

**FY2018 2nd Quarter
Consolidated Results**
(Fiscal year ending March 31, 2019)

November 15, 2018

◆ Actual Results

- Income and earnings declined year on year due to the impact of the exclusion of the semiconductor business from the scope of consolidation. However, income and earnings rose if the impact of the exclusion of the semiconductor business from the scope of consolidation is excluded.
- Efforts to strengthen sales of watches in the mid- to high-price range, mainly focused on the Grand Seiko, performed favorably.
- The Electronic Devices Business and Systems Solutions Business continued a steady performance from the 1st quarter.

◆ Forecast for the Business Results

- Although performance has been steady in line with the plan, the initial financial outlook remains unchanged due to uncertainty in the outlook for the external environment.

1. Consolidated Results

FY2018 Statements of Income 2nd Quarter (Apr. - Sep. 2018)

(Billions of yen)	FY17 H1	FY18 H1	Variance		
			Amt.	%	
Net Sales	133.0	121.0	-11.9	-9.0%	
Gross Profit	50.3	46.9	-3.3	-6.6%	
%	37.8%	38.8%	+1.0pt		
Operating Profit	6.8	5.7	-1.1	-17.1%	
%	5.2%	4.7%	-0.5pt		
Ordinary Profit	6.9	7.5	+0.6	+8.8%	
%	5.2%	6.2%	+1.0pt		
Income before income taxes	5.8	7.6	+1.8	+31.0%	
Profit attributable to owners of parent	2.4	6.1	+3.7	+151.9%	
%	1.8%	5.1%	+3.3pt		
Exchange Rates (JPY)	USD	111.1	110.3	-0.8	-0.7%
	EUR	126.3	129.8	+3.5	+2.7%

Net Sales : y/y -11.9

Exchange rate fluctuations	+0.0
Impact of the exclusion of the semiconductor business from the scope of consolidation	-16.0

Operating Profit : y/y -1.1

Impact of improved GP%	+1.3
Impact of the exclusion of the semiconductor business from the scope of consolidation	-3.2
Others	+0.7

Ordinary Profit : y/y +0.6

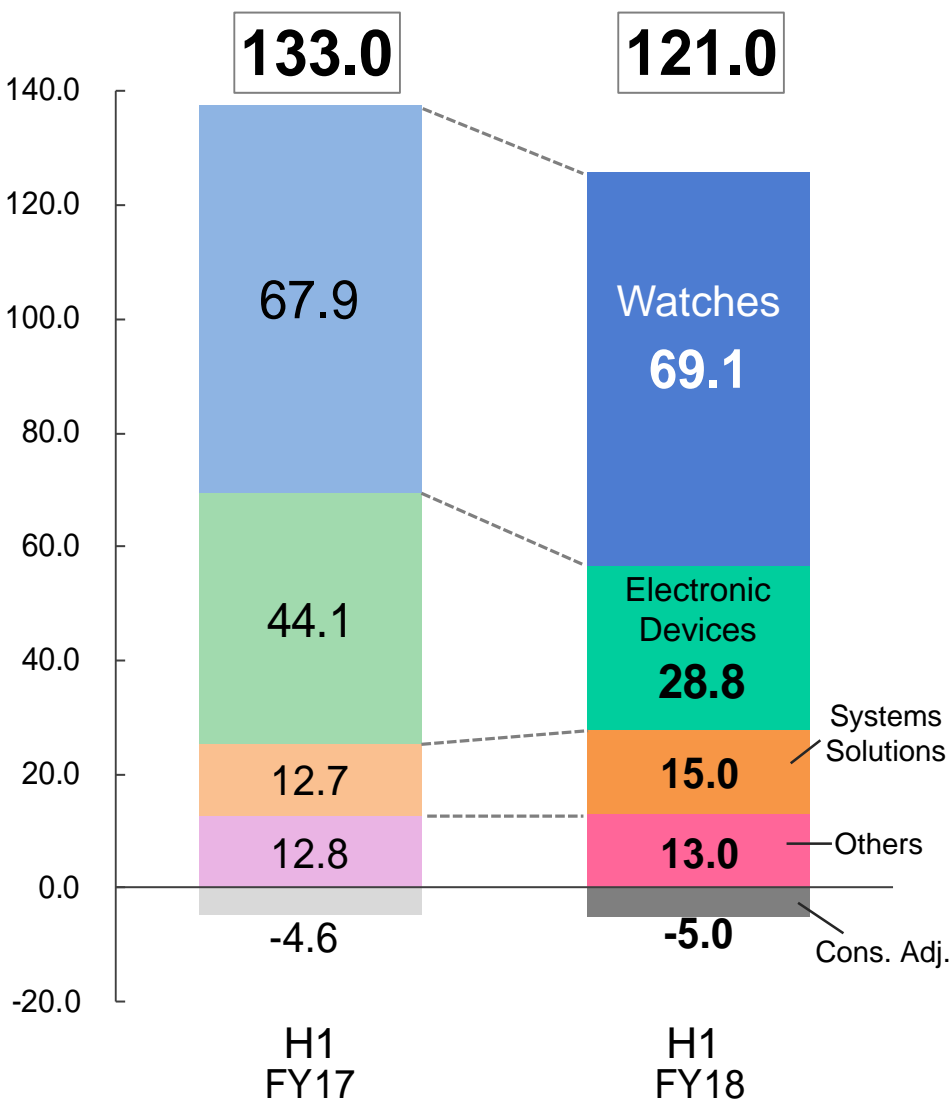
Decrease in Operating profit	-1.1
Improve in Equity method income	+1.1
Decrease in Interest expenses	+0.1
Others	+0.4

Extraordinary Income/Losses: 0.1

Extraordinary Income	0.1
Gain on sales of memberships	0.1

Sales by Reported Segments (Apr. - Sep. 2018)

