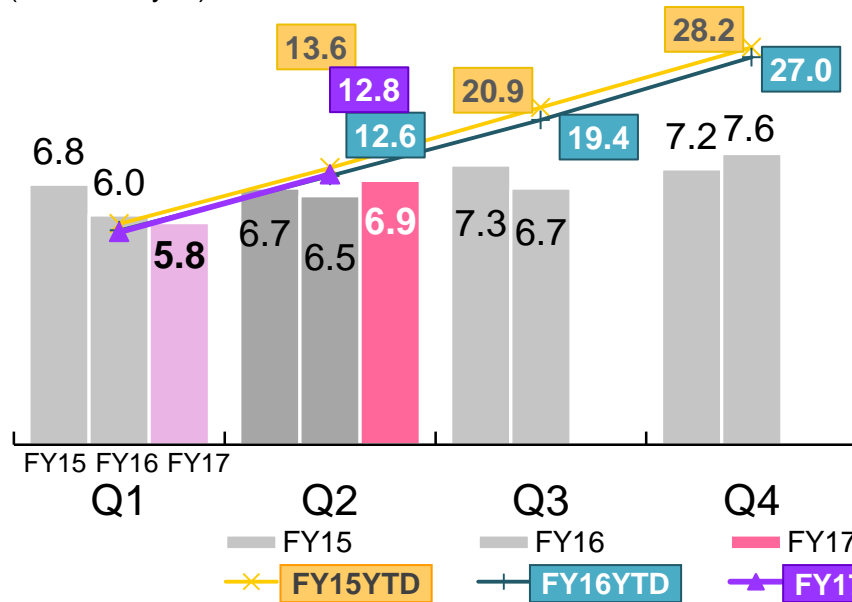
(Billions of yen)



- Sales were favorable for some businesses such as mobile solutions for home security and for automobiles and network solutions for telecommunications carriers.

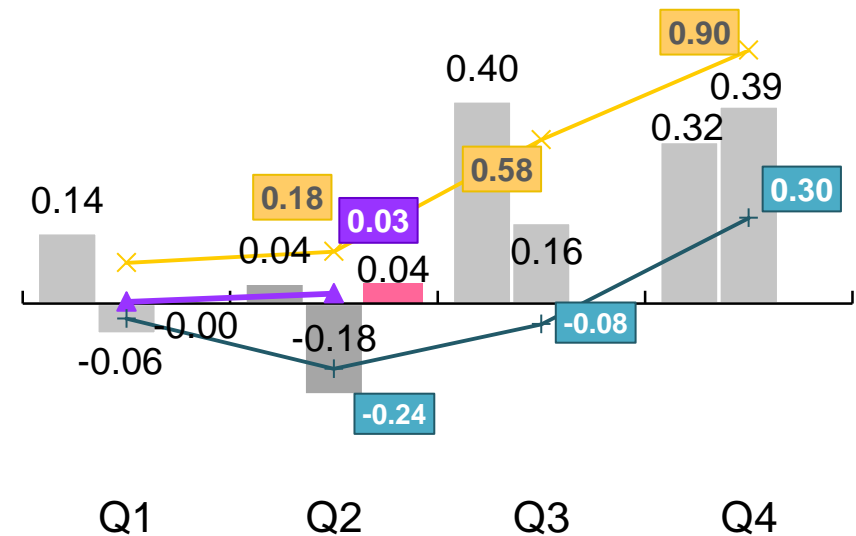
Net Sales

(Billions of yen)



Operating Profit

(Billions of yen)

