

# FY2019 Consolidated Results

(for the fiscal year ended March 31, 2020)

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May 13, 2020

- ◆ Actual results for FY2019 and forecast for FY2020
  - In line with policies of the 7<sup>th</sup> Mid-Term Management Plan, we have worked to strengthen branding investment and develop high value-added products and services that lead to an enhancement of our brand value.
  - Due to the impact of sluggish electronic devices market conditions resulting from U.S.-China trade friction and the spread of the COVID-19, sales under the Watches Business and Electronic Devices Business declined year on year, while sales under the Systems Solutions Business progressed favorably.
  - ✓ Forecast for FY2020 has not been determined, as it is currently difficult to reasonably estimate how long the restrictions on economic activities in Japan and overseas will continue. Going forward, we will make an announcement as soon as reasonable estimates are available.

- ◆ **Initiatives towards FY2020 <Strengthening organization>**
  - On April 1, 2020, with the aim of further strengthening the technological development capabilities of the entire Group, promoting ESG activities, and accelerating support for the SDGs, we transferred R&D and production technology development functions, as well as HQ functions related to quality control and the environment from a subsidiary, Seiko Instruments Inc., to Seiko Holdings Corp.
  - On April 1, 2020, to promote rapid decision-making and aim at accelerating the expansion and profitability of the Watches business, Seiko Watch Corp. integrated the watch manufacturing- and procurement-related businesses of Seiko Instruments Inc.
  - On April 1, 2020, Seiko Solutions Inc. acquired all of the shares of COSMO CO., LTD., a company with technical skills capable of meeting a wide range of needs through outsourced development and development support of software and hardware.

## ◆ Initiatives towards FY2020 <Global Brands Strategy>

- The Grand Seiko Studio Shizukuishi schedules opens, with a view to greater production capacity in the future and the expansion of the collection.
- On the 60<sup>th</sup> anniversary of Grand Seiko, new calibers for mechanical (Cal. 9SA5) and Spring Drive (Cal. 9RA5), which achieve greater power reserve, are launched.
- Grand Seiko Europe S.A.S. is established in Paris, responsible for the sales and marketing of the brand in all of continental Europe. The company also manages the Grand Seiko Boutique in the Place Vendôme in Paris, the first GS Boutique in Europe.



# Impact of COVID-19 to business operations

## Japan

### Manufacturing

- Some activities have been reduced in line with Japan's declaration of a state of emergency. In addition, suspensions of activities by overseas suppliers have affected some activities.

### Retail

- Most of retail stores and stores in commercial facilities have been closed or shortened operating hours.

## Overseas

### Manufacturing

- In China, most of suppliers resumed operations and production activities are coming back to normal level.
- Although some of our manufacturing bases, including ones in Malaysia and Singapore, have restrictions in place, they continue their activities to the extent that is possible.
- While our manufacturing base in Thailand continues to operate generally at a standard level, some of our customers' plants have suspended operations.

### Retail

- In the U.S., we continue sales to some stores still operating and through e-commerce.
- While economic activities have been restricted in many countries such as the U.K., Italy, France and Germany since March, we are continuing sales activities at some stores and through the online business, as the Company's logistics are operating in accordance with the situation of our customers.
- In China, the spread of the novel coronavirus is already ending, and economic activities are normalizing. Elsewhere in Asia, where the situation differs from country to country, carrying out normal activities is generally difficult, and sales continue within a limited range.

➤ Impact to financial results FY2019 (approx. figure)

(Billions of yen)

(Consolidated)	Actual	Recent forecast	Variance	Impact included in variance
Net sales	239.1	248.0	-8.8	approx. -8.0
Operating profit	6.1	9.0	-2.8	approx. -2.5

- The number of tourists visiting Japan has decreased since the latter half of the Chinese Spring Festival in January. Since March, net sales have decreased significantly, mainly in the Watches Business, due to overseas lockdowns and government requests in Japan to refrain from going out.
- Profits fell significantly, despite decrease in expenses from the postponement and cancelation of various events such as Grand Seiko's 60th anniversary.

➤ Recent status -FY2020-

The state of emergency was declared in April in Japan, and lockdowns continued overseas. As a result, sales, order-receiving activities, and production activities of suppliers and others were severely restricted. Accordingly, net sales in April 2020 fell sharply.

# 1. Consolidated Results

# FY2019 Consolidated P/L (Apr. 2019 - Mar. 2020)

(Billions of yen)

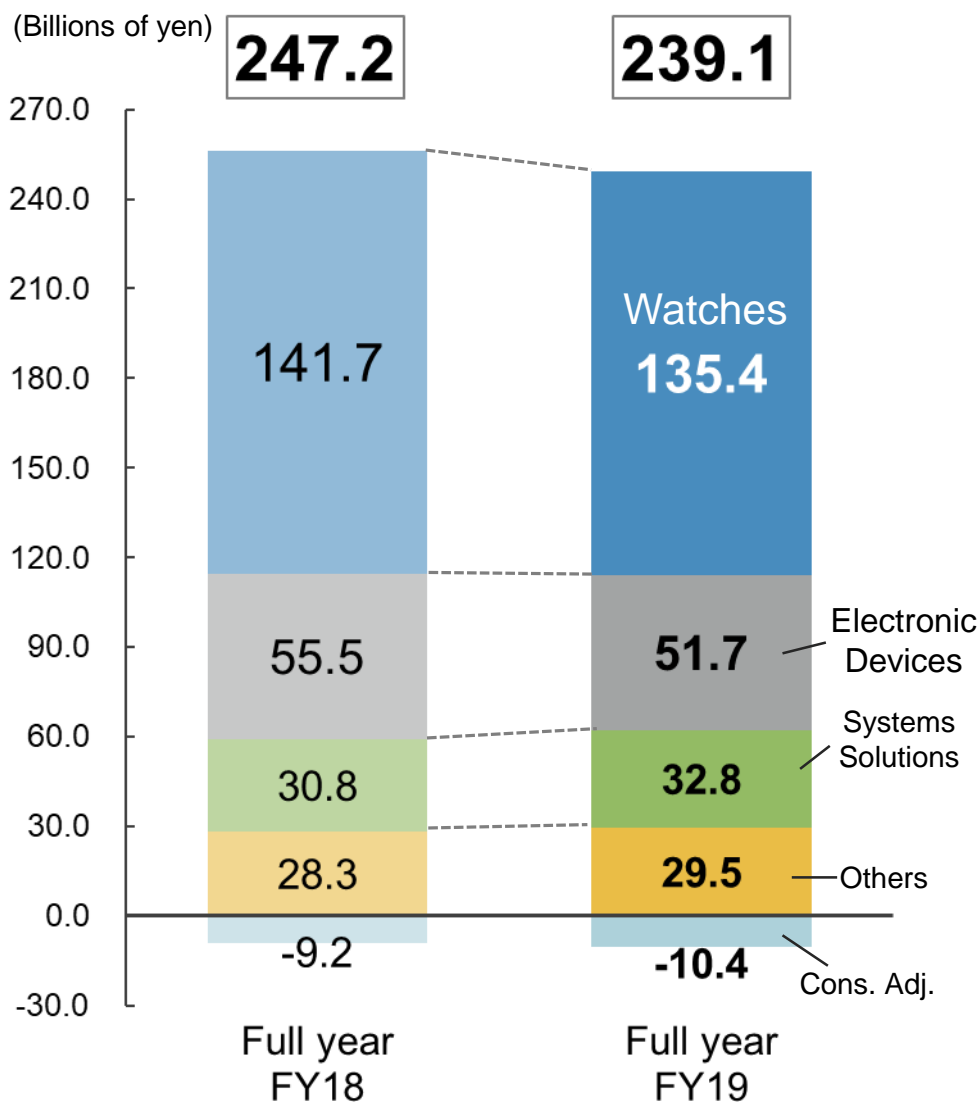
	FY18 Full year	FY19 Full year	Variance		Forecast as of Feb.13	
			Amt.	%		
Net Sales	247.2	239.1	-8.1	-3.3%		
Gross Profit	96.3	94.9	-1.4	-1.5%		
%	39.0%	39.7%	+0.7pt			
Operating Profit	9.3	6.1	-3.2	-34.7%	9.0	
%	3.8%	2.6%	-1.2pt		3.6%	
Ordinary Profit	11.4	7.0	-4.4	-38.6%	10.5	
%	4.6%	2.9%	-1.7pt		4.2%	
Income before income taxes	11.7	6.2	-5.5	-47.3%	-	
Profit attributable to owners of parent	9.2	3.3	-5.8	-63.3%	7.5	
%	3.7%	1.4%	-2.3pt		3.0%	
Exchange Rates (JPY)	USD	110.9	108.7	-2.2	-2.0%	109.0
	EUR	128.4	120.8	-7.6	-5.9%	120.8

