

August 2, 2017

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2017

Financial Highlights

For the three months ended June 30, 2017 (1Q FY2017)

	1Q FY2017		1Q FY2016
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	63,472	566.7	59,433
Operating profit	2,717	24.3	886
Ordinary profit	3,111	27.8	139
Profit attributable to owners of parent	1,199	10.7	(1,268)
Earnings per share (yen/USD)	¥ 5.82	US\$ 0.05	¥ (6.14)
	June 30, 2017		March 31, 2017
Total assets	336,547	3,004.9	328,857
Net assets	109,615	978.7	107,161

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 112.00 yen/dollar.

Business Results

1. Overview

During the three-month period ended June 30, 2017, in the world economy, the U.S. economy maintained a stable growth track, the European economy gradually expanded, and the economic slowdown in China has bottomed out. However, the outlook began to look more uncertain with a heightening of geopolitical risks. The Japanese economy showed a strong tendency towards household savings due to factors including uncertainty over the future and a decline in disposable income, with little sense of a recovery in personal consumption, despite improved corporate sentiment backed by recoveries in overseas economies and stable foreign exchange rates.

For the three-month period ended June 30, 2017, the Company reported consolidated net sales of 63.4 billion yen, a year-on-year increase of 4.0 billion yen, or 6.8%. On a per-segment basis, sales under the Watches Business, the Electronic Devices Business and the Systems Solutions Business all grew compared to the same period of the previous fiscal year. On an overall consolidated basis,

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domestic net sales came to 33.8 billion yen (a year-on-year increase of 2.6%), and overseas net sales were 29.5 billion yen (a year-on-year increase of 12.0%). Overseas net sales comprised 46.6% of net sales overall.

In terms of income, operating profit increased 1.8 billion yen compared to the same period of the previous fiscal year to 2.7 billion yen (a year-on-year increase of 206.7%), due to an increase in net sales and other factors. Ordinary profit increased by 2.9 billion yen from the same period of the previous fiscal year to become 3.1 billion yen, due to improvement in non-operating income and expenses mainly due to decrease of foreign exchange losses. Business structure improvement expenses of 0.2 billion yen and loss on liquidation of subsidiaries and associates of 0.1 billion yen were posted as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests came to 1.1 billion yen (compared to loss attributable to owners of parent of 1.2 billion yen in the same period of the previous fiscal year).

2. Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business came to 31.6 billion yen, a year-on-year increase of 0.9 billion yen, or 3.1%. In Japan, the independently branded Grand Seiko performed strongly, and sales of Astron and Presage were also up year on year due to the introduction of new products. On a distribution channel basis, sales to department stores, specialty stores, the Internet, and outlets rose compared to the same period of the previous fiscal year. On the overseas front, sales were strong for Asia and Europe, with the effects of foreign exchange rates being one of the factors. Sales of watch movements were up year on year as market conditions began to recover for a part of products.

With regard to income, the increase in net sales resulted in 1.4 billion yen in operating income (an increase of 2.8%).

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 21.5 billion yen (a year-on-year increase of 8.8%). Operating income grew significantly from the same period of the previous fiscal year to 2.0 billion yen (a year-on-year increase of 411.2%), due to the strong performance of semiconductors mainly for smartphone components, as well as of other products such as high performance metal products for semiconductor manufacturing facilities and thermal printers for POS terminals.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 6.1 billion yen (a year-on-year increase of

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32.0%), and operating income to 0.2 billion yen (a year-on-year increase of 3.2%). Sales were favorable for performance management software offered by IIM Corporation, an acquired company, as well as some businesses such as mobile solutions for home security.

d. Others

Net sales under Others amounted to 5.8 billion yen (a year-on-year decrease of 3.4%), and operating losses to 5.0 million yen (compared to operating losses of 68.0 million yen for the same period of the previous fiscal year). Among segments included in Others, net sales under the Clocks Business were down from the same period of the previous fiscal year, while sales grew year on year for the Wako Business.