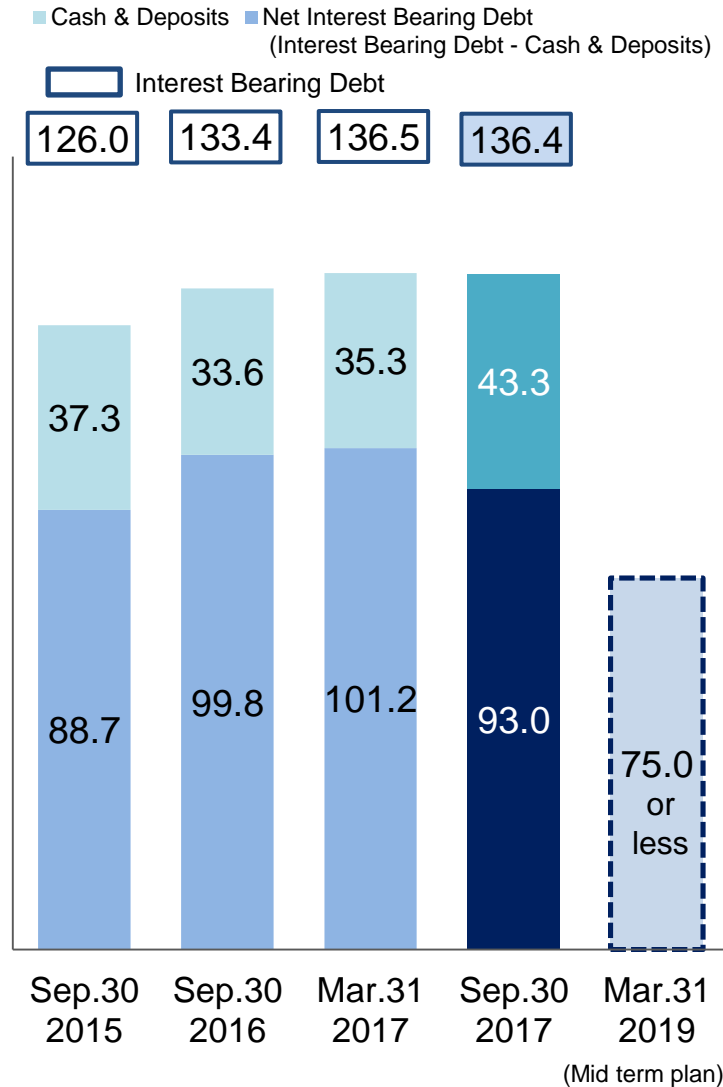


- Clocks : Sales were down from the same period of the previous fiscal year.
- Others : Sales grew year on year for the Wako Business.

Balance Sheets as of Sep. 30, 2017

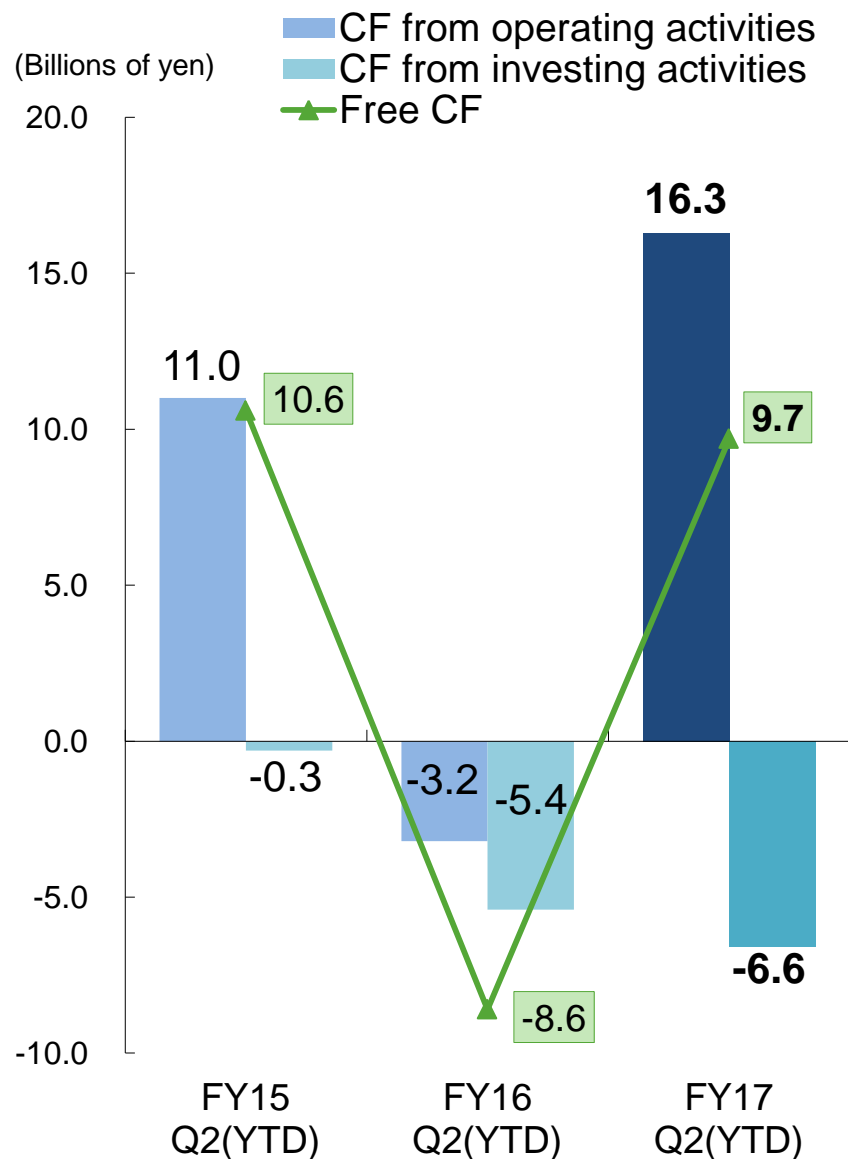
(Billions of yen)	Sep. 30, 2015	Sep. 30, 2016	Mar. 31, 2017(a)	Sep. 30, 2017(b)	Variance (b)-(a)
Inventories	70.1	70.1	66.1	69.6	+3.5
Interest Bearing Debt	126.0	133.4	136.5	136.4	-0.1
Net Assets	94.4	95.6	107.1	114.0	+6.9
Total Assets	325.0	318.7	328.8	348.3	+19.4
Equity Capital Ratio	28.5%	27.3%	29.8%	29.9%	+0.1pt
Net Debt Equity Ratio	0.9	1.0	0.9	0.8	-0.1
Number of Employees	13,872	13,412	13,065	13,170	+105