Net Sales :		y/y	-8.1	Forecast as of Feb.13
Exchange rate fluctuations		approx.	-2.5	
Operating Profit :		y/y	-3.2	248.0
Impact of decrease in Net sales			-3.2	-
Impact of improved GP%			+1.8	-
Increase in SG&A expenses			-1.8	-
Ordinary Profit :		y/y	-4.4	9.0
Decrease in Operating profit			-3.2	3.6%
Decrease in Equity-method income			-0.6	10.5
Increase in Foreign exchange losses			-0.2	4.2%
Others			-0.3	-
Extraordinary Income/Losses:			-0.8	-
Extraordinary Income			0.3	7.5
Gain on sales of non-current assets			0.3	
Extraordinary Losses			1.1	3.0%
Loss on the spread of infectious disease			0.3	
Business restructuring expenses			0.2	109.0
Impairment loss			0.2	
Loss on retirement of non-current assets			0.1	120.8
Retirement benefit expenses			0.1	



# Sales by Reported Segment (Apr. 2019 - Mar. 2020)

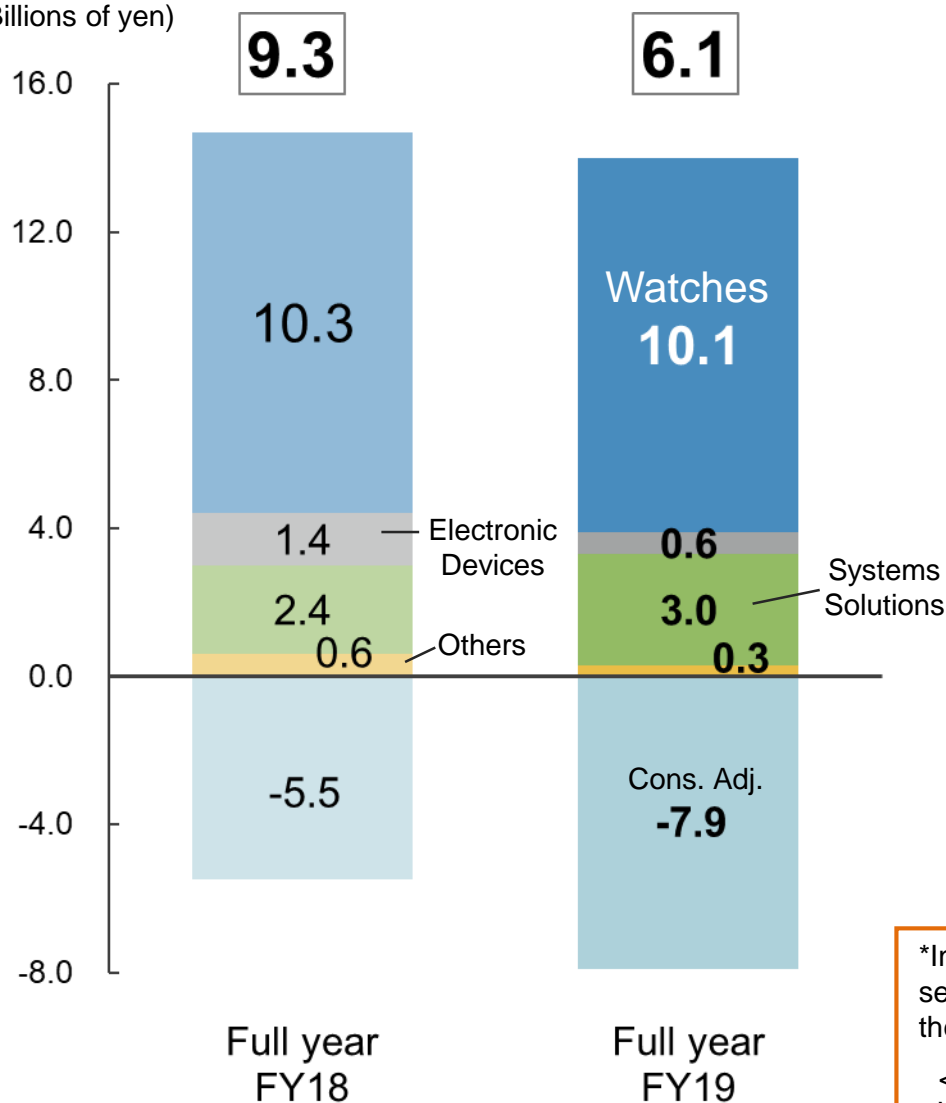


(Billions of yen)

	Net Sales (Composition ratio)			Forecast as of Feb.13
	FY18 Full year	FY19 Full year	Variance	
Watches	141.7 (57%)	135.4 (57%)	-6.3	143.0 (58%)
Electronic Devices	55.5 (22%)	51.7 (22%)	-3.7	53.0 (21%)
Systems Solutions	30.8 (12%)	32.8 (14%)	+2.0	32.0 (13%)
Sub Total	228.1	220.0	-8.0	228.0
Others	28.3 (11%)	29.5 (12%)	+1.2	30.0 (12%)
Cons. Adj.	-9.2 (-4%)	-10.4 (-4%)	-1.2	-10.0 (-4%)
Cons. Total	247.2	239.1	-8.1	248.0

# Operating Profit by Reported Segment (Apr. 2019 - Mar. 2020)

(Billions of yen)



(Billions of yen)

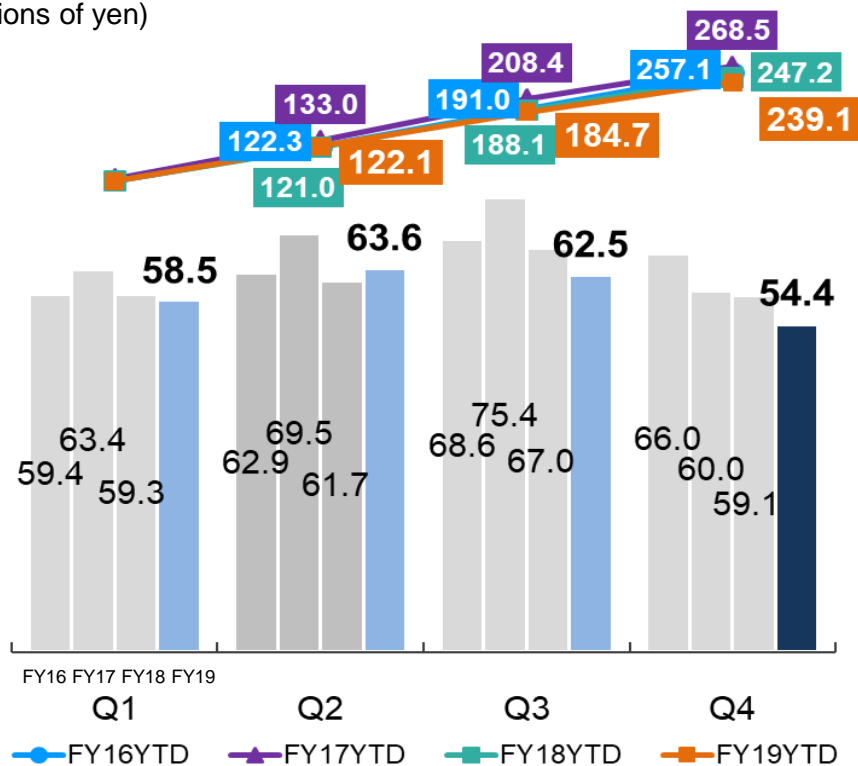
	Operating Profit			Forecast as of Feb.13
	FY18 Full year	FY19 Full year	Variance	
Watches	10.3	10.1	-0.2	12.0
Electronic Devices	1.4	0.6	-0.8	1.0
Systems Solutions	2.4	3.0	+0.6	3.0
Sub Total	14.2	13.7	-0.4	16.0
Others	0.6	0.3	-0.3	0.8
Cons. Adj.	-5.5	-7.9	-2.4	-7.8
Cons. Total	9.3	6.1	-3.2	9.0

\*In order to appropriately evaluate the results of each reported segment, the Company conducted a change in management method of the common expenses among the operating companies from FY2019.