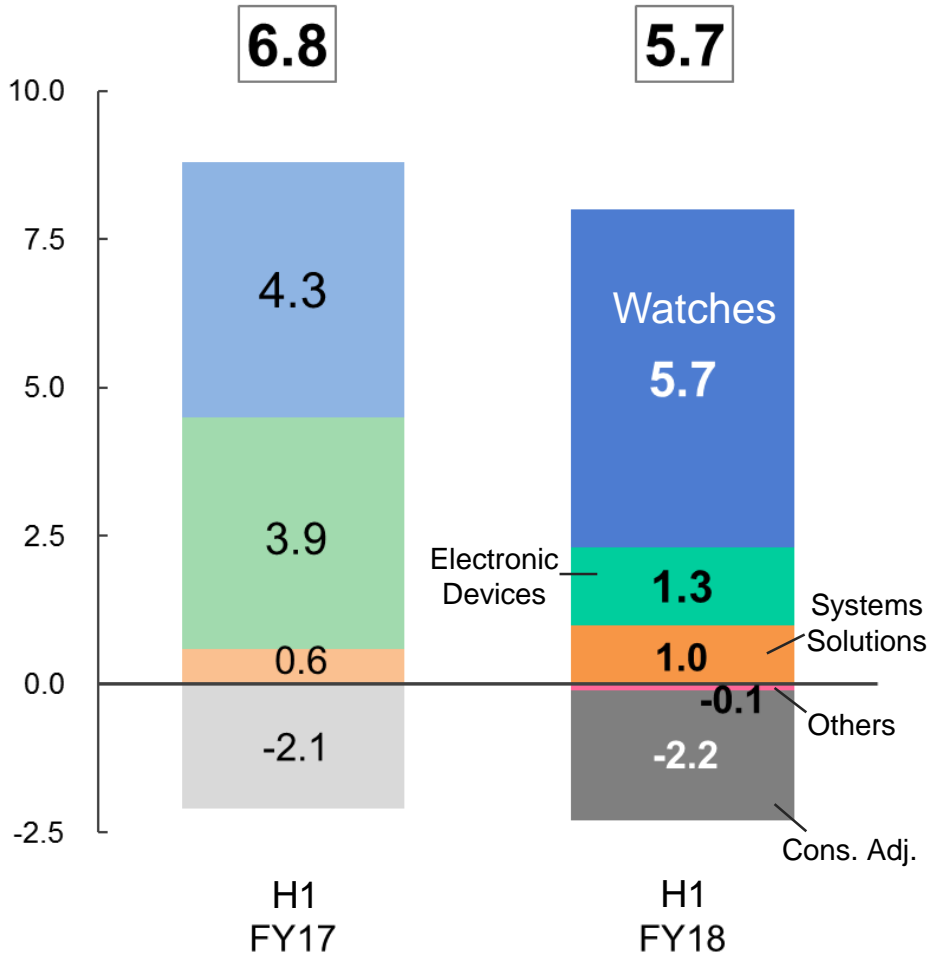
(Billions of yen)



(Billions of yen)	Net Sales (Composition ratio)		
	FY17 H1	FY18 H1	Variance
Watches	67.9 (51%)	69.1 (57%)	+1.2
Electronic Devices	44.1 (33%)	28.8 (24%)	-15.3
Systems Solutions	12.7 (10%)	15.0 (12%)	+2.3
Sub Total	124.8	113.0	-11.7
Others	12.8 (10%)	13.0 (11%)	+0.1
Cons. Adj.	-4.6 (-3%)	-5.0 (-4%)	-0.3
Cons. Total	133.0	121.0	-11.9

Operating Profit by Reported Segments (Apr. - Sep. 2018)

(Billions of yen)

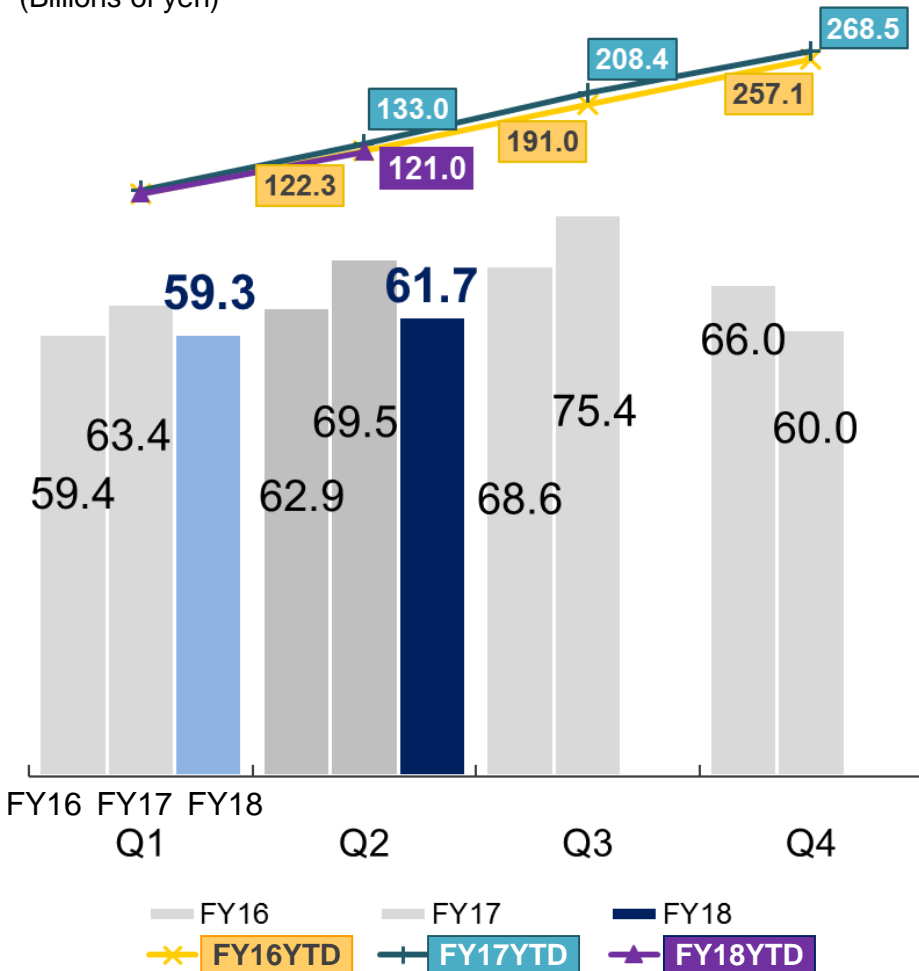


(Billions of yen)	Operating Profit		
	FY17 H1	FY18 H1	Variance
Watches	4.3	5.7	+1.3
Electronic Devices	3.9	1.3	-2.5
Systems Solutions	0.6	1.0	+0.4
Sub Total	8.9	8.1	-0.8
Others	0.0	-0.1	-0.2
Cons. Adj.	-2.1	-2.2	-0.1
Cons. Total	6.8	5.7	-1.1

Consolidated Quarterly Performance

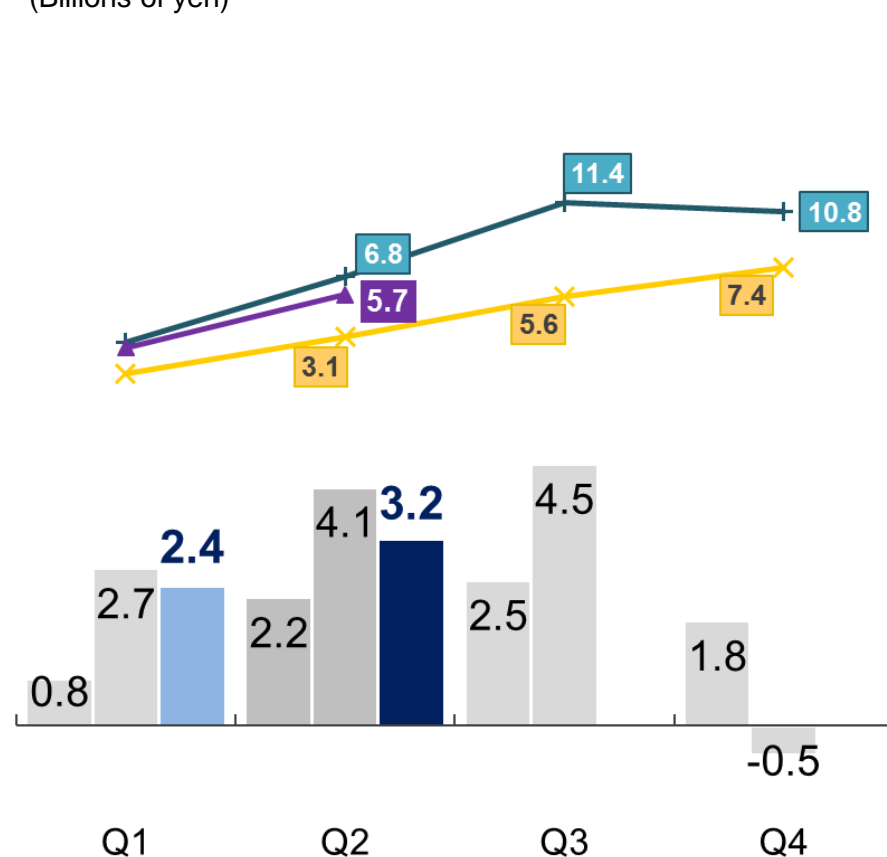
Net Sales

(Billions of yen)