Interest Bearing Debt



Statements of Cash Flow

(Billions of yen)



	FY15 Q2(YTD)	FY16 Q2(YTD)	FY17 Q2(YTD)
Profit before income taxes	9.7	1.2	5.8
Depreciation	4.8	5.2	5.2
Others	-3.6	-9.7	5.2
Net cash provided by (used in) operating activities	11.0	-3.2	16.3
Purchase of property, plant and equipment	-6.4	-6.0	-3.8
Others	6.1	0.6	-2.7
Net cash provided by (used in) investing activities	-0.3	-5.4	-6.6
Net increase (decrease) in loans payable	-10.8	6.8	-0.4
Others	-2.6	-2.0	-1.9
Net cash provided by (used in) financing activities	-13.5	4.8	-2.3
Effect of exchange rate change on cash and cash equivalents etc.	-0.2	-1.6	0.3
Cash and cash equivalents	37.1	33.4	43.0
Free cash flow	10.6	-8.6	9.7

3. Financial Forecast for FY2017

Summary of Financial Forecast for FY2017

(Billions of yen)	FY16 Actual	FY17 Full Year Forecast (Aug.2)	FY17 Full Year Forecast (Nov.14)	Variance vs. FY16	Variance vs. Prev.
Net Sales	257.1	260.0	270.0	+12.8	+10.0
Operating Profit	7.4	6.5	9.0	+1.5	+2.5
%	2.9%	2.5%	3.3%	+0.4pt	+0.8pt
Ordinary Profit	6.6	7.0	10.0	+3.3	+3.0
%	2.6%	2.7%	3.7%	+1.1pt	+1.0pt
Profit attributable to owners of parent	5.3	5.0	10.0	+4.6	+5.0
%	2.1%	1.9%	3.7%	+1.6pt	+1.8pt

Summary of Financial Forecast for FY2017

(Billions of yen)	FY16 2 nd Half Actual	FY17 2 nd Half Forecast (Nov.14)	Variance
Net Sales	134.7	136.9	+2.2
Operating Profit	4.3	2.1	-2.2
%	3.2%	1.5%	-1.7pt
Ordinary Profit	5.0	3.0	-1.9
%	3.7%	2.2%	-1.5pt
Profit attributable to owners of parent	6.9	7.5	+0.6
%	5.1%	5.5%	+0.4pt

