

**FY2018 3<sup>rd</sup> Quarter  
Consolidated Results**  
(Fiscal year ending March 31, 2019)

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February 15, 2019

## ◆ 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.
- Sales of watches in the mid- to high-price range, mainly for the Grand Seiko and Prospex, grew both in Japan and overseas.
- The Systems Solutions Business also continued its steady performance.

## ◆ Forecast for the Business Results

- The Watches Business and Systems Solutions Business performed well to the 3rd quarter, and the financial outlook have been revised upward.
- The Electronic Devices Business has also performed steadily. However, its financial outlook has been revised downward due to a deterioration of the recent external environment.

# 1. Consolidated Results

FY2018 Statements of Income 3<sup>rd</sup> Quarter (Apr. - Dec. 2018)

(Billions of yen)	FY17 Q3(YTD)	FY18 Q3(YTD)	Variance		
			Amt.	%	
Net Sales	208.4	188.1	-20.3	-9.7%	
Gross Profit	79.5	74.6	-4.8	-6.1%	
%	38.1%	39.7%	+1.5pt		
Operating Profit	11.4	10.1	-1.2	-11.3%	
%	5.5%	5.4%	-0.1pt		
Ordinary Profit	11.9	12.5	+0.6	+5.1%	
%	5.7%	6.7%	+0.9pt		
Income before income taxes	10.5	12.6	+2.1	+20.1%	
Profit attributable to owners of parent	4.4	9.6	+5.2	+116.8%	
%	2.1%	5.1%	+3.0pt		
Exchange Rates (JPY)	USD	111.7	111.1	-0.5	-0.5%
	EUR	128.5	129.5	+0.9	+0.7%

**Net Sales : y/y -20.3**

Exchange rate fluctuations	-0.3
Impact of the exclusion of the semiconductor business from the scope of consolidation	-25.0

**Operating Profit : y/y -1.2**

Impact of improved GP%	+3.2
Impact of the exclusion of the semiconductor business from the scope of consolidation	-5.0
Others	+0.5

**Ordinary Profit : y/y +0.6**

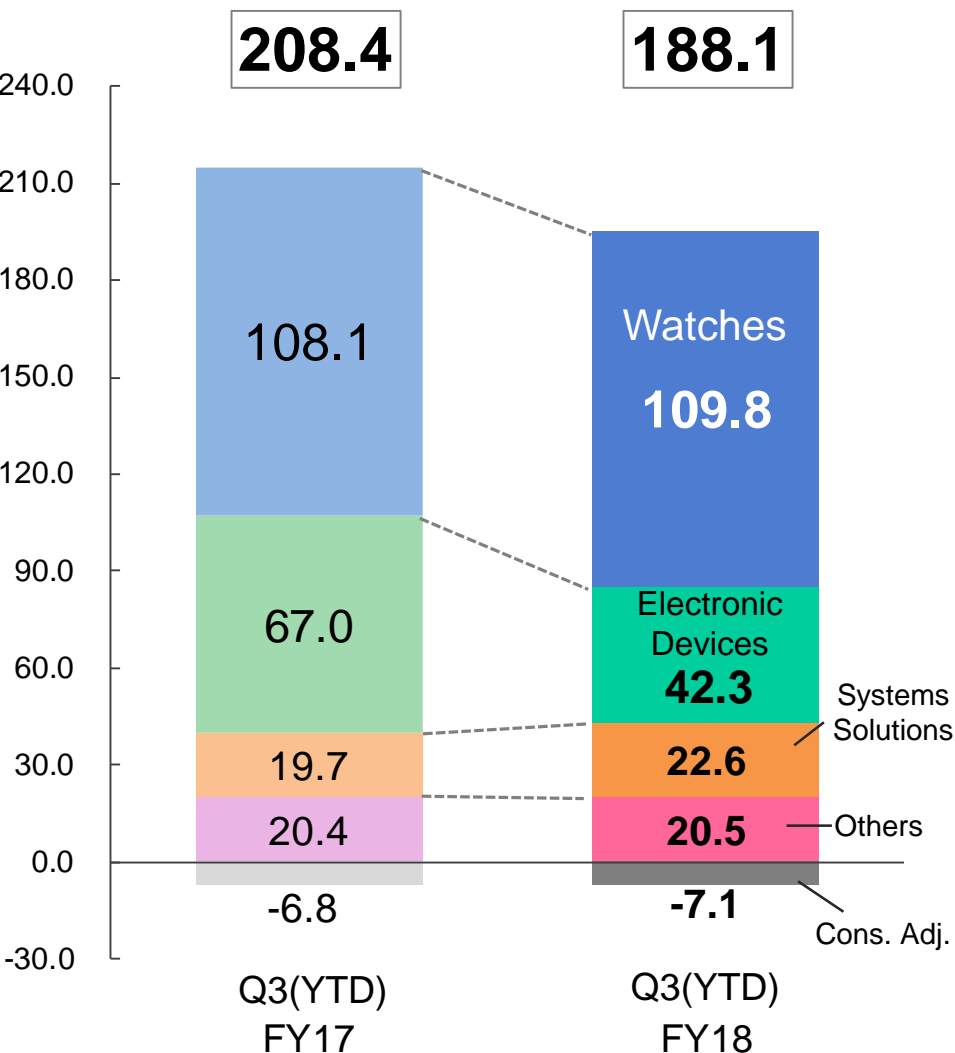
Decrease in Operating profit	-1.2
Improve in Equity method income	+1.4
Decrease in Interest expenses	+0.2
Others	+0.2