<Effect of the change to operating profit of each segment>  
 Watches: +0.9 billion yen, Electronic Devices: +1.0 billion yen,  
 Cons. Adj.: -1.9 billion yen

## Net Sales

(Billions of yen)

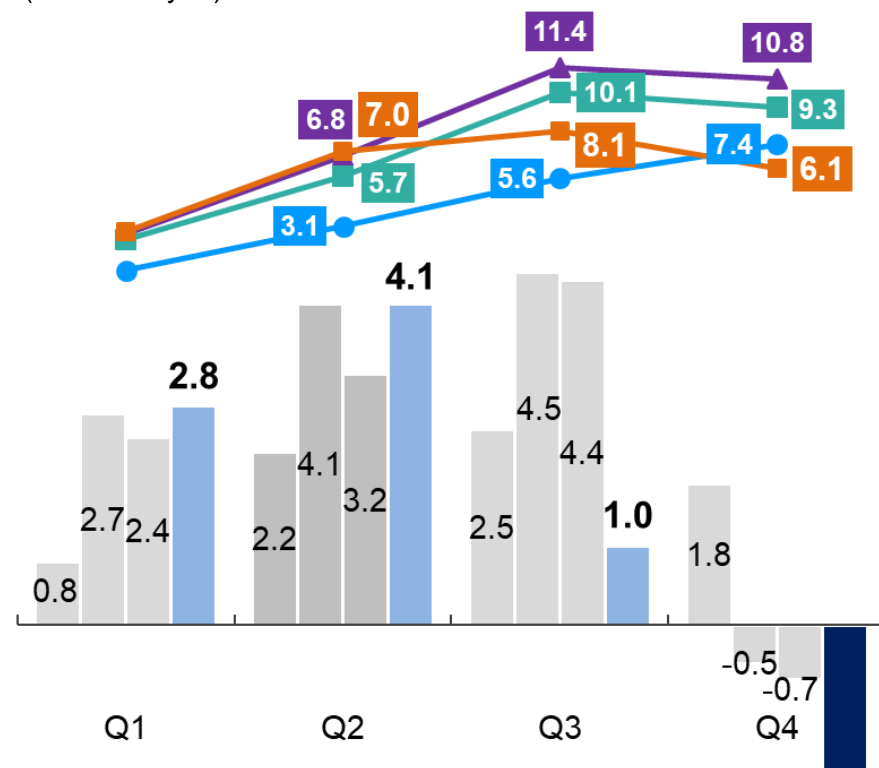


<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	-1.4%	+3.1%	-6.7%	-8.0%	-3.3%
FY18	-6.5%	-11.3%	-11.1%	-1.5%	-7.9%
FY17	+6.8%	+10.5%	+9.9%	-9.1%	+4.4%

## Operating Profit

(Billions of yen)

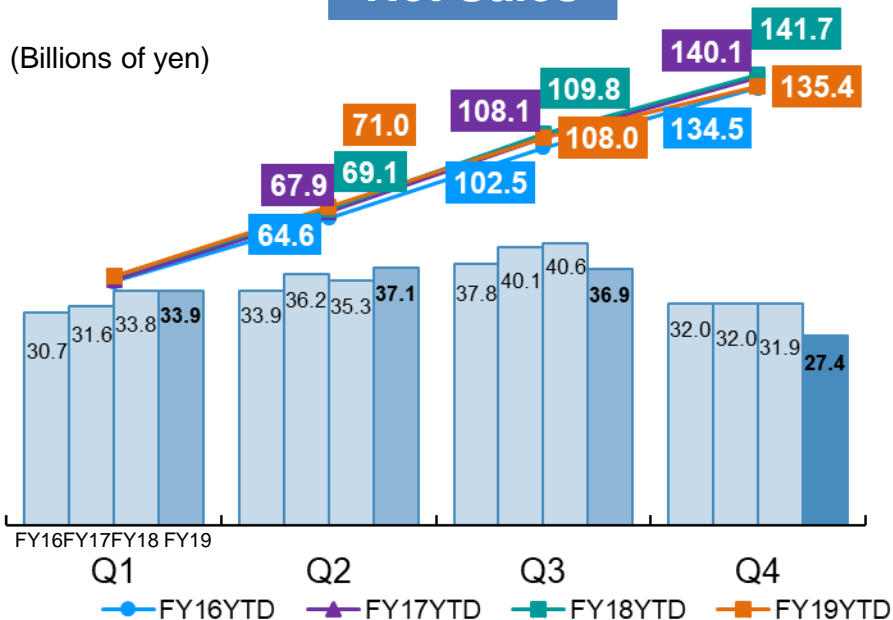


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	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	4.8%	6.6%	1.8%	-3.6%	2.6%
FY18	4.1%	5.3%	6.6%	-1.3%	3.8%
FY17	4.3%	6.0%	6.0%	-1.0%	4.0%
FY16	1.5%	3.6%	3.7%	2.8%	2.9%

## Net Sales

(Billions of yen)

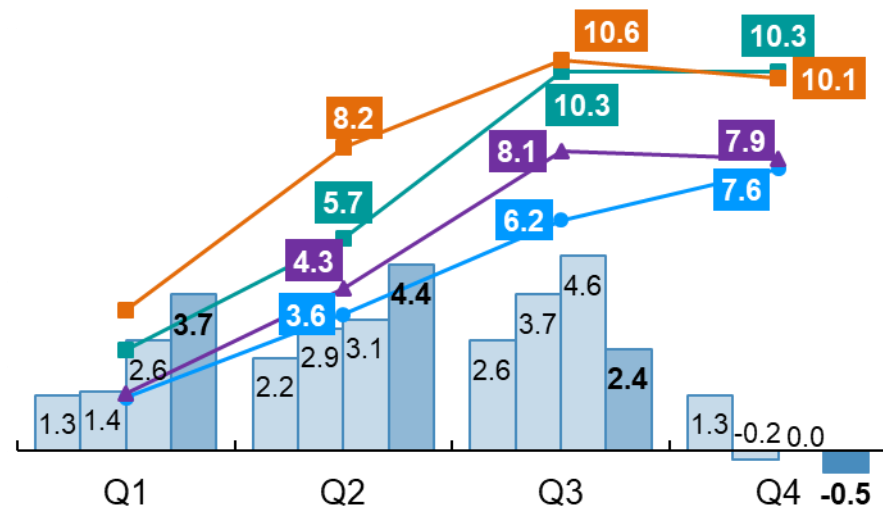


<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	<b>+0.3%</b>	<b>+5.1%</b>	<b>-9.0%</b>	<b>-14.2%</b>	<b>-4.5%</b>
FY18	+6.7%	-2.4%	+1.1%	-0.1%	+1.2%
FY17	+3.1%	+6.8%	+6.2%	-0.1%	+4.1%

## Operating Profit

(Billions of yen)



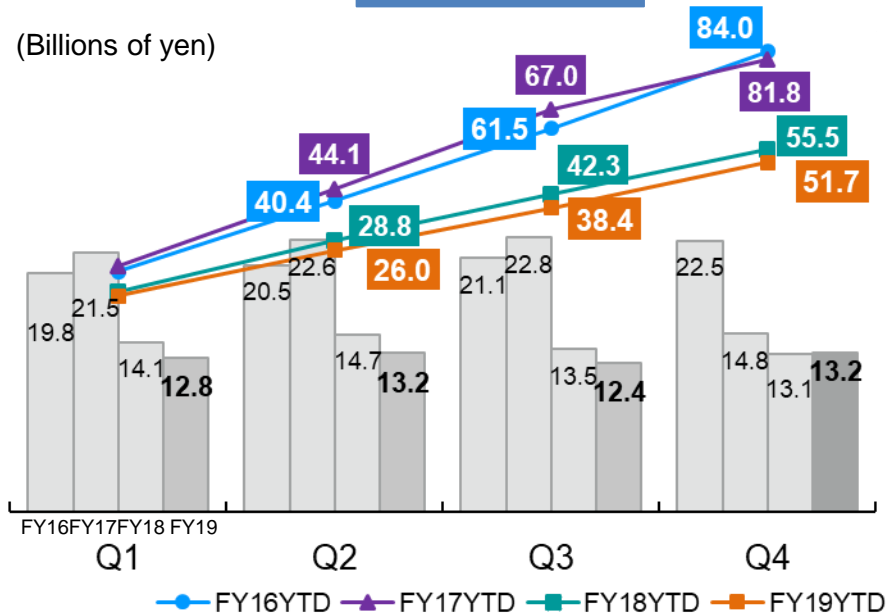
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	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	<b>11.1%</b>	<b>12.0%</b>	<b>6.7%</b>	<b>-1.9%</b>	<b>7.5%</b>
FY18	7.7%	8.8%	11.3%	0.1%	7.3%
FY17	4.5%	8.1%	9.3%	-0.7%	5.6%
FY16	4.5%	6.6%	7.0%	4.2%	5.7%