Financial Forecast for FY2017 by Reported Segments

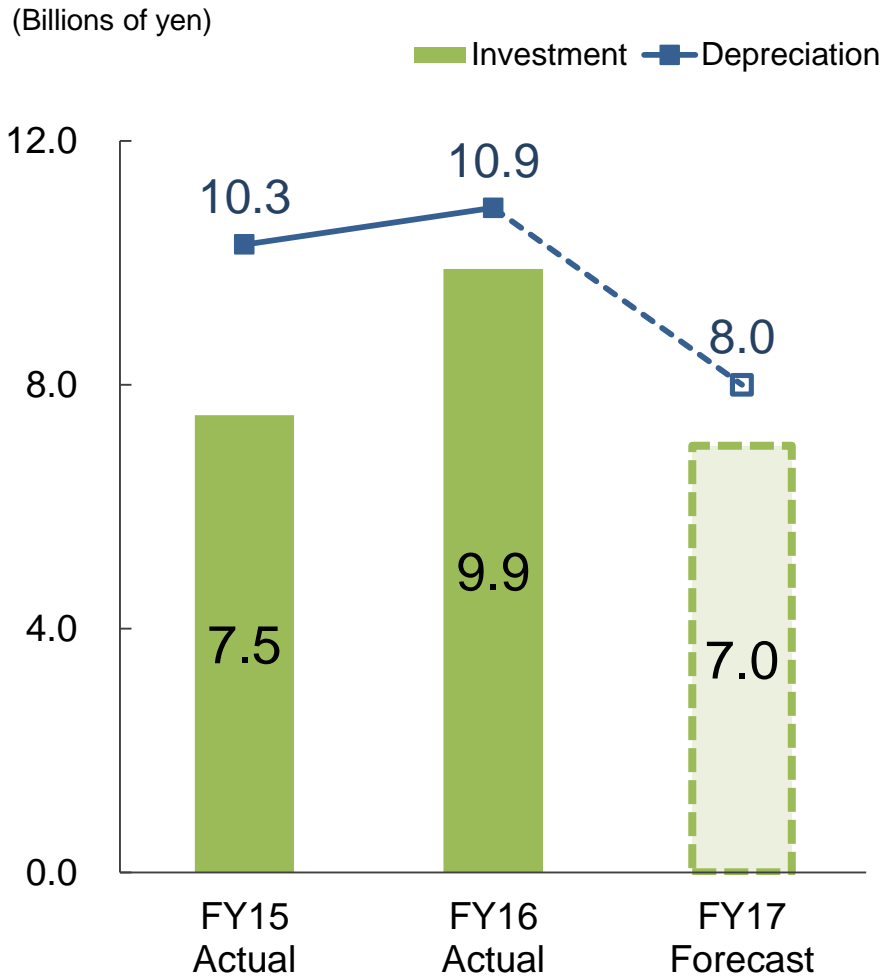
(Billions of yen)	Net Sales					Operating Profit				
	FY16 Actual	FY17 Forecast		Variance		FY16 Actual	FY17 Forecast		Variance	
		Previous (Aug.2)	Latest (Aug.2)	vs. FY16	vs. Prev.		Prev. (Aug.2)	Latest (Nov.14)	vs. FY16	vs. Prev.
Watches	134.5	135.0	140.0	+5.4	+5.0	7.6	7.0	7.0	-0.6	±0.0
Electronic Devices	84.0	82.0	82.0	-2.0	±0.0	3.8	3.5	5.5	+1.6	+2.0
Systems Solutions	20.2	24.0	26.0	+5.7	+2.0	1.2	1.5	1.5	+0.2	±0.0
Sub Total	238.9	241.0	248.0	+9.0	+7.0	12.7	12.0	14.0	+1.2	+2.0
Others	27.0	27.0	29.0	+1.9	+2.0	0.3	0.5	0.5	+0.1	±0.0
Cons. Adj.	-8.8	-8.0	-7.0	+1.8	+1.0	-5.5	-6.0	-5.5	+0.0	+0.5
Cons. Total	257.1	260.0	270.0	+12.8	+10.0	7.4	6.5	9.0	+1.5	+2.5

Financial Forecast for FY2017 by Reported Segments

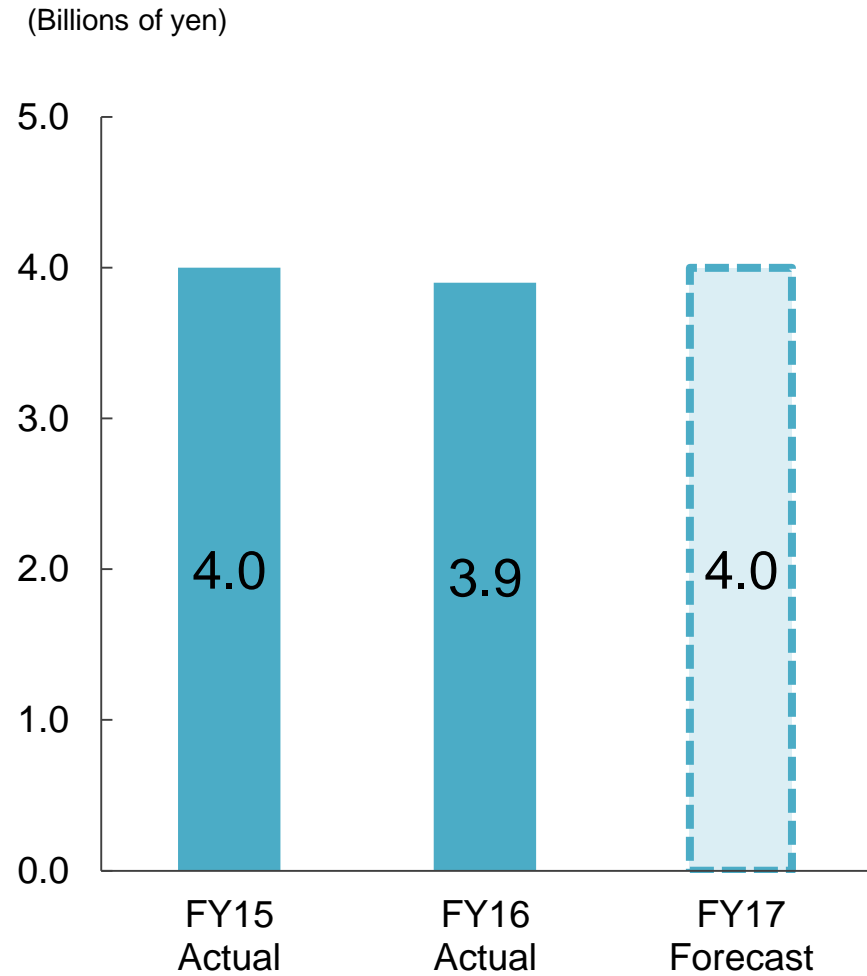
(Billions of yen)	Net Sales		
	FY16 2 nd Half Actual	FY17 2 nd Half Forecast	Variance
Watches	69.8	72.0	+2.1
Electronic Devices	43.6	37.8	-5.8
Systems Solutions	10.6	13.2	+2.5
Sub Total	124.2	123.1	-1.1
Others	14.3	16.1	+1.7
Cons. Adj.	-3.9	-2.3	+0.8
Cons. Total	134.7	136.9	+2.2

