



CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 2020 [Japanese GAAP]

May 12, 2020

Company name: SEIKO HOLDINGS CORPORATION Stock Listing: Tokyo
 Code number: 8050 URL: <https://www.seiko.co.jp/en/>
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(Note) Amounts under one million yen have been rounded down.

1. Consolidated financial results for the fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	239,150	(3.3)	6,134	(34.7)	7,004	(38.6)	3,394	(63.3)
March 31, 2019	247,293	(7.9)	9,394	(13.3)	11,410	4.6	9,249	(19.9)

Note: Comprehensive income Fiscal year ended March 31, 2020: (3,007) million yen - %
Fiscal year ended March 31, 2019: 8,396 million yen (20.0) %

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit margin
	Yen	Yen	%	%	%
March 31, 2020	82.36	82.33	3.2	2.3	2.6
March 31, 2019	224.42	224.40	8.7	3.8	3.8

(Reference) Income from investment in affiliates (equity method)

Fiscal year ended March 31, 2020: 1,313 million yen
 Fiscal year ended March 31, 2019: 1,941 million yen

(2) Consolidated financial position

Fiscal year ended	Total assets	Net assets	Equity capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2020	299,990	104,273	34.4	2,499.97
March 31, 2019	303,036	110,415	36.0	2,649.99

(Reference) Shareholder's equity As of March 31, 2020: 103,050 million yen
As of March 31, 2019: 109,221 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2020	2,704	(10,688)	678	26,111
March 31, 2019	17,508	(7,093)	(10,670)	33,843

2. Dividends

Fiscal year ended	Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
ended March 31, 2019	-	37.50	-	37.50	75.00	3,100	33.4	2.9
ended March 31, 2020	-	37.50	-	37.50	75.00	3,100	91.1	2.9
ending March 31, 2021 (Forecast)	-	-	-	-	-	-	-	-

(Note) The dividends forecast has not been determined yet at present.

3. Consolidated financial forecast for the fiscal year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

The consolidated financial forecast for the fiscal year ending March 31, 2021 has not been determined yet, because it is not possible at this stage to reasonably calculate the impact of the novel coronavirus pandemic. The Company will disclose a reasonable forecast as soon as it becomes possible.

1. Business Results

(1) Overview

In the world economy, up to the third quarter of the fiscal year ended March 31, 2020, growth in the U.S. showed signs of a slowdown, primarily due to sluggish personal consumption, despite a steady U.S. employment environment. In Europe, while the U.K. economy lacked strength due to uncertainty about the outlook associated with the BREXIT issue, an improvement was seen in business sentiment in the Eurozone countries, with the exception of France, which was affected by large-scale demonstrations. In Asia, growth was sluggish in many economies, mainly China, due in part to the impact of demonstration activities in Hong Kong and U.S.-China trade friction.

Meanwhile, from the fourth quarter onward, the global outbreak of the novel coronavirus has had a major impact on the world economy. While a deterioration in company business sentiment began to be observed from roughly mid-February in the U.S., the infection spread rapidly in Europe from early March, and then in the U.S. during the middle of that month, leading to a sudden change in the economy. In China, while real GDP growth from January to March 2020 fell 6.8% year on year, the economy began to move toward normalization from March onward.

In the Japanese economy, while personal consumption remained steady up to the second quarter, mainly due to a surge in demand before the consumption-tax hike, business sentiment deteriorated from October onward due to the tax hike as well as unusual weather, in addition to continued weak overseas demand. Furthermore, the effects of the novel coronavirus gradually emerged from the beginning of February, and its effects on economic activities became more pronounced in March.

However, due to the impact of sluggish electronic devices market conditions resulting from U.S.-China trade friction and the spread of the novel coronavirus, for the fiscal year ended March 31, 2020, the Company reported consolidated net sales of 239.1 billion yen, a year-on-year decrease of 8.1 billion yen, or 3.3%. On a per-segment basis, while sales under the Watches Business and Electronic Devices Business declined year on year, sales under the Systems Solutions Business progressed favorably. On an overall consolidated basis, domestic net sales came to 137.5 billion yen (a year-on-year decrease of 1.8%), and overseas net sales were 101.6 billion yen (a year-on-year decrease of 5.3%). Overseas net sales comprised 42.5% of net sales overall.