3. Financial Condition

-Assets

Total assets at the close of the three-month period ended June 30, 2017 amounted to 336.5 billion yen, an increase of 7.6 billion yen from the close of the previous fiscal year. Total current assets came to 157.3 billion yen, an increase of 3.3 billion yen from the close of the previous fiscal year. This was due to an increase of 4.2 billion yen in inventories, offsetting a decrease of 1.6 billion yen in notes and accounts receivable - trade. Under non-current assets, property, plant and equipment decreased by 0.8 billion yen, which was offset by increases of 2.8 billion yen in intangible assets and 2.2 billion yen of investments and other assets, resulting in total non-current assets of 179.2 billion yen, an increase of 4.2 billion yen relative to the close of the previous fiscal year.

-Liabilities

For liabilities, total loans came to 135.6 billion yen, due to decreases of 2.5 billion yen in the current portion of long-term loans payable and 1.9 billion yen in long-term loans payable, and an increase in 6.6 billion yen in short-term loans payable. In addition, notes and accounts payable – trade increased by 5.4 billion yen, while accounts payable - other decreased by 5.2 billion yen. As a result, total liabilities amounted to 226.9 billion yen, an increase of 5.2 billion yen over the close of the previous fiscal year.

-Net assets

With regard to net assets, total net assets increased by 2.4 billion yen over the close of the previous fiscal year to become 109.6 billion yen, due to an increase of 2.3 billion yen in total accumulated other comprehensive income mainly resulting from an increase in valuation difference on available-for-sale securities, despite a decrease of 0.3 billion yen in shareholders' equity mainly due to

payment of cash dividends..

3. Outlook for the Year Ending March 31, 2018

As noted above, while business performance was robust during the three-month period ended June 30, 2017, it will be necessary to carefully watch future changes in the Group's environment including foreign exchange-rate trends and concerns about the world economy. Accordingly, there are no changes at this point to the consolidated business results forecast for the year ending March 31, 2018 (FY2017). If it becomes necessary to change the consolidated business results forecast for the year ending March 31, 2018 (FY2017), released on May 10, 2017, notification will be made immediately.

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.

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Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

June 30, 2017

	Millions of yen	
	June 30, 2017	March 31, 2017
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	34,563	35,355
Notes and accounts receivable - trade	38,113	39,730
Inventories	70,415	66,177
Accounts receivable - other	4,229	3,679
Deferred tax assets	4,214	3,992
Other	7,315	6,250
Allowance for doubtful accounts	(1,529)	(1,260)
Total current assets	157,322	153,925
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	73,008	72,678
Machinery, equipment and vehicles	83,755	83,501
Tools, furniture and fixtures	31,819	31,297
Other	2,880	2,908
Accumulated depreciation	(146,111)	(144,359)
Land	49,143	48,945
Construction in progress	693	1,026
Total property, plant and equipment	95,189	95,998
Intangible assets:		
Goodwill	9,999	7,298
Other	9,177	9,038
Total intangible assets	19,176	16,336
Investments and other assets:		
Investment securities	50,259	48,131
Deferred tax assets	8,100	8,060
Other	6,703	6,583
Allowance for doubtful accounts	(204)	(178)
Total investments and other assets	64,858	62,596
Total non-current assets	179,225	174,931
Total assets	336,547	328,857

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	Millions of yen	
	June 30, 2017	March 31, 2017
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	26,655	21,196
Electronically recorded obligations - operating	7,617	7,021
Short-term loans payable	56,107	49,468
Current portion of long-term loans payable	27,439	30,038
Accounts payable - other	8,078	13,311
Income taxes payable	982	936
Deferred tax liabilities	2	20
Provision for bonuses	2,265	3,995
Other provision	740	646
Other	13,440	10,132
Total current liabilities	143,329	136,767
Non-current liabilities:		
Long-term loans payable	52,107	54,055
Deferred tax liabilities	7,682	7,381
Deferred tax liabilities for land revaluation	3,614	3,614
Other provision	562	567
Net defined benefit liability	12,858	12,428
Asset retirement obligations	710	702
Other	6,068	6,177
Total non-current liabilities	83,603	84,928
Total liabilities	226,932	221,696