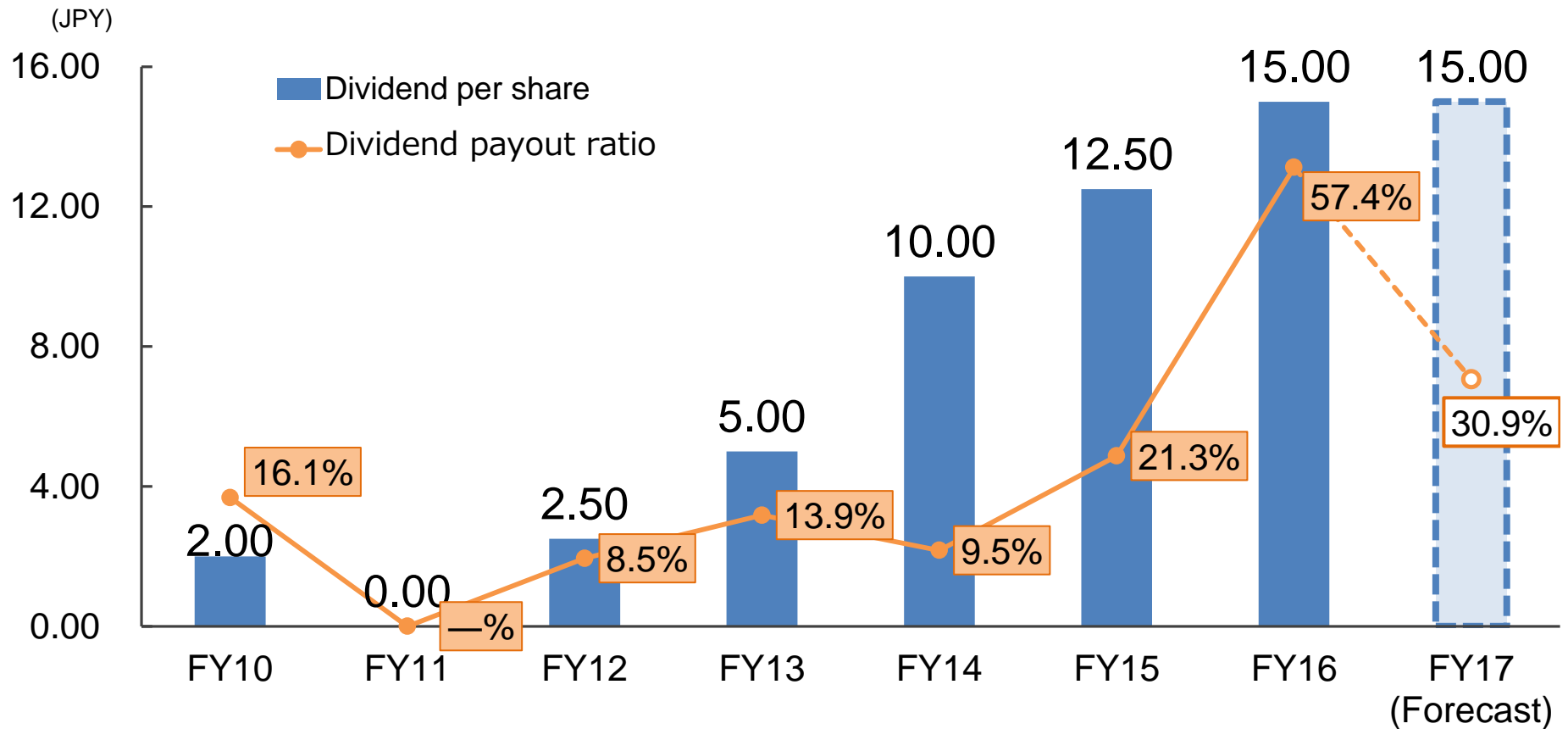
Operating Profit		
FY16 2 nd Half Actual	FY17 2 nd Half Forecast	Variance
3.9	2.6	-1.3
2.5	1.5	-0.9
0.7	0.8	+0.0
7.3	5.0	-2.2
0.5	0.4	-0.0
-3.5	-3.3	+0.1
4.3	2.1	-2.2