- **Watches (In Japan)** : Though net sales decreased YoY owing to the spread of the COVID-19, in addition to the effects of sluggish personal consumption following the consumption-tax hike and natural disasters, sales of Grand Seiko increased, mainly for the Anniversary models of Spring Drive (20th) and Quartz (50th)
- **Watches (In Overseas)** : Global Brands continued to grow mainly for Grand Seiko and Seiko Prospex, and overall net sales of watches overseas increased YoY, excluding the impact of changes in the distribution of some products and foreign currency fluctuations.
- **Movements** : The business enjoyed favorable sales of mechanicals, while demand for analogue quartz continued to be stagnant.

## Net Sales

(Billions of yen)

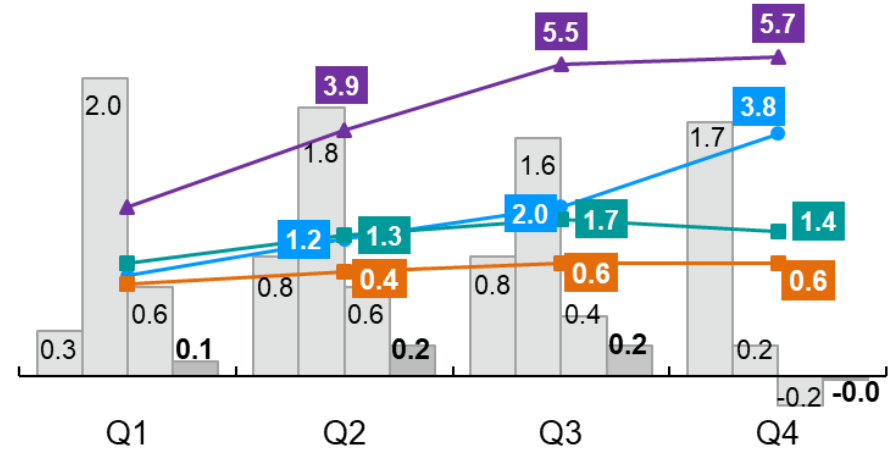


<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	<b>-9.2%</b>	<b>-10.1%</b>	<b>-8.2%</b>	<b>+0.8%</b>	<b>-6.8%</b>
FY18	-34.6%	-35.0%	-40.6%	-11.2%	-32.1%
FY17	+8.8%	+9.9%	+8.3%	-34.3%	-2.6%

## Operating Profit

(Billions of yen)



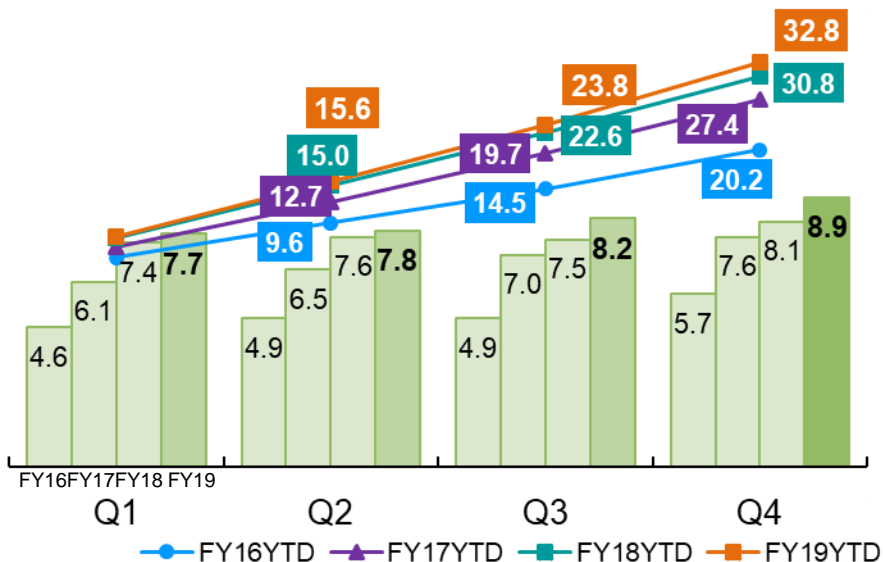
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	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	<b>1.5%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>-0.3%</b>	<b>1.2%</b>
FY18	4.5%	4.6%	3.0%	-2.2%	2.5%
FY17	9.5%	8.2%	7.2%	1.7%	7.1%
FY16	2.0%	4.0%	3.9%	7.9%	4.5%

- Sales of micro batteries and quartz crystals grew, 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.

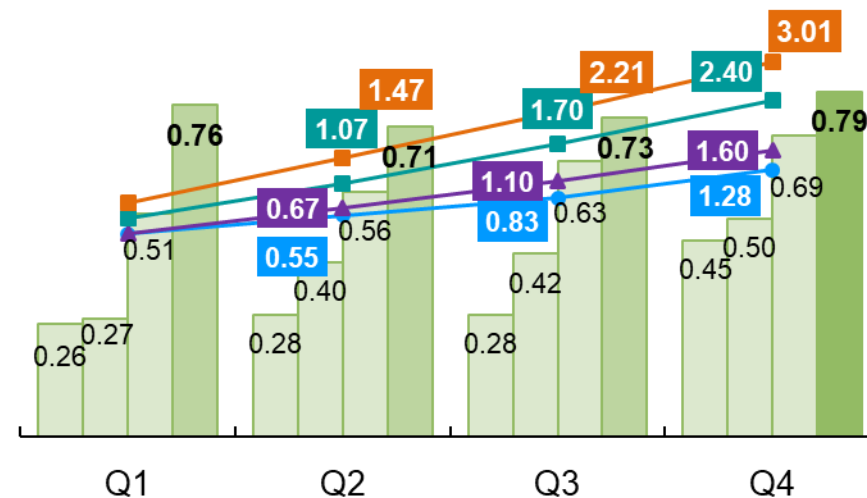
## Net Sales

(Billions of yen)



## Operating Profit

(Billions of yen)



<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	<b>+4.3%</b>	<b>+3.1%</b>	<b>+9.0%</b>	<b>+9.7%</b>	<b>+6.6%</b>
FY18	+19.9%	+17.1%	+7.6%	+6.8%	+12.4%
FY17	+32.0%	+33.0%	+42.5%	+33.1%	+35.1%

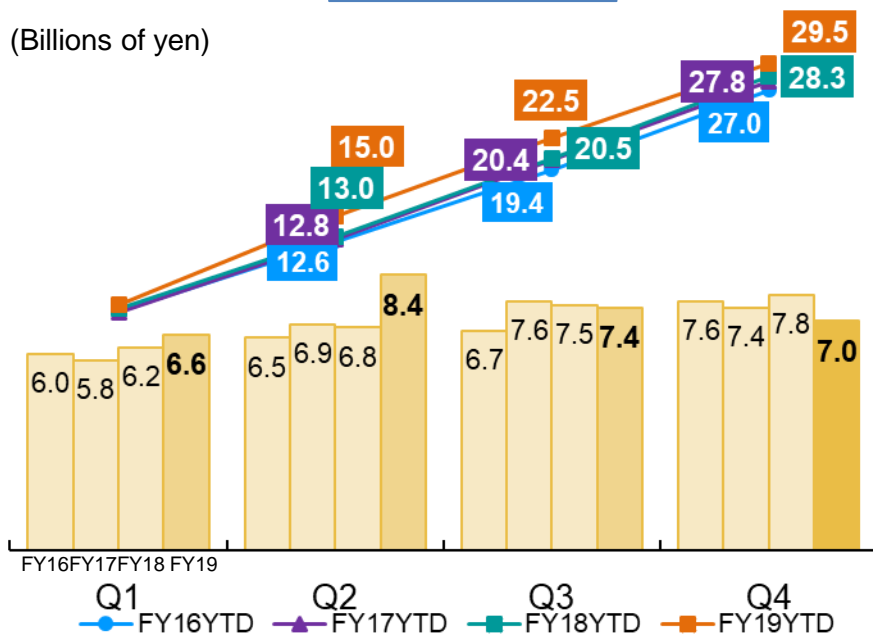
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	Q1	Q2	Q3	Q4	Total
<b>FY19</b>	<b>9.8%</b>	<b>9.1%</b>	<b>9.0%</b>	<b>8.9%</b>	<b>9.2%</b>
FY18	6.9%	7.4%	8.3%	8.5%	7.8%
FY17	4.4%	6.2%	6.0%	6.6%	5.9%
FY16	5.6%	5.9%	5.7%	7.9%	6.3%

- 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.