In terms of income, operating profit decreased 3.2 billion yen year on year to 6.1 billion yen (a year-on-year decrease of 34.7%), mainly due to an approximate 11% year-on-year increase in advertising and promotion expenses along with the strengthening of investment, in addition to the impact of the decline in net sales. Ordinary profit decreased 4.4 billion yen year on year to become 7.0 billion yen (a year-on-year decrease of 38.6%), 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,

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business restructuring expenses of 0.2 billion yen associated with the termination of some businesses, an impairment loss of 0.2 billion yen, as well as loss on the spread of infectious disease of 0.3 billion yen, for a total of 1.1 billion yen as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests were 3.3 billion yen (a year-on-year decrease of 63.3%).

In addition, with the aim of further strengthening the technological development capabilities of the entire Group, promoting ESG activities, and accelerating support for the SDGs, the Company has decided to transfer R&D and production technology development functions, as well as headquarters functions related to quality control and the environment from its subsidiary, Seiko Instruments Inc. to the Company, from April 1, 2020.

The average exchange rates for the current fiscal year were 108.7 yen to 1 US dollar and 120.8 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 135.4 billion yen, a year-on-year decrease of 6.3 billion yen, or 4.5%.

While the environment in Hong Kong, a significant market for high-end watches, has deteriorated due to the impact of demonstration activities, the market for high-end watches performed favorably, particularly in the U.S., China, Japan, and other areas. Meanwhile, severe market conditions continued in the market for affordable-priced watches. In addition, from February 2020 onward, the spread of the novel coronavirus has had a major impact on the watch markets of each country.

Under such circumstances, the Company has promoted the Global Brands strategy set out in the basic policies of the Seventh Mid-Term Management Plan, and worked to accelerate the expansion of sales in Japan, the U.S., and Asia, such as through the opening of new Grand Seiko Boutiques in Japan and overseas, as well as the opening of the world's first Seiko Prospex Boutique in Ginza, Tokyo in August 2019.

Net sales in the watches business in Japan grew steadily up to the second quarter. However, personal consumption fell due to a suspension or shortening of opening hours across a wide range of industries, as well as self-restraint regarding going out on weekends associated with the spread of the novel coronavirus, in addition to the effects of sluggish personal consumption following the consumption-tax hike and natural disasters. Inbound demand from foreign tourists to Japan decreased due to tightened immigration regulations, as well as prohibition of overseas travel and self-restraint in other countries. Accordingly, net sales fell year on year. In terms of individual brands, sales of Grand Seiko increased, mainly for the Spring Drive models, which marked the 20th Anniversary of its launch, and

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the Quartz models, which marked its 50th Anniversary. While sales of Seiko Prospex, one of our Global Brands, were also sluggish in the fourth quarter, the Company was able to maintain net sales for the full year at the same level as the previous fiscal year. On a distribution channel basis, while sales at mass retailers were sluggish due to a decrease in the number of tourists visiting Japan, net sales at department stores, which grew steadily up to the second quarter due to a surge in demand before the consumption-tax hike, exceeded the previous fiscal year for the full year.

Overseas, Global Brands continued to grow, mainly for Grand Seiko and Seiko Prospex, and net sales in the watches business increased year on year, excluding the impact of changes in the distribution of some products and exchange rates. In the U.S., Grand Seiko performed steadily, while sales expanded in Europe, mainly in high-end distribution channels in Germany and other countries. In Asia, sales in China grew significantly year on year, while sales in Taiwan and Australia also increased year on year on a local currency basis.

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

Operating profit was 10.1 billion yen, a decrease of 0.2 billion yen, or 2.2%, mainly due to the decrease in net sales. In addition, operating profit increased by 0.9 billion yen, as a result of a change in the allocation method of expenses related to headquarters for some consolidated subsidiaries.