Investment / Depreciation



R&D Expense





*The Company conducted a share consolidation of every five shares of its common stock into one share as of October 1, 2017. The annual dividends above do not reflect the share consolidation, and the Company plans to pay a year-end dividend of 37.50 yen.

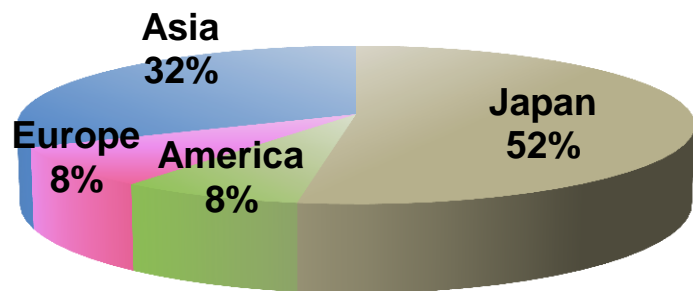
Sensitivity Exchange Rate (Oct. 2017- Mar. 2018)

Sensitivity Exc. Rate	USD	EUR
Forecast Exc. Rate	JPY 105.0	JPY 125.0
For Sales (Millions of yen)	500	70
For Income (Millions of yen)	80	30

FY2017

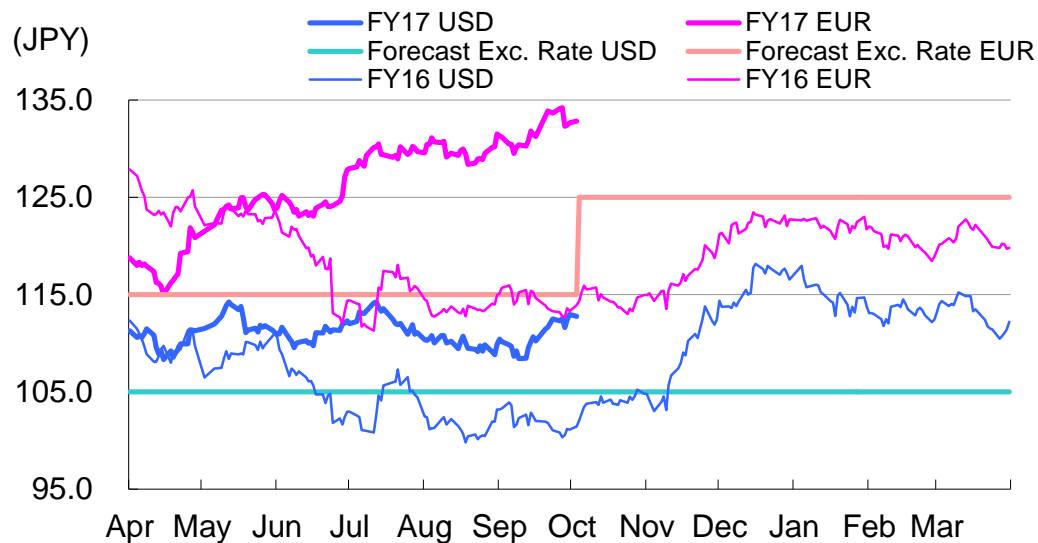
(JPY)		Q1	Q2	Forecast Exc. Rate
Average	USD	111.1	111.0	105.0
	EUR	122.2	130.3	125.0
Closing Date	USD	112.0	112.7	105.0
	EUR	127.9	132.8	125.0

Sales by Area



* FY2016 Actual data

Trend of Exchange Rate



- ◆ *The forecasted results which appear in this report are based on the information which we have obtained as of now, and on certain assumptions deemed reasonable. As a result, actual results, etc. may differ significantly from the forecasted figures due to a wide range of factors.*

Numbers are cut off to the unit indicated, unless otherwise specified.