## Net Sales

(Billions of yen)

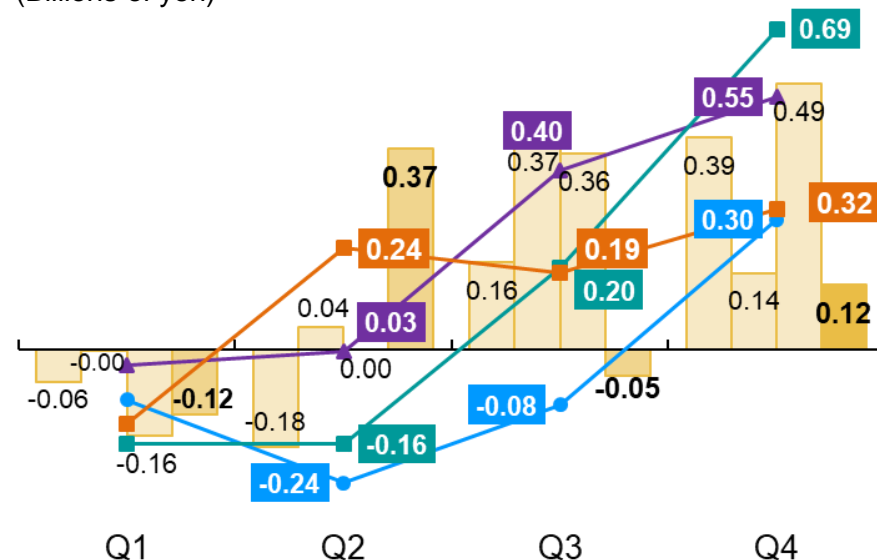


<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
FY19	+6.6%	+23.6%	-0.4%	-9.8%	+4.3%
FY18	+5.4%	-2.1%	-1.4%	+5.9%	+1.8%
FY17	-3.4%	+5.9%	+12.2%	-2.6%	+3.0%

## Operating Profit

(Billions of yen)



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	Q1	Q2	Q3	Q4	Total
FY19	-1.9%	4.4%	-0.7%	1.8%	1.1%
FY18	-2.7%	0.1%	4.9%	6.3%	2.5%
FY17	-0.1%	0.6%	4.9%	1.9%	2.0%
FY16	-1.1%	-2.8%	2.4%	5.2%	1.1%

- 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 YoY.

# Balance Sheets as of March 31, 2020

(Billions of yen)

	Mar. 31, 2018	Mar.31, 2019(a)	Mar. 31, 2020(b)	Variance (b)-(a)
Inventories	57.0	58.3	65.7	+7.4
Interest Bearing Debt	113.3	106.0	115.2	+9.2
Net Assets	105.1	110.4	104.2	-6.1
Total Assets	305.2	303.0	299.9	-3.0
Equity Capital Ratio	34.1%	36.0%	34.4%	-1.7pt
Net Debt Equity Ratio	0.7	0.6	0.8	+0.2
Number of Employees	12,033	12,020	11,947	-73

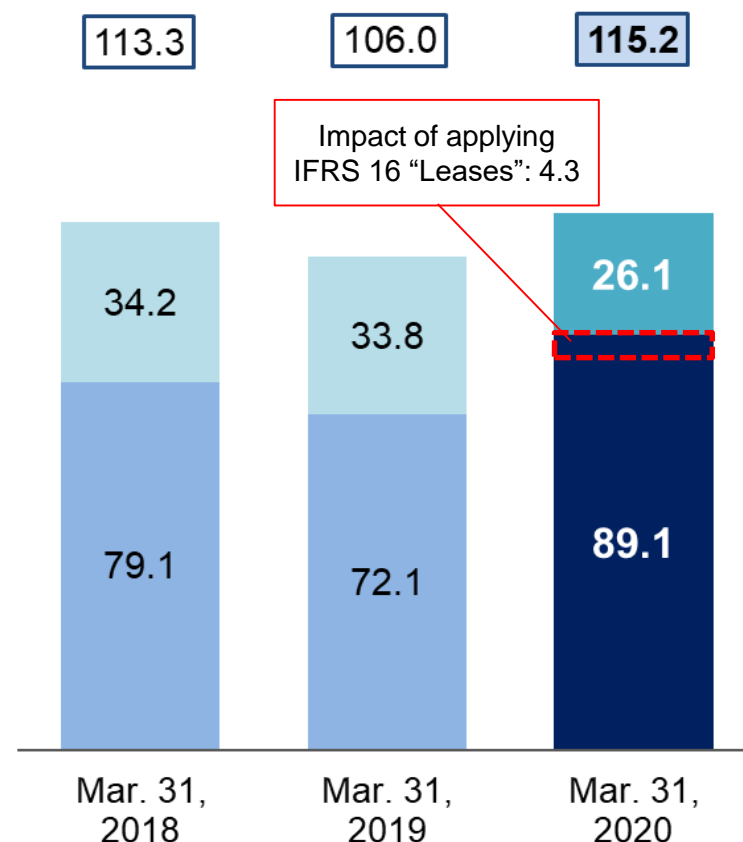
\*The Company has applied IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from Q1, FY2019.

\*The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from Q1, FY2018. Accordingly, total assets and equity capital ratio as of Mar. 31, 2018 are presented after reclassification.

## Interest Bearing Debt

(Billions of yen)

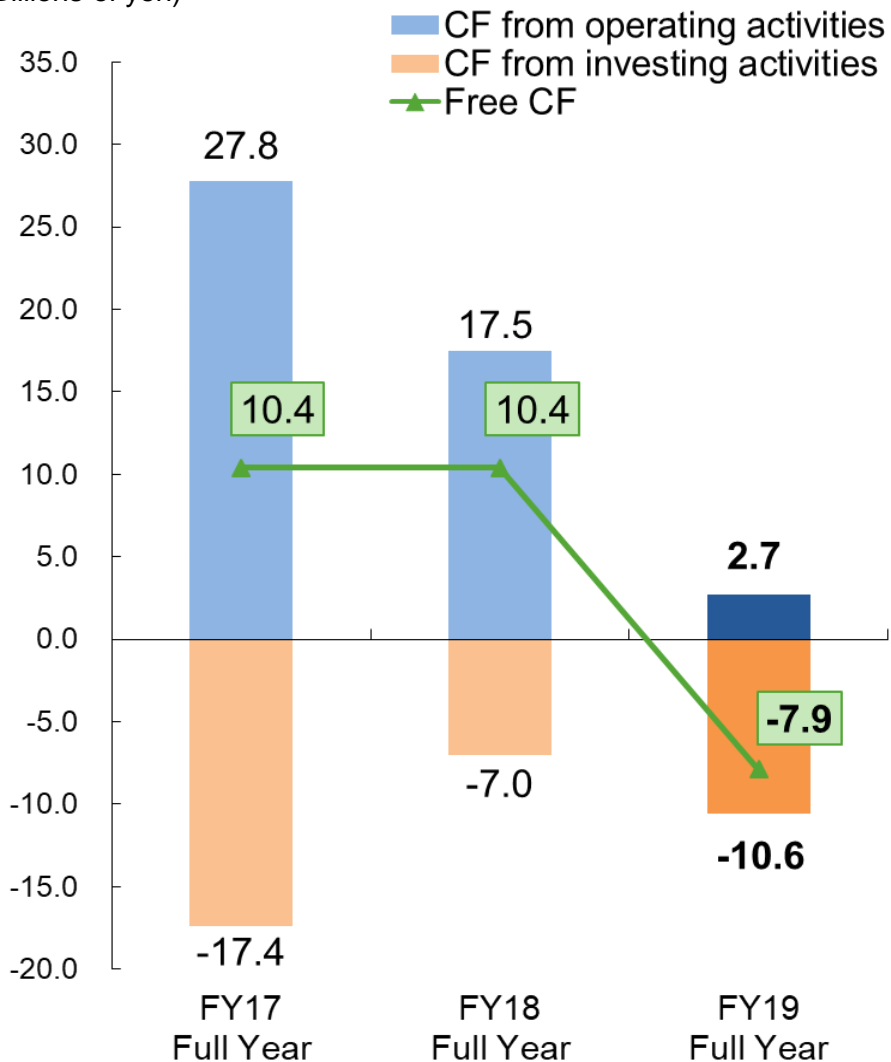
- Cash & Deposits
- Interest Bearing Debt
- Net Interest Bearing Debt  
(Interest Bearing Debt - Cash & Deposits)