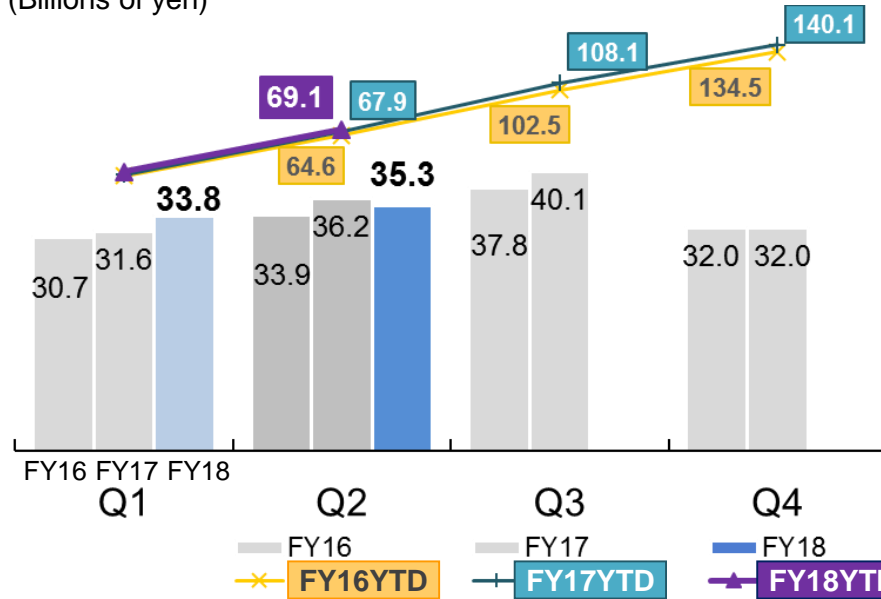
Operating Profit

(Billions of yen)



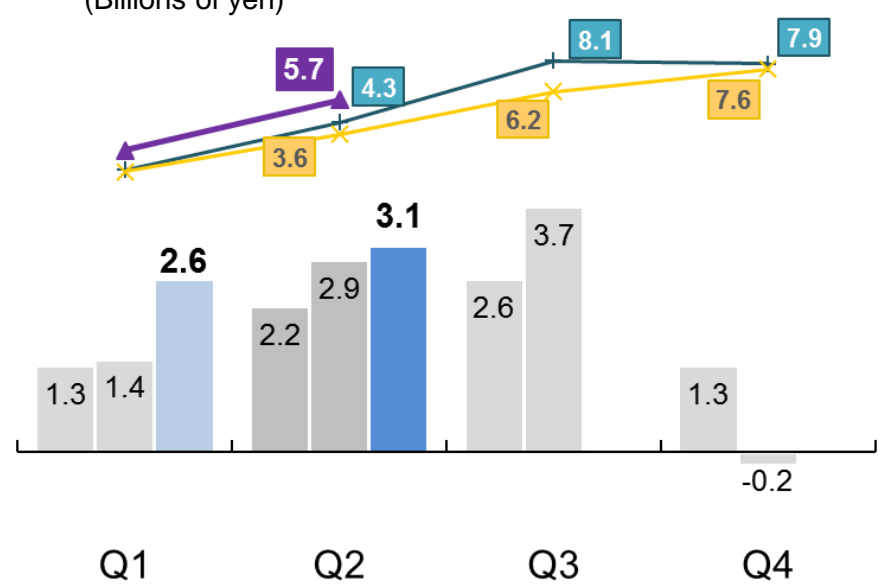
Net Sales

(Billions of yen)



Operating Profit

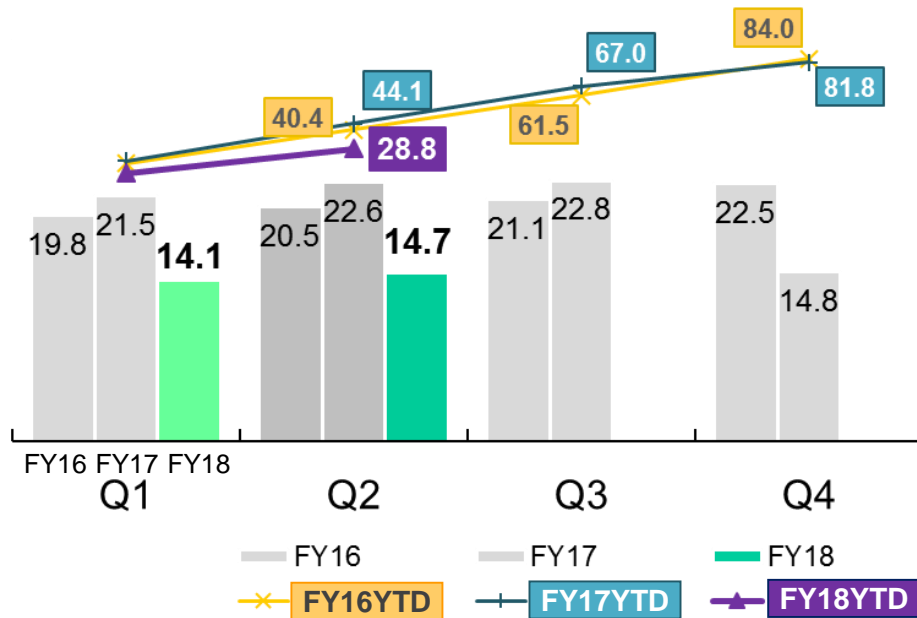
(Billions of yen)



- **Watches (In Japan)** : Sales grew steadily mainly for the Grand Seiko and Prospex, despite several natural disasters including earthquakes and typhoons impacting sales at stores.
- **Watches (In Overseas)** : Sales were on a level of the previous year in the U.S., Europe and Asia. The Grand Seiko and Prospex performed favorably in many countries.
- **Movements** : Sales declined year on year owing to stagnant sales watches in the affordable price range in global markets and other factors.