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 51.7 billion yen, a year-on-year decrease of 3.7 billion yen, or 6.8%. Operating profit was 0.6 billion yen, a year-on-year decrease of 0.8 billion yen, or 56.6%. Net sales of thermal printer mechanism products, printer-related products such as inkjet print heads, and integrated circuits for crystal oscillators were sluggish due to a slowdown in the Chinese economy. Meanwhile, 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 Seventh Mid-Term Management Plan. In addition, a change in the allocation method of expenses related to headquarters for some consolidated subsidiaries resulted in an increase of 1.0 billion yen in operating profit.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 32.8 billion yen, a year-on-year increase of 2.0 billion yen, or 6.6%. Operating profit was 3.0 billion yen, a year-on-year increase of 0.6 billion yen, or 25.4%. The IT-related and telecommunications-related markets performed strongly against a backdrop of severe labor shortages, as well as a shift to cashless transactions associated with the consumption-tax hike. Under these circumstances, in addition to favorable sales of digital contract solutions, application performance management software, and mobile payment devices and services, net sales of products for individuals also grew. In terms of income, profit increased year on year by continuing to improve profits for each product.

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d. Others

Net sales under Others amounted to 29.5 billion yen, a year-on-year increase of 1.2 billion yen, or 4.3%. Operating profit was 0.3 billion yen, a year-on-year decrease of 0.3 billion yen, or 53.2%. Despite the impact of the spread of the novel coronavirus in the fourth quarter, in addition to reaction following the consumption-tax hike in the Clocks Business and the Wako Business, net sales for the full year increased year on year. However, operating profit fell year on year due to changes in the business mix.

(2) Financial Condition

a. Status of assets, liabilities, and net assets

-Assets-

Total assets at the close of the fiscal year ended March 31, 2020 amounted to 299.9 billion yen, a decrease of 3.0 billion yen from the close of the previous fiscal year. Total current assets came to 138.1 billion yen, a decrease of 0.8 billion yen from the close of the previous fiscal year. This was due to increases of 4.8 billion yen in merchandise and finished goods, 1.8 billion yen in raw materials and supplies, and 2.2 billion yen in accounts receivable - other, offsetting decreases of 7.7 billion yen in cash and deposits and 3.0 billion yen in notes and accounts receivable - trade. Under non-current assets, while property, plant and equipment increased 5.4 billion yen, 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 ended March 31, 2020, decreases of 1.2 billion yen in intangible assets and 7.1 billion yen in investment securities under investments and other assets resulted in total non-current assets of 161.8 billion yen, a decrease of 2.1 billion yen relative to the close of the previous fiscal year.

-Liabilities-

For liabilities, total borrowings came to 109.6 billion yen, due to an increase of 9.5 billion yen in short-term borrowings, as well as decreases of 2.8 billion yen in current portion of long-term borrowings and 1.4 billion yen in long-term borrowings. In addition, current liabilities and non-current liabilities increased by 1.0 billion yen and 3.3 billion yen, respectively, due to the adoption of IFRS 16 “Leases,” while notes and accounts payable - trade decreased by 4.5 billion yen, and accounts payable - other decreased by 0.6 billion yen. As a result, total liabilities amounted to 195.7 billion yen, an increase of 3.0 billion yen from the close of the previous fiscal year.

-Net assets-

With regard to net assets, total net assets decreased by 6.1 billion yen over the close of the previous fiscal year to become 104.2 billion yen, owing to decreases of 4.6 billion yen in valuation difference

on available-for-sale securities and 1.6 billion yen in foreign currency translation adjustment.

(3) Overview of Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2020 came to 26.1 billion yen, a decline of 7.7 billion 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 2.7 billion yen (compared to a positive cash flow of 17.5 billion yen for the previous fiscal year), a decrease of 14.8 billion yen year on year. This was the result of the Company posting 6.2 billion yen in income before income taxes, factoring in depreciation amounting to 10.3 billion yen, as well as 2.3 billion yen in decrease (increase) in trade receivables, 7.4 billion yen in decrease (increase) in inventories (posted as a decrease), 4.3 billion yen in increase (decrease) in trade payables (posted as a decrease), and 1.7 billion yen in income taxes paid (posted as a decrease).

-Cash flows from investing activities

Net cash used in investing activities came to negative 10.6 billion yen (compared to a negative cash flow of 7.0 billion yen for the previous fiscal year) due to cash flows consisting mainly of 8.8 billion yen in purchase of property, plant and equipment (posted as a decrease).

-Cash flows from financing activities

Net cash used in financing activities came to positive 0.6 billion yen (compared to a negative cash flow of 10.6 billion yen for the previous fiscal year) due mainly to repayments and borrowings of long- and short-term borrowings that combined for a net amount of 5.2 billion yen, as well as 1.4 billion yen in repayments of lease obligations (posted as a decrease) and 3.1 billion yen in cash dividends paid (posted as a decrease).