# Statement of Cash Flows

(Billions of yen)



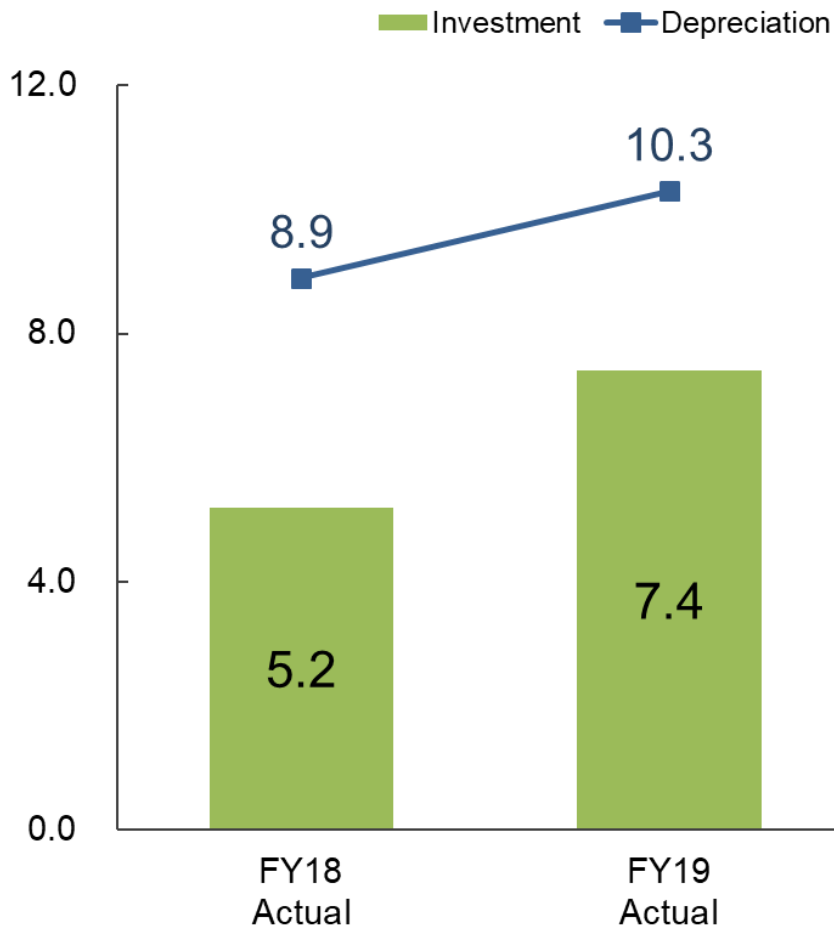
(Billions of yen)

	FY17 Full Year	FY18 Full Year	FY19 Full Year
Profit before income taxes	15.8	11.7	<b>6.2</b>
Depreciation	10.1	8.9	<b>10.3</b>
Others	1.9	-3.2	<b>-13.8</b>
<b>Net cash provided by (used in) operating activities</b>	<b>27.8</b>	<b>17.5</b>	<b>2.7</b>
Purchase of property, plant and equipment	-6.9	-6.3	<b>-8.8</b>
Others	-10.4	-0.7	<b>-1.8</b>
<b>Net cash provided by (used in) investing activities</b>	<b>-17.4</b>	<b>-7.0</b>	<b>-10.6</b>
Net increase (decrease) in loans payable	-7.9	-7.1	<b>5.2</b>
Others	-3.7	-3.4	<b>-4.5</b>
<b>Net cash provided by (used in) financing activities</b>	<b>-11.7</b>	<b>-10.6</b>	<b>0.6</b>
Effect of exchange rate change on cash and cash equivalents etc.	-0.1	0.1	<b>-0.4</b>
<b>Cash and cash equivalents</b>	<b>33.9</b>	<b>33.8</b>	<b>26.1</b>
<b>Free cash flow</b>	<b>10.4</b>	<b>10.4</b>	<b>-7.9</b>