Net Sales

(Billions of yen)



Operating Profit

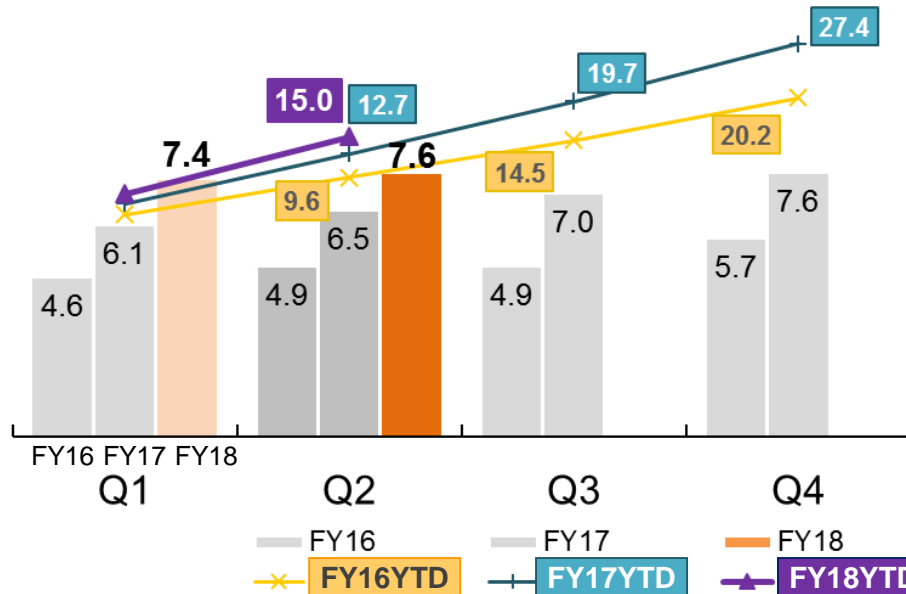
(Billions of yen)



- Printer devices : Thermal mini printer mechanisms continued favorable performance.
- Mechatronics : Sales performed favorably for precision components and other products.

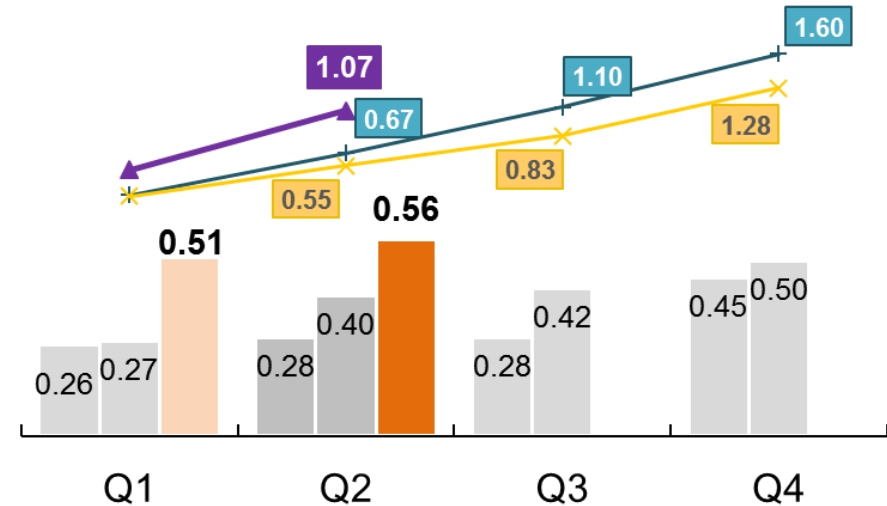
Net Sales

(Billions of yen)



Operating Profit

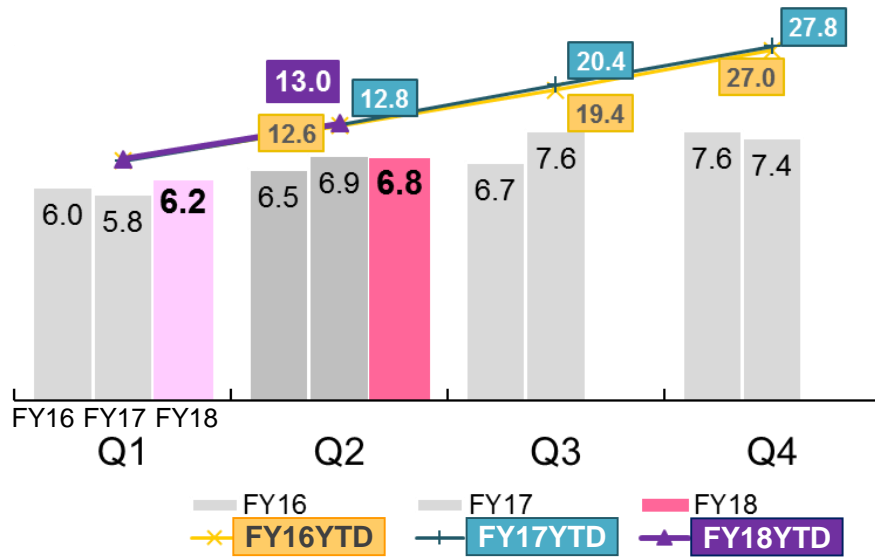
(Billions of yen)



- The rise in net sales was driven by the mobile solutions business and expansion of system integration projects for the financial industry, among other factors.

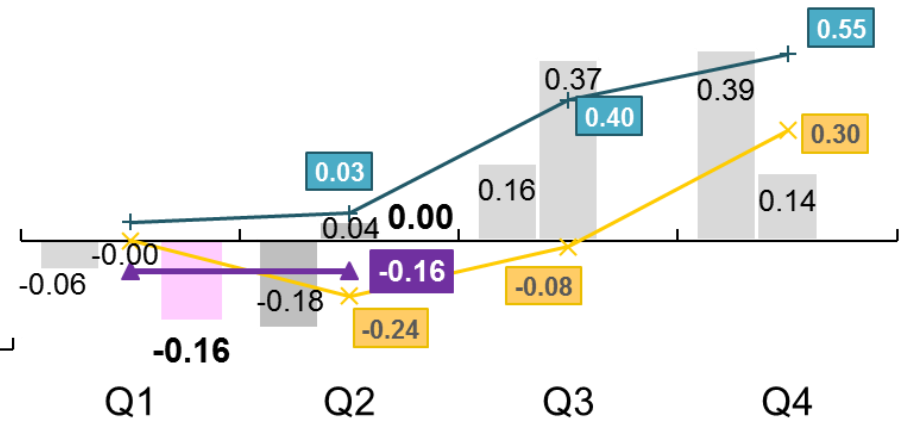
Net Sales

(Billions of yen)



Operating Profit

(Billions of yen)



- Net sales exceeded those of the previous year in the Wako Business and others.