(4) Risk Information Regarding Infectious Diseases

If the Group's business offices, manufacturing bases, etc. in Japan and overseas are subject to regulations or other factors due to the spread of infectious diseases from viruses, etc., there would be the possibility of production being interrupted and our sales, logistics and procurement functions stagnating, affecting business results. Furthermore, if any regulations are imposed on regional economies in general in Japan or overseas, there would be the possibility that economic trends, especially personal consumption trends, in the regions would be significantly impacted, affecting the Group's business operations, financial position and financial results. In addition, the Group has

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formulated an action plan that puts the highest priority on ensuring the safety of those engaged in the Company's business in the event of infectious diseases occurring.

The novel coronavirus, which emerged in the fourth quarter of the fiscal year ended March 31, 2020, is spreading globally. Many retail stores and stores in commercial facilities, including our customers, have been closed or have shortened operating hours. In addition, some of our overseas manufacturing activities have contracted, and the operating conditions of our suppliers and customers have deteriorated, affecting some of our business activities.

(5) Financial Forecast for the Year Ending March 31, 2020 (FY2019)

As described in the last paragraph of "4. Risk Information Regarding Infectious Diseases," above, the novel coronavirus is still affecting some of our business activities at this moment.

The consolidated financial forecast for the fiscal year ending March 31, 2021 has not been determined, as it is currently difficult to reasonably estimate how long the restrictions on economic activities in Japan and overseas described in "4. Risk Information Regarding Infectious Diseases" will continue. Going forward, the Company will make an announcement as soon as reasonable estimates are available.

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2. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	33,844	26,112
Notes and accounts receivable - trade	37,456	34,397
Merchandise and finished goods	38,119	42,964
Work in process	11,448	12,161
Raw materials and supplies	8,737	10,608
Accounts receivable - other	3,116	5,406
Other	7,419	7,790
Allowance for doubtful accounts	(1,153)	(1,317)
Total current assets	138,989	138,123
Non-current assets		
Property, plant and equipment		
Buildings and structures	71,913	72,189
Machinery, equipment and vehicles	81,388	78,307
Tools, furniture and fixtures	31,772	32,278
Other	1,820	7,183
Accumulated depreciation	(148,177)	(146,873)
Land	48,998	48,522
Construction in progress	924	2,434
Total property, plant and equipment	88,640	94,044
Intangible assets		
Goodwill	8,289	7,430
Other	8,957	8,572
Total intangible assets	17,247	16,003
Investments and other assets		
Investment securities	45,913	38,759
Deferred tax assets	4,243	4,441
Other	8,165	8,734
Allowance for doubtful accounts	(163)	(115)
Total investments and other assets	58,159	51,820
Total non-current assets	164,047	161,867
Total assets	303,036	299,990

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(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,449	21,869
Electronically recorded obligations – operating	6,438	6,495
Short-term borrowings	49,610	59,140
Current portion of long-term borrowings	19,698	16,843
Accounts payable – other	12,402	11,739
Income taxes payable	1,281	1,282
Provision for bonuses	3,644	3,477
Provision for goods warranties	440	462
Provision for loss on lease contracts	348	348
Other provisions	444	555
Asset retirement obligations	-	13
Other	12,213	13,929
Total current liabilities	132,972	136,158
Non-current liabilities		
Long-term borrowings	35,106	33,637
Lease obligations	1,246	4,288
Deferred tax liabilities	2,451	1,929
Deferred tax liabilities for land revaluation	3,614	3,614
Provision for loss on lease contracts	1,483	1,134
Provision for gift certificate exchange losses	155	148
Provision for stock benefits	89	133
Provision for long-term goods warranties	82	84
Provision for retirement benefits for directors (and other officers)	36	35
Provision for loss on business withdrawal	32	10
Provision for environmental measures	349	1
Other provisions	8	7
Retirement benefit liability	10,602	10,453
Asset retirement obligations	888	908
Other	3,501	3,171
Total non-current liabilities	59,647	59,558
Total liabilities	192,620	195,717