Reference

FY2017 Statements of Income 2nd Quarter (Jul. - Sep. 2017)

(Billions of yen)	FY16 Q2	FY17 Q2	Variance		
			Amt.	%	
Net Sales	62.9	69.5	+6.5	+10.5%	
Gross Profit	22.9	25.8	+2.9	+12.8%	
%	36.4%	37.2%	+0.8pt		
Operating Profit	2.2	4.1	+1.9	+86.7%	
%	3.6%	6.0%	+2.4pt		
Ordinary Profit	1.5	3.8	+2.2	+149.8%	
%	2.4%	5.5%	+3.1pt		
Incoem before income taxes	1.1	3.0	+1.9	+174.9%	
Profit attributable to owners of parent	-0.2	1.2	+1.4	—	
%	-0.4%	1.8%	+2.2pt		
Exchange Rates (JPY)	USD	102.4	111.0	+8.6	+8.4%
	EUR	114.2	130.3	+16.1	+14.1%

Net Sales :	y/y	+6.5
Exchange rate fluctuations		+2.8

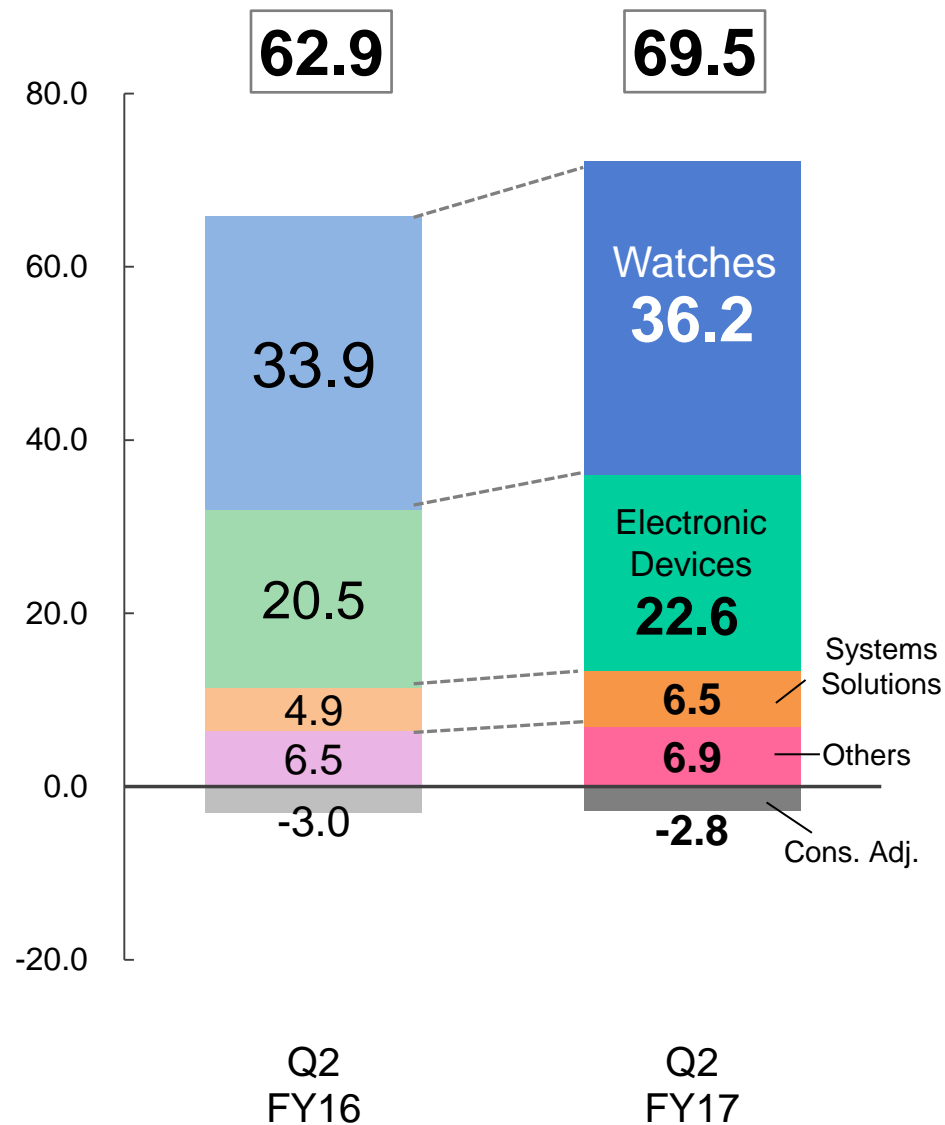
Operating Profit :	y/y	+1.9
Impact of increased net sales		+2.4
Impact of improved GP%		+0.5
Increase in Selling, general and administrative expenses		- 0.9

Ordinary Profit :	y/y	+2.2
Increase in Operating profit		+1.9
Decrease in Foreign exchange Losses		+0.1
Increase in Equity method Losses		- 0.1
Decrease in Interest expenses		+0.1
Others		+0.2