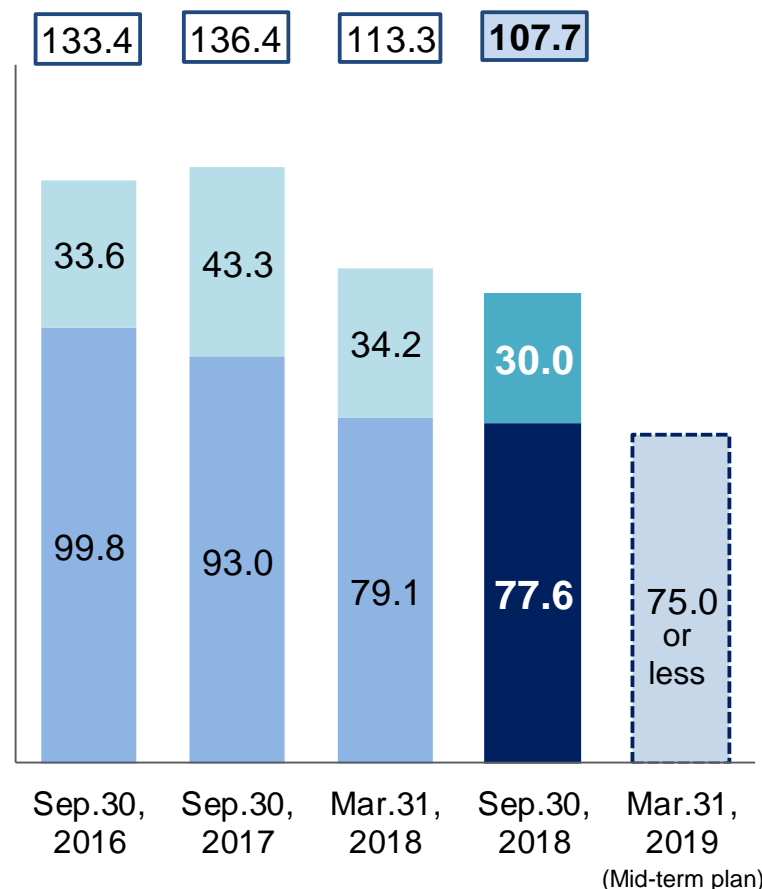
Balance Sheets as of Sep. 30, 2018

(Billions of yen)	Sep.30, 2016	Sep.30, 2017	Mar.31, 2018(a)	Sep.30, 2018(b)	Variance (b)-(a)
Inventories	70.1	69.6	57.0	60.8	+3.8
Interest Bearing Debt	133.4	136.4	113.3	107.7	-5.6
Net Assets	95.6	114.0	105.1	111.9	+6.7
Total Assets	318.7	348.3	305.2	304.2	-1.0
Equity Capital Ratio	27.3%	29.9%	34.1%	36.4%	+2.3pt
Net Debt Equity Ratio	1.0	0.8	0.7	0.6	-0.1
Number of Employees	13,412	13,170	12,033	12,121	+88

* The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, total assets and equity capital ratio as of March 31, 2018 are presented after reclassification.

Interest Bearing Debt

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

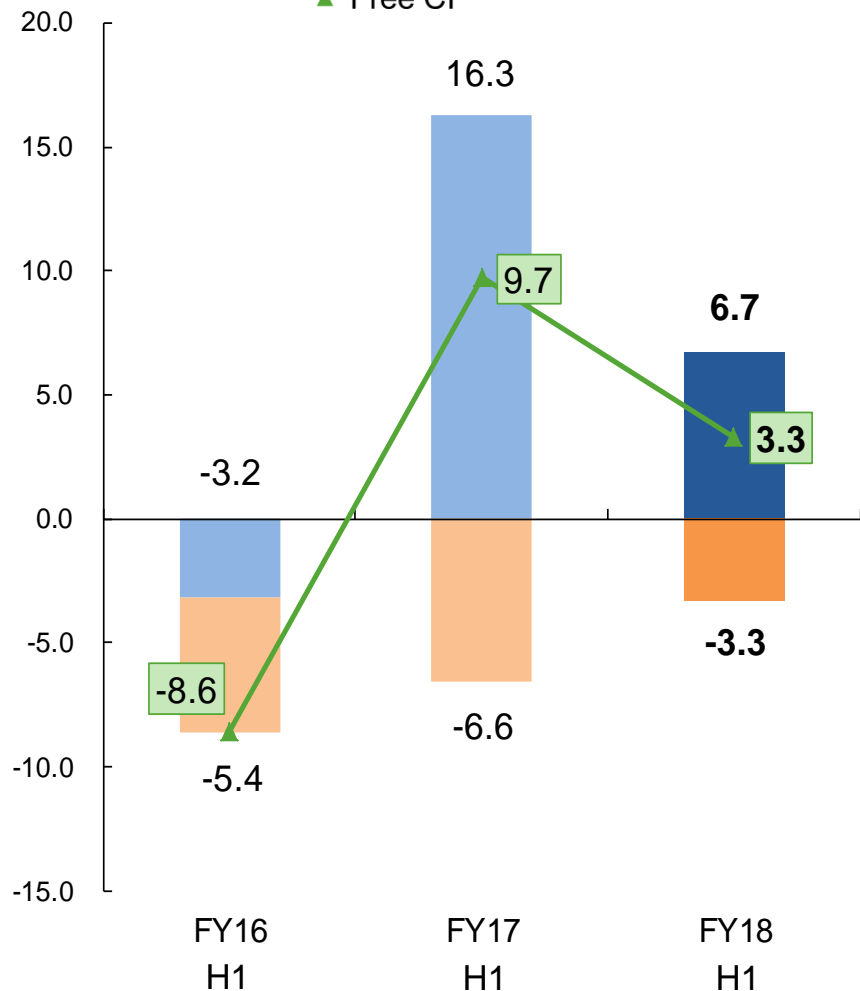


Statement of Cash Flows

(Billions of yen)

(Billions of yen)

■ CF from operating activities
■ CF from investing activities
▲ Free CF



	FY16 H1	FY17 H1	FY18 H1
Profit before income taxes	1.2	5.8	7.6
Depreciation	5.2	5.2	4.2
Others	-9.7	5.2	-5.2
Net cash provided by (used in) operating activities	-3.2	16.3	6.7
Purchase of property, plant and equipment	-6.0	-3.8	-3.1
Others	0.6	-2.7	-0.2
Net cash provided by (used in) investing activities	-5.4	-6.6	-3.3
Net increase (decrease) in loans payable	6.8	-0.4	-5.7
Others	-2.0	-1.9	-1.7
Net cash provided by (used in) financing activities	4.8	-2.3	-7.5
Effect of exchange rate change on cash and cash equivalents etc.	-1.6	0.3	0.3
Cash and cash equivalents	33.4	43.0	30.0
Free cash flow	-8.6	9.7	3.3

2. Financial Forecast for FY2018

Summary of Financial Forecast for FY2018

(Billions of yen)	FY17 Actual	FY18 Forecast (Nov. 13)	Variance VS. FY17	FY17 H2 Actual	FY18 H2 Forecast	Variance VS. FY17
Net Sales	268.5	250.0	-18.5	135.5	128.9	-6.5
Operating Profit	10.8	8.0	-2.8	3.9	2.2	-1.6
%	4.0%	3.2%	-0.8pt	2.9%	1.8%	-1.1pt
Ordinary Profit	10.9	9.0	-1.9	3.9	1.4	-2.5
%	4.1%	3.6%	-0.5pt	2.9%	1.1%	-1.8pt
Profit attributable to owners of parent	11.5	6.5	-5.0	9.0	0.3	-8.7
%	4.3%	2.6%	-1.7pt	6.7%	0.3%	-6.5pt

* No change from the previous forecast (Aug. 10).