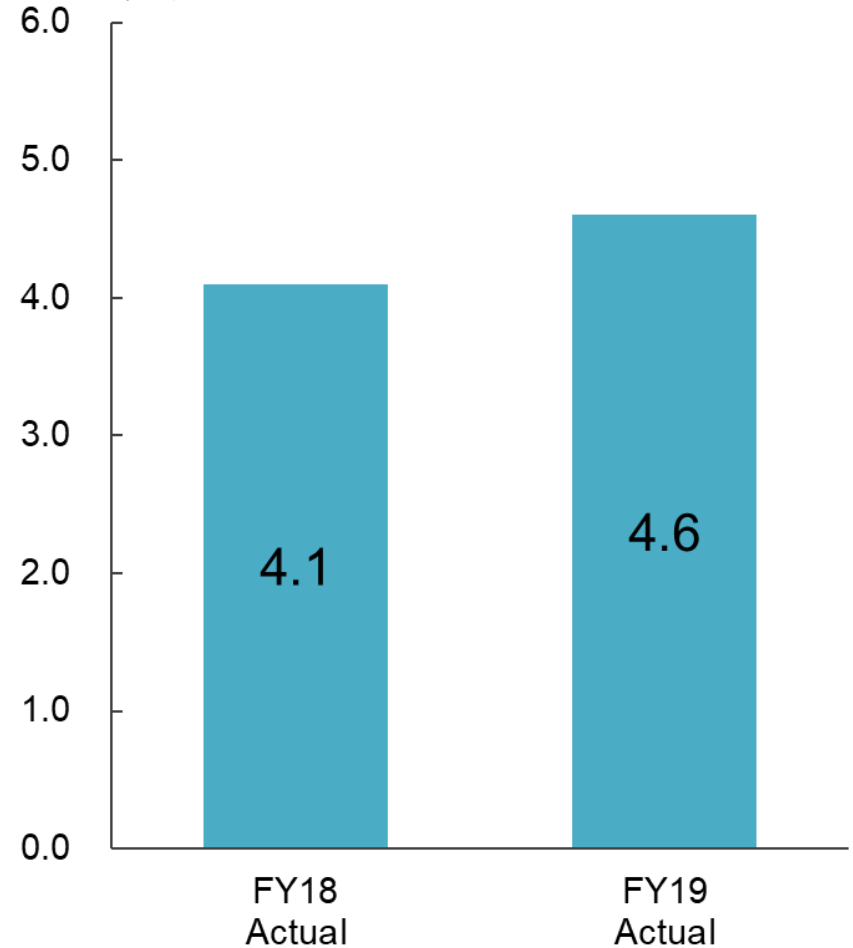
## Investment / Depreciation

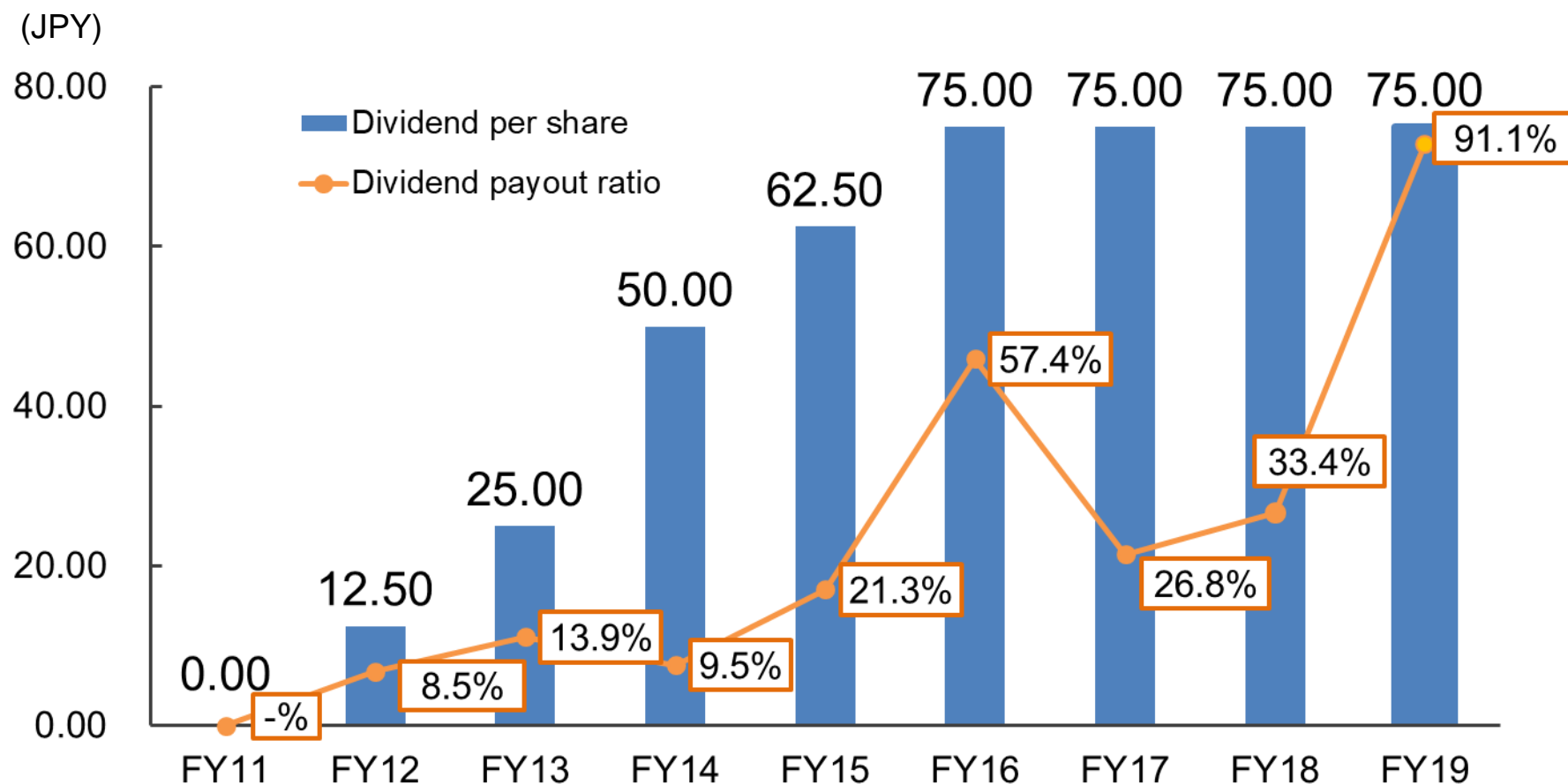
## R&D Expense

(Billions of yen)



(Billions of yen)



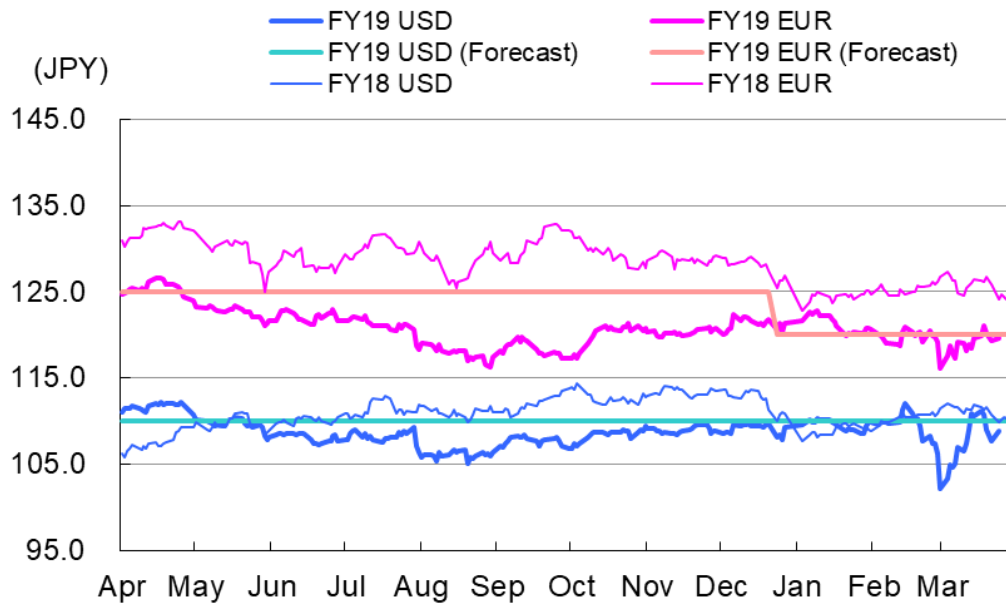


*\*The Company conducted a share consolidation of every five shares of its common stock into one share as of October 1, 2017. The annual dividends above reflect the share consolidation.*

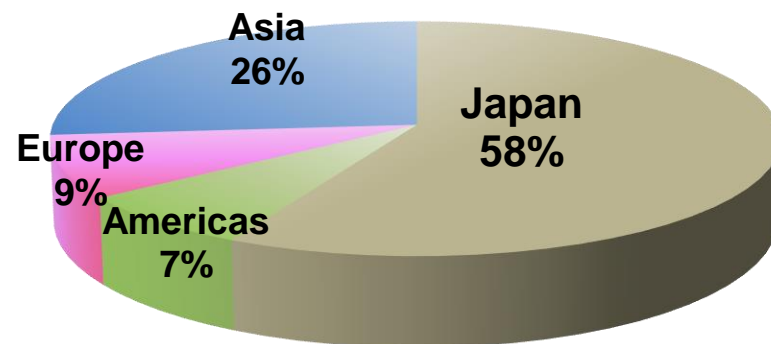
## FY2019

(JPY)		Q1	Q2	Q3	Q4	Average full year
Average	USD	109.9	107.4	108.8	108.9	108.7
	EUR	123.5	119.4	120.3	120.1	120.8
Closing Date	USD	107.8	108.0	109.6	108.8	-
	EUR	122.5	118.0	122.5	119.7	-

### Trend of Exchange Rate



### Sales by Area



\* FY2019 Actual data

# Reference

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(Billions of yen)

		FY18 Q4	FY19 Q4	Variance	
				Amt.	%
Net Sales		59.1	54.4	-4.7	-8.0%
Gross Profit		21.6	20.2	-1.3	-6.3%
	%	36.6%	37.3%	+0.6pt	
Operating Profit		-0.7	-1.9	-1.2	-
	%	-1.3%	-3.6%	-2.4pt	
Ordinary Profit		-1.1	-2.3	-1.2	-
	%	-1.9%	-4.3%	-2.4pt	
Income before income taxes		-0.8	-3.3	-2.4	-
Profit attributable to owners of parent		-0.4	-2.9	-2.5	-
	%	-0.7%	-5.5%	-4.7pt	
Exchange Rates (JPY)	USD	110.2	108.9	-1.4	-1.2%
	EUR	125.2	120.1	-5.1	-4.1%

<b>Net Sales :</b>	<b>y/y</b>	<b>-4.7</b>
Exchange rate fluctuations		-0.4

<b>Operating Profit :</b>	<b>y/y</b>	<b>-1.2</b>
Impact of a decrease in sales		-1.7
Impact of improved GP%		+0.3
Decrease in SG&A expenses		+0.1