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(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	74,124	74,418
Treasury shares	(335)	(328)
Total shareholders' equity	91,034	91,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,099	5,486
Deferred gains or losses on hedges	(104)	11
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	878	(804)
Remeasurements of defined benefit plans	(876)	(1,169)
Total accumulated other comprehensive income	18,186	11,714
Non-controlling interests	1,194	1,223
Total net assets	110,415	104,273
Total liabilities and net assets	303,036	299,990

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(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

a. Consolidated Statements of Income

(Millions of yen)

	FY2018	FY2019
Net sales	247,293	239,150
Cost of sales	150,955	144,221
Gross profit	96,338	94,928
Selling, general and administrative expenses	86,943	88,794
Operating profit	9,394	6,134
Non-operating income		
Interest income	188	171
Dividend income	774	763
Share of profit of entities accounted for using equity method	1,941	1,313
Other	1,889	1,336
Total non-operating income	4,794	3,585
Non-operating expenses		
Interest expenses	985	982
Foreign exchange losses	79	291
Other	1,712	1,441
Total non-operating expenses	2,777	2,715
Ordinary profit	11,410	7,004
Extraordinary income		
Gain on sales of non-current assets	257	346
Gain on sales of memberships	106	-
Total extraordinary income	363	346
Extraordinary losses		
Loss on the spread of infectious disease	-	305
Business restructuring expenses	-	264
Impairment loss	-	240
Loss on retirement of non-current assets	-	179
Retirement benefit expenses	-	158
Total extraordinary losses	-	1,148
Profit before income taxes	11,774	6,201
Income taxes - current	2,409	1,745
Income taxes - deferred	35	974
Total income taxes	2,445	2,719
Profit	9,329	3,481
Profit attributable to non-controlling interests	79	86
Profit attributable to owners of parent	9,249	3,394

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b. Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2018	FY2019
Profit	9,329	3,481
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,712)	(4,095)
Deferred gains or losses on hedges	187	113
Foreign currency translation adjustment	491	(1,335)
Remeasurements of defined benefit plans, net of tax	44	(281)
Share of other comprehensive income of entities accounted for using equity method	56	(890)
Total other comprehensive income	(933)	(6,489)
Comprehensive income	8,396	(3,007)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,312	(3,077)
Comprehensive income attributable to non- controlling interests	83	69

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(3) Consolidated Statements of Changes in Equity

For year ended March 31, 2019

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,245	67,975	(334)	84,886
Changes during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			9,249		9,249
Purchase of treasury shares				(1)	(1)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	6,148	(1)	6,147
Balance at end of period	10,000	7,245	74,124	(335)	91,034

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 period	11,639	(294)	8,190	468	(879)	19,123	1,159	105,170
Changes during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								9,249
Purchase of treasury shares								(1)
Net changes in items other than shareholders' equity	(1,539)	190	-	410	2	(936)	34	(902)
Total changes during period	(1,539)	190	-	410	2	(936)	34	5,245
Balance at end of current period	10,099	(104)	8,190	878	(876)	18,186	1,194	110,415

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For year ended March 31, 2020

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,245	74,124	(335)	91,034
Changes during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			3,394		3,394
Purchase of treasury shares				(1)	(1)
Disposal of treasury stock by ownership plan trust				8	8
Other				0	0
Net changes in items other than shareholders' equity					
Total changes during period	-	-	293	7	301
Balance at end of period	10,000	7,245	74,418	(328)	91,335

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 period	10,099	(104)	8,190	878	(876)	18,186	1,194	110,415
Changes during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								3,394
Purchase of treasury shares								(1)
Disposal of treasury stock by ownership plan trust								8
Other								0
Net changes of items other than shareholders' equity	(4,612)	115	-	(1,682)	(293)	(6,472)	28	(6,443)
Total changes of items during period	(4,612)	115	-	(1,682)	(293)	(6,472)	28	(6,142)
Balance at end of current period	5,486	11	8,190	(804)	(1,169)	11,714	1,223	104,273