Extraordinary Income/Losses:	-0.7
Extraordinary Losses	<u>-0.7</u>
Business structure improvement expenses	-0.7

Sales by Reported Segments (Jul. - Sep. 2017)

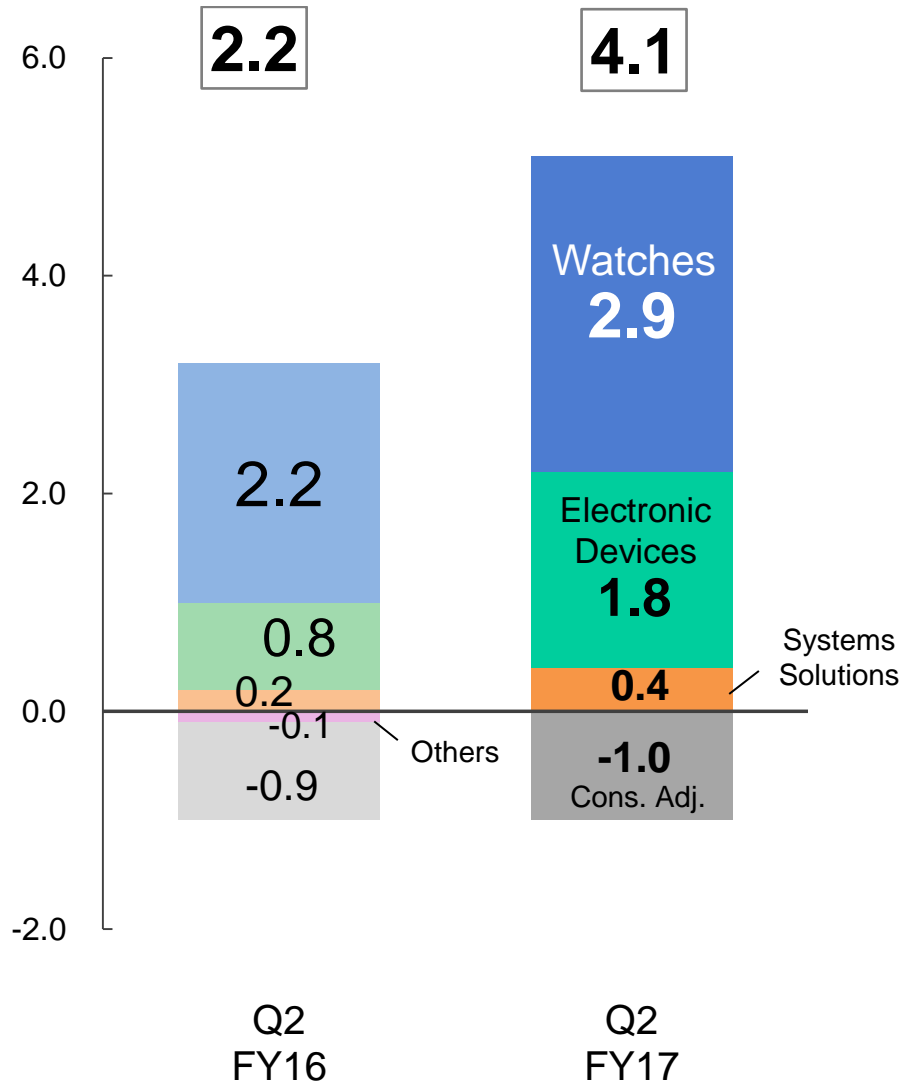
(Billions of yen)



(Billions of yen)	Net Sales (Composition ratio)		
	FY16 Q2	FY17 Q2	Variance
Watches	33.9 (54%)	36.2 (52%)	+2.3
Electronic Devices	20.5 (33%)	22.6 (33%)	+2.0
Systems Solutions	4.9 (8%)	6.5 (9%)	+1.6
Sub Total	59.4	65.4	+5.9
Others	6.5 (10%)	6.9 (10%)	+0.3
Cons. Adj.	-3.0 (-5%)	-2.8 (-4%)	+0.2
Cons. Total	62.9	69.5	+6.5

Operating Profit by Reported Segments (Jul.- Sep. 2017)

(Billions of yen)



(Billions of yen)	Operating Profit		
	FY16 Q2	FY17 Q2	Variance
Watches	2.2	2.9	+0.7
Electronic Devices	0.8	1.8	+1.0
Systems Solutions	0.2	0.4	+0.1
Sub Total	3.3	5.2	+1.8
Others	-0.1	0.0	+0.2
Cons. Adj.	-0.9	-1.0	-0.1
Cons. Total	2.2	4.1	+1.9

End