Financial Forecast for FY2018 by Reported Segments

(Billions of yen)	Net Sales			Operating Profit		
	FY17 Actual	FY18 Forecast	Variance vs. FY17	FY17 Actual	FY18 Forecast	Variance vs. FY17
Watches	140.1	140.0	-0.1	7.9	9.0	+1.0
Electronic Devices	81.8	60.0	-21.8	5.7	2.0	-3.7
Systems Solutions	27.4	29.0	+1.5	1.6	2.0	+0.3
Sub Total	249.4	229.0	-20.4	15.3	13.0	-2.3
Others	27.8	30.0	+2.1	0.5	0.5	-0.0
Cons. Adj.	-8.7	-9.0	-0.2	-5.0	-5.5	-0.4
Cons. Total	268.5	250.0	-18.5	10.8	8.0	-2.8

* No change from the previous forecast (Aug. 10).

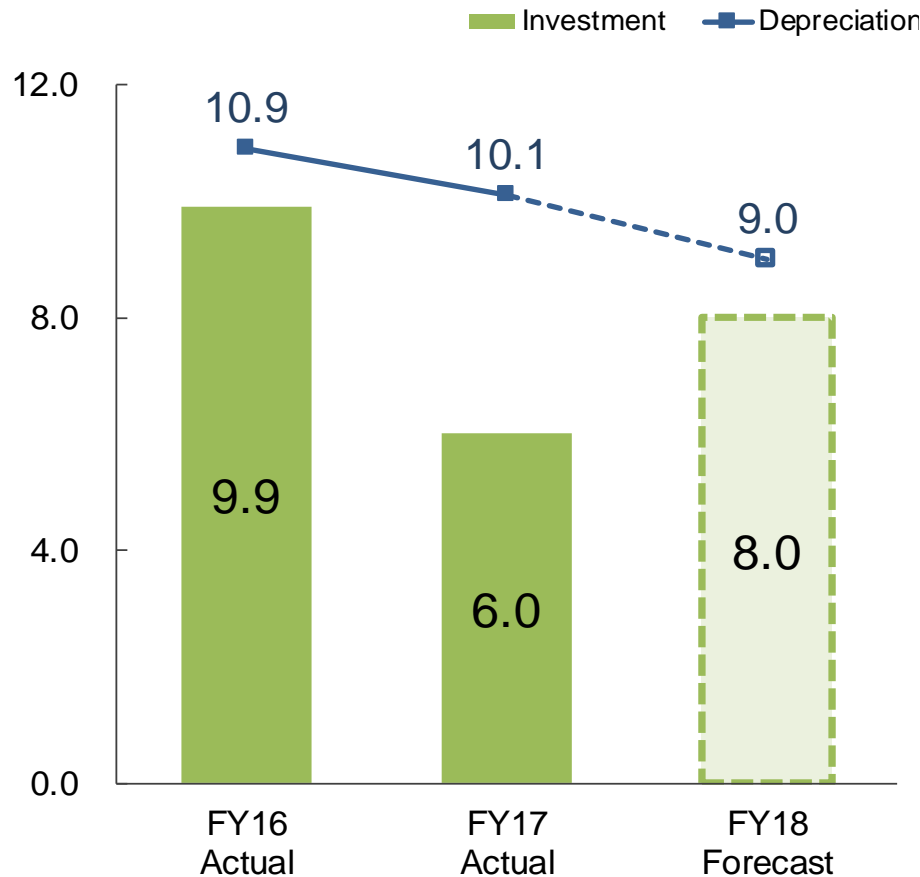
Financial Forecast for FY2018 by Reported Segments

(Billions of yen)	Net Sales			Operating Profit		
	FY17 H2	FY18 H2 Forecast	Variance VS. FY17	FY17 H2	FY18 H2 Forecast	Variance VS. FY17
Watches	72.2	70.8	-1.4	3.5	3.2	-0.2
Electronic Devices	37.6	31.1	-6.4	1.8	0.6	-1.1
Systems Solutions	14.6	13.9	-0.7	0.9	0.9	-0.0
Sub Total	124.5	115.9	-8.6	6.3	4.8	-1.4
Others	15.0	16.9	+1.9	0.5	0.6	+0.1
Cons. Adj.	-4.0	-3.9	+0.1	-2.9	-3.2	-0.3
Cons. Total	135.5	128.9	-6.5	3.9	2.2	-1.6

* No change from the previous forecast (Aug. 10).