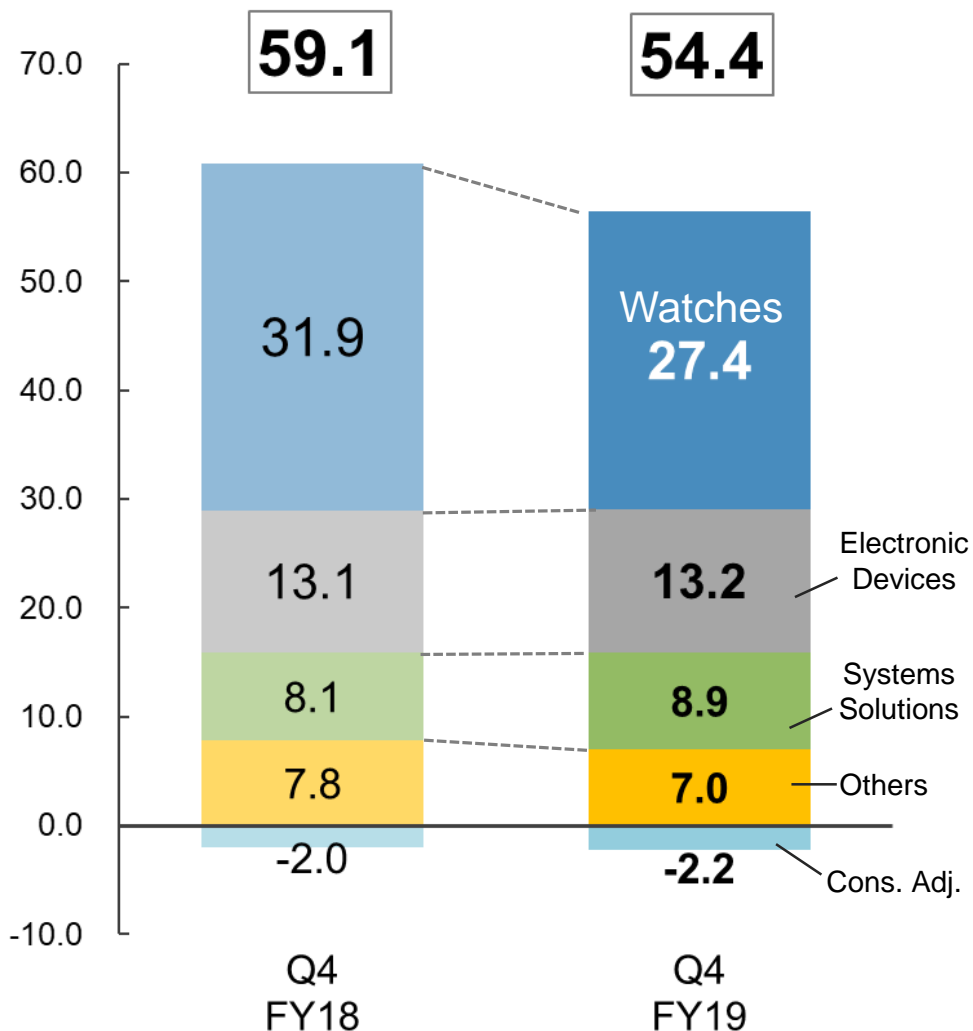
<b>Ordinary Profit :</b>	<b>y/y</b>	<b>-1.2</b>
Decrease in Operating profit		-1.2
Decrease in Equity method income		-0.1
Others		+0.1

<b>Extraordinary Income/Losses:</b>	<b>-0.9</b>
Extraordinary Income	=
Extraordinary Losses	0.9
Loss on the spread of infectious disease	0.3
Business restructuring expenses	0.2
Impairment loss	0.2
Loss on retirement of non-current assets	0.1

# Sales by Reported Segment (Jan. 2020 - Mar. 2020)

(Billions of yen)

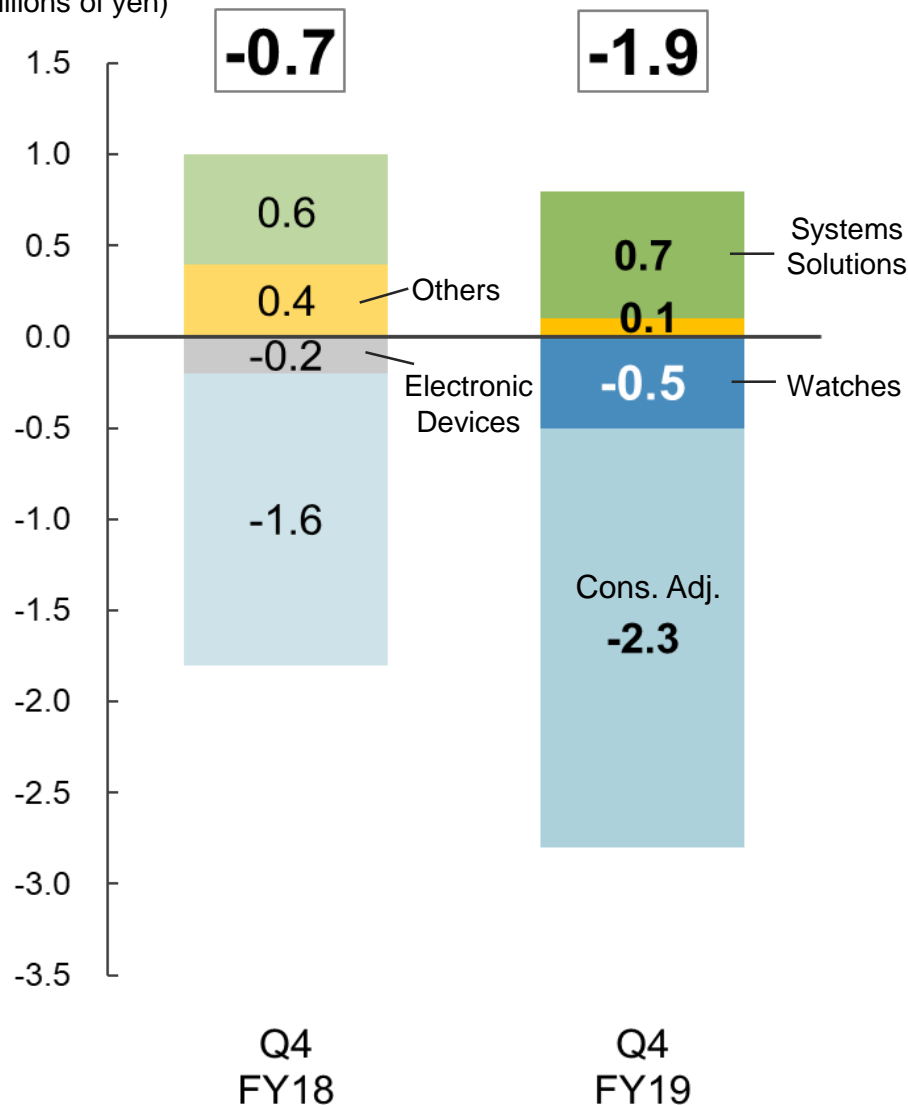
(Billions of yen)



	Net Sales (Composition ratio)		
	FY18 Q4	FY19 Q4	Variance
Watches	31.9 (54%)	27.4 (50%)	-4.5
Electronic Devices	13.1 (22%)	13.2 (24%)	+0.0
Systems Solutions	8.1 (14%)	8.9 (16%)	+0.7
Sub Total	53.2	49.6	-3.6
Others	7.8 (13%)	7.0 (13%)	-0.7
Cons. Adj.	-2.0 (-3%)	-2.2 (-4%)	-0.2
<b>Cons. Total</b>	<b>59.1</b>	<b>54.4</b>	<b>-4.7</b>

# Operating Profit by Reported Segment (Jan. 2020 - Mar. 2020)

(Billions of yen)



(Billions of yen)

	Operating Profit		
	FY18 Q4	FY19 Q4	Variance
Watches	0.0	-0.5	-0.5
Electronic Devices	-0.2	-0.0	+0.2
Systems Solutions	0.6	0.7	+0.1
Sub Total	0.4	0.2	-0.1
Others	0.4	0.1	-0.3
Cons. Adj.	-1.6	-2.3	-0.6
Cons. Total	-0.7	-1.9	-1.2



# End

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