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(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018	FY2019
Cash flows from operating activities		
Profit before income taxes	11,774	6,201
Depreciation	8,980	10,315
Increase (decrease) in allowance for doubtful accounts	(76)	134
Increase (decrease) in retirement benefit liability	(275)	149
Interest and dividend income	(962)	(935)
Interest expenses	985	982
Foreign exchange losses (gains)	(94)	75
Share of loss (profit) of entities accounted for using equity method	(1,941)	(1,313)
Impairment loss	-	240
Loss (gain) on sales of non-current assets	(257)	(346)
Loss on retirement of non-current assets	92	245
Decrease (increase) in trade receivables	1,132	2,388
Decrease (increase) in inventories	(976)	(7,446)
Increase (decrease) in trade payables	(518)	(4,358)
Other, net	1,926	(2,643)
Subtotal	19,788	3,689
Interest and dividends received	963	935
Dividends received from entities accounted for using equity method	327	1,456
Interest paid	(988)	(990)
Extra retirement payments	(170)	(666)
Income taxes paid	(2,412)	(1,720)
Net cash provided by (used in) operating activities	17,508	2,704

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(Millions of yen)

	FY2018	FY2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,341)	(8,852)
Proceeds from sales of property, plant and equipment	1,061	546
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	33	2
Loan advances	(522)	(477)
Collection of loans receivable	508	1,229
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(219)
Other, net	(1,831)	(2,916)
Net cash provided by (used in) investing activities	(7,093)	(10,688)
Cash flows from financing activities		
Proceeds from short-term borrowings	910,847	893,019
Repayments of short-term borrowings	(911,281)	(883,432)
Proceeds from long-term borrowings	16,300	16,800
Repayments of long-term borrowings	(23,058)	(21,124)
Repayments of lease obligations	(371)	(1,463)
Dividends paid	(3,100)	(3,100)
Other, net	(5)	(20)
Net cash provided by (used in) financing activities	(10,670)	678
Effect of exchange rate change on cash and cash equivalents	229	(427)
Net increase (decrease) in cash and cash equivalents	(26)	(7,732)
Cash and cash equivalents at beginning of period	33,911	33,843
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(41)	-
Cash and cash equivalents at end of period	33,843	26,111

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(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 4,302 million yen in property, plant and equipment, 1,010 million yen in current liabilities, and 3,349 million yen in non-current liabilities, respectively, in the balance sheets for the year ended March 31, 2020. The impact of this standard on gains or losses or on segment information for the fiscal year ended March 31, 2020 is immaterial.

(Segment Information)

1. Outline of the reported segments

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

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

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

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

Reported Segment	Main merchandise and finished goods
Watches Business	Watches, watch movements
Electronic Devices Business	Crystal oscillators, micro batteries and materials, printers, and precision components
Systems Solutions Business	Wireless communication equipment, information network systems, data services and computer performance management software
Others	Clocks / High-end jewelry, apparel and fashion accessories / System clocks etc.

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I. For the fiscal year ended March 31, 2019

1. Information about Sales and Income (Loss) by 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				
Net Sales								
Sales to third parties	140,346	52,248	29,435	222,029	25,263	247,293	-	247,293
Inter-segment sales or transfers	1,442	3,300	1,373	6,116	3,099	9,215	(9,215)	-
Total	141,788	55,548	30,809	228,146	28,363	256,509	(9,215)	247,293
Segment income	10,391	1,414	2,401	14,207	697	14,905	(5,511)	9,394
Segment asset	93,677	78,888	19,455	192,022	37,229	229,251	73,784	303,036

- 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 -5,511 million yen include -566 million yen in the amortization of goodwill, 319 million yen that mainly consists of the elimination of inter-segment transactions, and -5,263 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).
 - Adjustments to segment assets in the amount of 73,784 million yen include -71,638 million yen in the elimination of inter-segment liabilities, 194,968 million yen in company-wide assets not appropriated to each reported segment, and -49,545 million yen that mainly consists of the elimination of investments and equity. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).
 - Segment income has been adjusted for alongside operating profit on the consolidated statements of income.