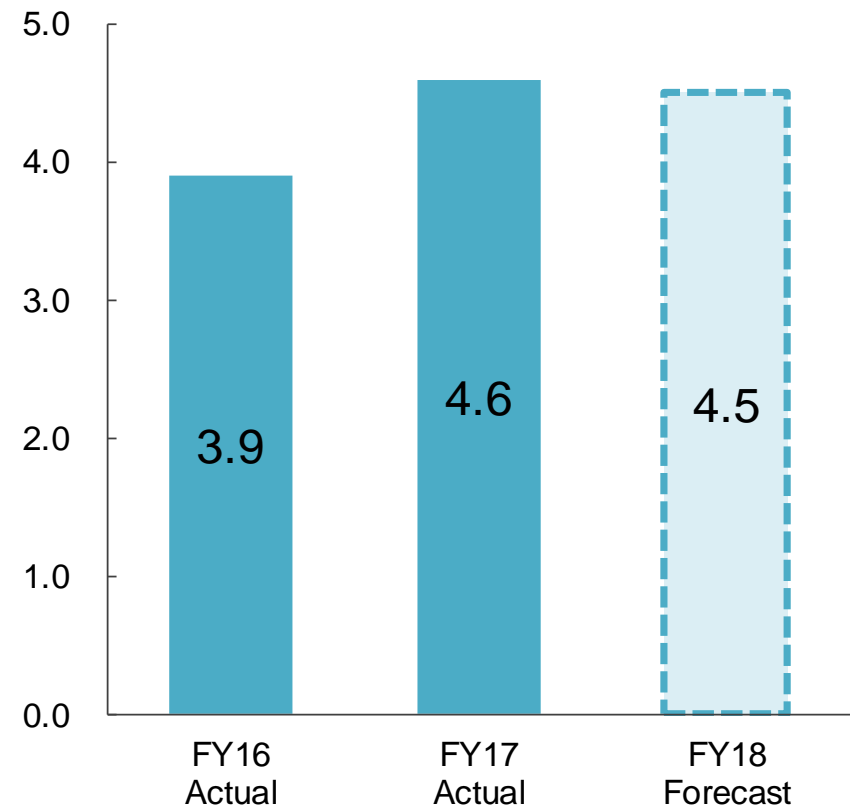
Investment / Depreciation

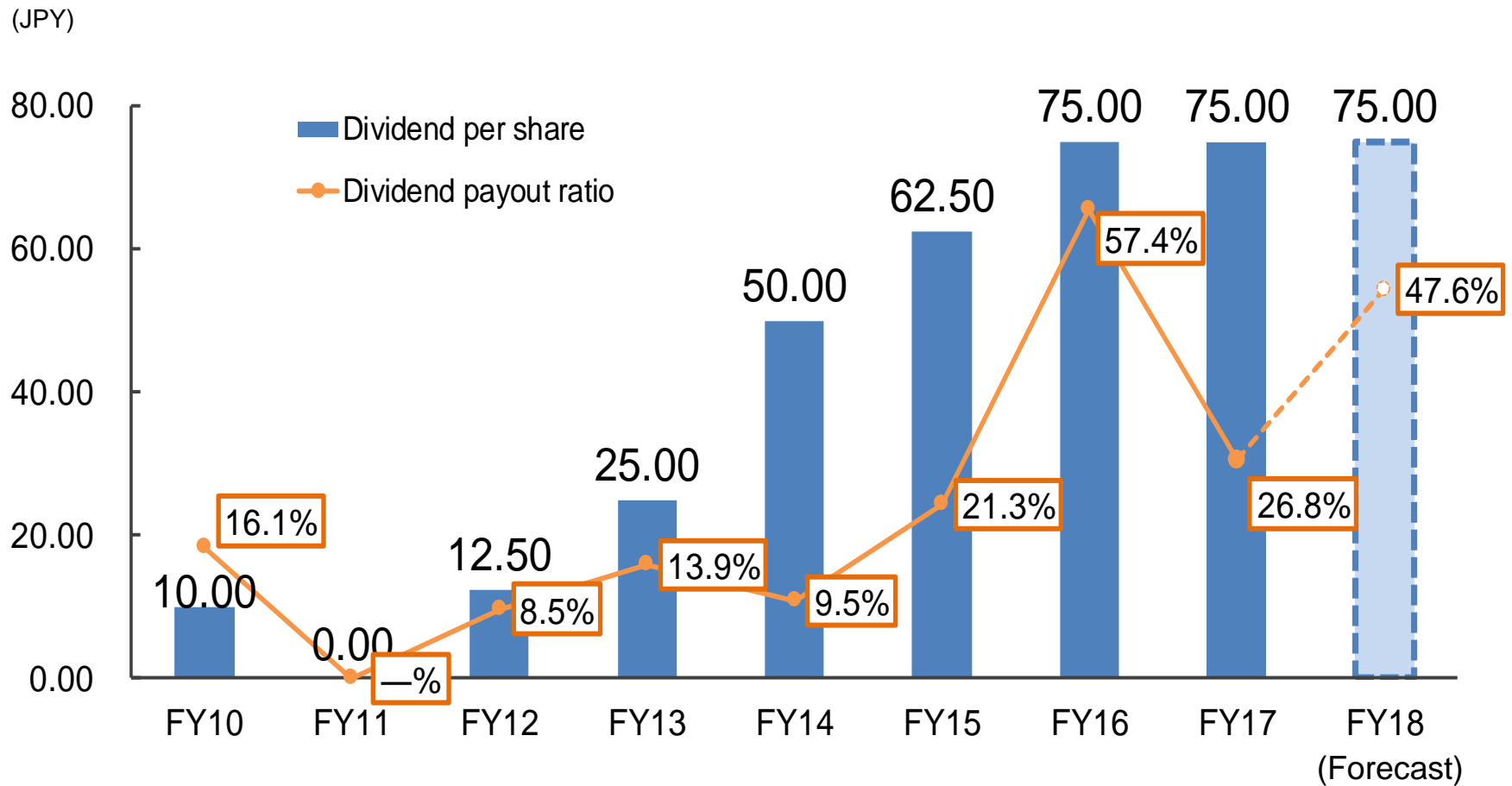
(Billions of yen)



R&D Expense

(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.

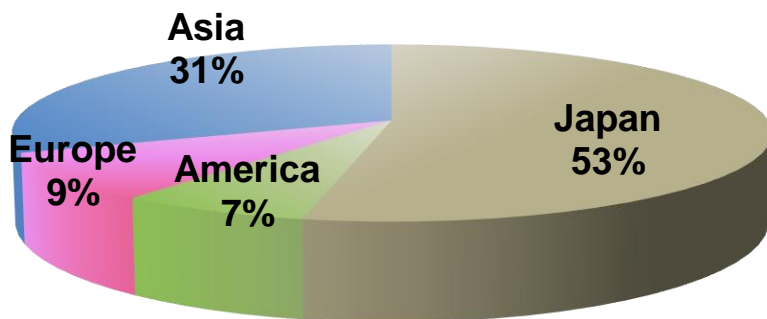
Sensitivity Exchange Rate (Oct. 2018 – Mar. 2019)

Sensitivity Exc. Rate	USD	EUR
Forecast Exc. Rate	JPY 105.0	JPY 125.0
For Sales (Millions of yen)	400	70
For Income (Millions of yen)	50	25

FY2018

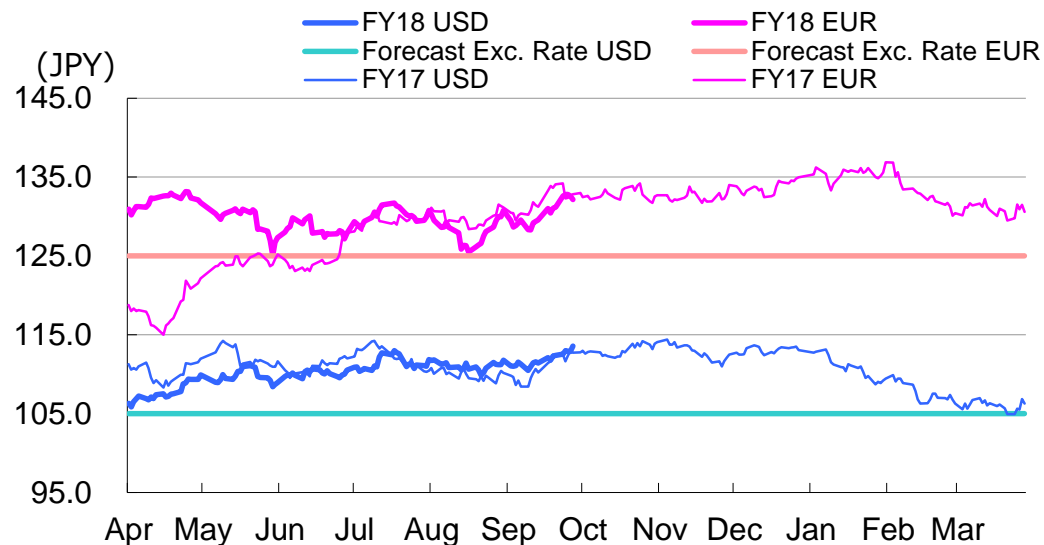
(JPY)		Q1	Q2	Forecast Exc. Rate
Average	USD	109.1	111.4	105.0
	EUR	130.0	129.5	125.0
Closing Date	USD	110.5	113.6	105.0
	EUR	127.9	132.2	125.0

Sales by Area



* FY2017 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

FY2018 Statements of Income 2nd Quarter (Jul. - Sep. 2018)

(Billions of yen)	FY17 Q2	FY18 Q2	Variance	
			Amt.	%
Net Sales	69.5	61.7	-7.8	-11.3%
Gross Profit	25.8	24.0	-1.8	-7.1%
%	37.2%	39.0%	+1.8pt	
Operating Profit	4.1	3.2	-0.8	-21.3%
%	6.0%	5.3%	-0.7pt	
Ordinary Profit	3.8	4.0	+0.2	+6.7%
%	5.5%	6.6%	+1.1pt	
Income before income taxes	3.0	4.0	+0.9	+31.8%
Profit attributable to owners of parent	1.2	3.0	+1.8	+148.0%
%	1.8%	5.0%	+3.2pt	

Net Sales :	y/y	-7.8
Exchange rate fluctuations		+0.0
Impact of the exclusion of the semiconductor business from the scope of consolidation		-8.5