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	Millions of yen	
	June 30, 2017	March 31, 2017
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	59,184	59,535
Treasury shares	(330)	(329)
Total shareholders' equity	76,098	76,451
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	16,369	14,962
Deferred gains or losses on hedges	19	39
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	504	(402)
Remeasurements of defined benefit plans	(1,086)	(1,121)
Total accumulated other comprehensive income	23,997	21,668
Subscription rights to shares	1	—
Non-controlling interests	9,516	9,042
Total net assets	109,615	107,161
Total liabilities and net assets	336,547	328,857

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2017

	Millions of yen	
	1Q FY 2017	1Q FY 2016
	Amount	Amount
Net sales	63,472	59,433
Cost of sales	39,001	36,653
Gross profit	24,470	22,780
Selling, general and administrative expenses	21,752	21,894
Operating profit	2,717	886
Non-operating income:		
Interest income	33	36
Dividend income	370	369
Other	551	649
Total non-operating income	954	1,054
Non-operating expenses:		
Interest expenses	356	458
Other	203	1,342
Total non-operating expenses	560	1,801
Ordinary profit	3,111	139
Extraordinary losses		
Business structure improvement expenses	223	—
Loss on liquidation of subsidiaries and associates	142	—
Total extraordinary losses	366	—
Income before income taxes	2,745	139
Income taxes	1,070	1,214
Profit (loss)	1,675	(1,075)
Profit attributable to non-controlling interests	476	192
Profit (loss) attributable to owners of parent	1,199	(1,268)

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2017

	Millions of yen	
	1Q FY 2017	1Q FY 2016
	Amount	Amount
Profit (loss)	1,675	(1,075)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,313	(1,567)
Deferred gains or losses on hedges	(23)	(406)
Foreign currency translation adjustment	334	(3,727)
Remeasurements of defined benefit plans, net of tax	34	16
Share of other comprehensive income of entities accounted for using equity method	668	(492)
Total other comprehensive income	2,327	(6,177)
Comprehensive income	4,003	(7,252)
Comprehensive income attributable to		
owners of parent	3,528	(7,370)
non-controlling interests	474	117

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Segment Information

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

(For the Three Months Ended June 30, 2016)

	Millions of yen	
	Sales 1Q FY 2016	Operating Income 1Q FY 2016
Watches Business	30,750	1,396
Electronic Devices Business	19,811	398
Systems Solutions Business	4,690	263
Total for reported segments	55,253	2,059
Others	6,092	(68)
Total for all business segments	61,346	1,991
Adjustments	(1,912)	(1,105)
Total	59,433	886

- 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 -1,105 million yen include -141 million yen in the amortization of goodwill, -63 million yen that mainly consists of the elimination of intra-segment transactions, and -900 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).
 3. Segment income (loss) has been adjusted for alongside operating income on the consolidated quarterly statements of income.

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

(For the Three Months Ended June 30, 2017)

	Millions of yen	
	Sales 1Q FY 2017	Operating Income 1Q FY 2017
Watches Business	31,694	1,436
Electronic Devices Business	21,546	2,038
Systems Solutions Business	6,193	272
Total for reported segments	59,434	3,747
Others	5,887	(5)
Total for all business segments	65,321	3,741
Adjustments	(1,849)	(1,024)
Total	63,472	2,717

- 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 -1,024 million yen include -141 million yen in the amortization of goodwill, -39 million yen that mainly consists of the elimination of intra-segment transactions, and -921 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).
 3. Segment income (loss) has been adjusted for alongside operating income on the consolidated quarterly statements of income.

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