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II. For the fiscal year ended March 31, 2020

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

	Reported segments				Others	Grand total	Adjustment	Figures in consolidated statements of income
	Watches Business	Electronic Devices Business	Systems Solutions Business	Total				
Net Sales								
Sales to third parties	133,759	47,986	31,230	212,976	26,173	239,150	-	239,150
Inter-segment sales or transfers	1,716	3,763	1,609	7,088	3,408	10,496	(10,496)	-
Total	135,475	51,749	32,839	220,064	29,582	249,647	(10,496)	239,150
Segment income	10,158	614	3,010	13,783	326	14,109	(7,975)	6,134
Segment asset	100,159	65,025	21,591	186,777	37,779	224,557	75,433	299,990

- 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 -7,975 million yen include -566 million yen in the amortization of goodwill, 276 million yen that mainly consists of the elimination of inter-segment transactions, and -7,685 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. Adjustments to segment assets in the amount of 75,433 million yen include -64,537 million yen in the elimination of inter-segment liabilities, 176,713 million yen in company-wide assets not appropriated to each reported segment, and -36,742 million yen that mainly consists of the elimination of investments and equity. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at headquarters, unallocated to reported segments.
 4. 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 932 million yen, segment income for the Electronic Devices Business increased by 1,004 million yen, and adjustments to segment income decreased by 1,936 million yen for the year ended March 31, 2020.

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(Significant events after reporting period)

Current fiscal year (From April 1, 2019 to March 31, 2020)

(Extraordinary income associated with the transfer of shares in an affiliated company accounted for using equity method)

A subsidiary of Seiko Holdings Corporation (hereinafter “SHD”), Seiko Instruments Inc. (hereinafter “SII”) to MinebeaMitsumi Inc. (hereinafter “MinebeaMitsumi”), and Development Bank of Japan Inc. (hereinafter “DBJ”), as follows on the transfer of all shares held in ABLIC Inc. (hereinafter “ABLIC”), an affiliated company accounted for using equity method of SHD, and duly concluded a share transfer agreement as December 17, 2019. Based on this agreement, SII transferred the shares of ABLIC on April 30, 2020.

(1) Reason for the share transfer

In January 2016, SII transferred its semiconductor business to ABLIC (previous trade name: SII Semiconductor Corporation), a semiconductor company jointly funded by SII and DBJ. Initially, ABLIC was collaboratively managed by SII and DBJ, with a respective ownership ratio of 60 % and 40 %. However, later in January 2018, SII transferred 30% of its ownership to DBJ in pursuit of growth strategies.

In December 2019, an agreement was reached on the transfer of all shares in ABLIC held by DBJ and SII to MinebeaMitsumi, with a view toward further enhancing the corporate value of ABLIC and expanding its business. Businesses owned by MinebeaMitsumi have a great degree of affinity and complementarity with those owned by ABLIC, potentially creating synergistic effects not limited to the semiconductor field. Meanwhile, in the Seiko Holdings Group, this share transfer is believed to facilitate the effective utilization of management resources and reinforcement of the management foundation, including investments with a view toward creating sustainable value.

Following this share transfer, ABLIC should no longer be an affiliated company accounted for using equity method of SHD.

(2) Name of the company the shares transferred

MinebeaMitsumi Inc.

(3) Name of company and business lines the equity method affiliate transferred

Name	ABLIC Inc.
Business lines	Development, design, manufacture and sales of analog semiconductor products

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(4) Date of share transfer

April 30, 2020

(5) Number of shares for transfer, transfer price and status of shareholding before and after transfer

Shareholding prior to transfer	555,000 shares	(Percentage of voting rights held: 30.0%)
Number of shares for transfer	555,000 shares	(Ratio to the number of shares issued: 30.0%)
Transfer price	10,317 million yen*	
Shareholding after transfer	0 share	(Percentage of voting rights held: 0.0 %)

*The transfer price is the price stated in the Share Transfer Agreement concluded on December 17, 2019. It has been agreed that the transfer price will be subject to adjustments based on the financial data of ABLIC at the time of the share transfer, and that additional payment of an amount not exceeding 450 million yen shall be payable to SHD, depending on the business performance of the ABLIC Group during a certain period of time.

(6) Extraordinary income to be posted

In association with the share transfer, 7.1 billion yen of gain on transfer of shares and the realized amount of the unrealized gain is scheduled to be posted as extraordinary income in the first quarter of the fiscal year ending March 31, 2021. Of this extraordinary income, the gain on transfer of shares will be 3.8 billion yen and the realized amount of the unrealized gain will be 3.3 billion yen. The realized amount of the unrealized gain is, of the transfer profit that was generated at the time of the business transfer in 2016 and eliminated in the consolidated financial statements, the amount to be realized corresponding to the share transfer.

In addition, regarding the gain on transfer of shares in the extraordinary income, there are variable factors associated with adjustments to the transfer price, as described in the margin of (5).