Operating Profit :	y/y	-0.8
Impact of improved GP%		+1.2
Impact of the exclusion of the semiconductor business from the scope of consolidation		-1.7
Others		-0.3

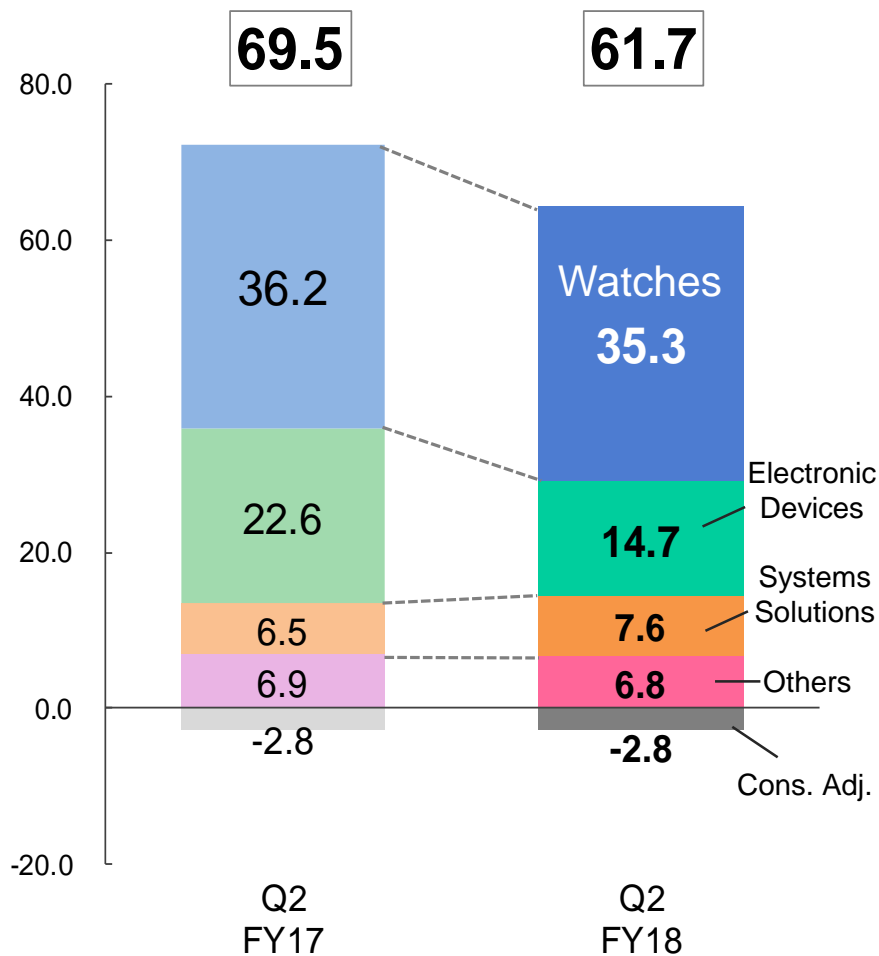
Ordinary Profit :	y/y	+0.2
Decrease in Operating profit		-0.8
Increase in Equity method income		+0.8
Others		+0.2

Extraordinary Income/Losses:	-
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Exchange Rates (JPY)		FY17	FY18	Variance	
		Q2	Q2	Amt.	%
USD		111.0	111.4	+0.4	+0.4%
EUR		130.4	129.5	-0.8	-0.6%

Sales by Reported Segments (Jul. - Sep. 2018)

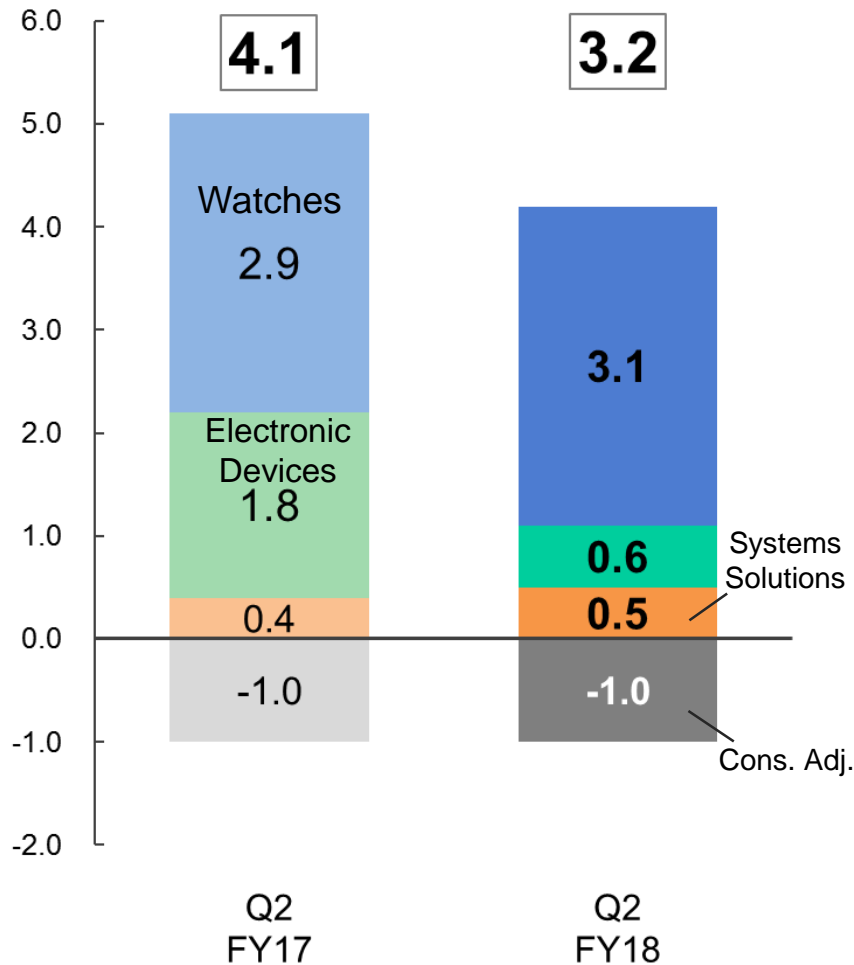
(Billions of yen)



(Billions of yen)	Net Sales (Composition ratio)		
	FY17 Q2	FY18 Q2	Variance
Watches	36.2 (52%)	35.3 (57%)	-0.8
Electronic Devices	22.6 (33%)	14.7 (24%)	-7.9
Systems Solutions	6.5 (9%)	7.6 (12%)	+1.1
Sub Total	65.4	57.7	-7.6
Others	6.9 (10%)	6.8 (11%)	-0.1
Cons. Adj.	-2.8 (-4%)	-2.8 (-5%)	-0.0
Cons. Total	69.5	61.7	-7.8

Operating Profit by Reported Segments (Jul.- Sep. 2018)

(Billions of yen)



(Billions of yen)	Operating Profit		
	FY17 Q2	FY18 Q2	Variance
Watches	2.9	3.1	+0.1
Electronic Devices	1.8	0.6	-1.1
Systems Solutions	0.4	0.5	+0.1
Sub Total	5.2	4.3	-0.8
Others	0.0	0.0	-0.0
Cons. Adj.	-1.0	-1.0	+0.0
Cons. Total	4.1	3.2	-0.8

End