**Extraordinary Income/Losses: 0.1**

Extraordinary Income	0.1
Gain on sales of memberships	0.1

# Sales by Reported Segments (Apr. - Dec. 2018)

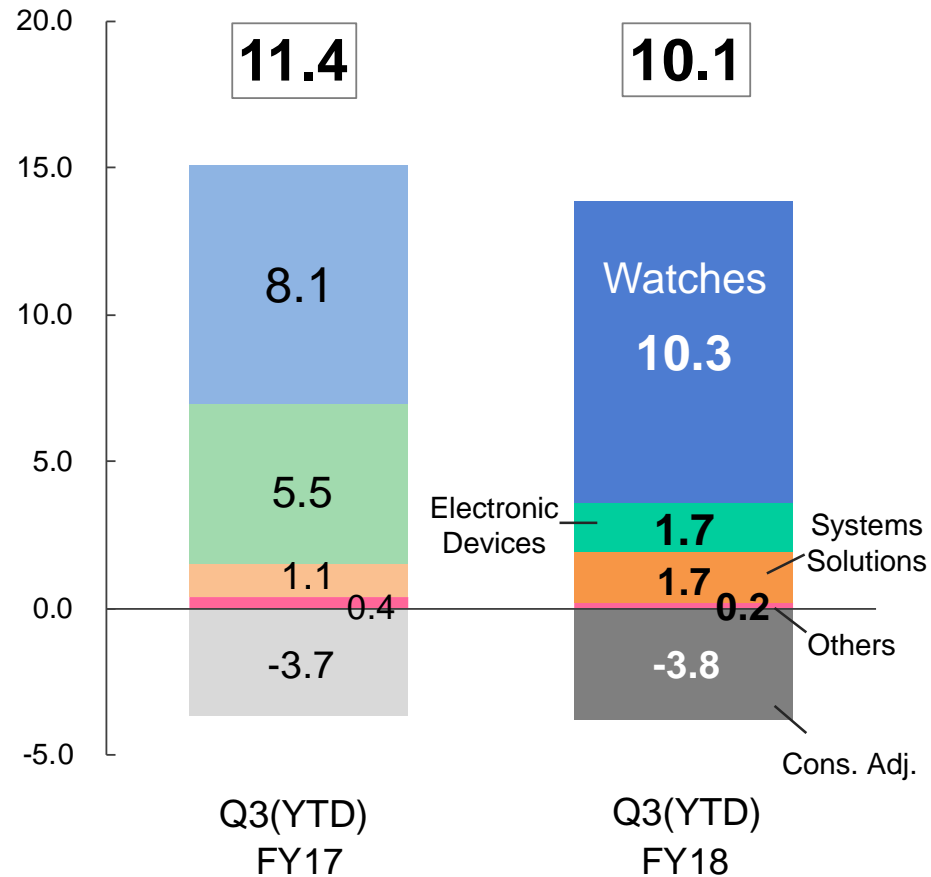
(Billions of yen)



(Billions of yen)	Net Sales (Composition ratio)		
	FY17 Q3(YTD)	FY18 Q3(YTD)	Variance
Watches	108.1 (52%)	109.8 (58%)	+1.6
Electronic Devices	67.0 (32%)	42.3 (23%)	-24.6
Systems Solutions	19.7 (9%)	22.6 (12%)	+2.8
Sub Total	194.9	174.8	-20.0
Others	20.4 (10%)	20.5 (11%)	+0.0
Cons. Adj.	-6.8 (-3%)	-7.1 (-4%)	-0.3
<b>Cons. Total</b>	<b>208.4</b>	<b>188.1</b>	<b>-20.3</b>

# Operating Profit by Reported Segments (Apr. – Dec. 2018)

(Billions of yen)

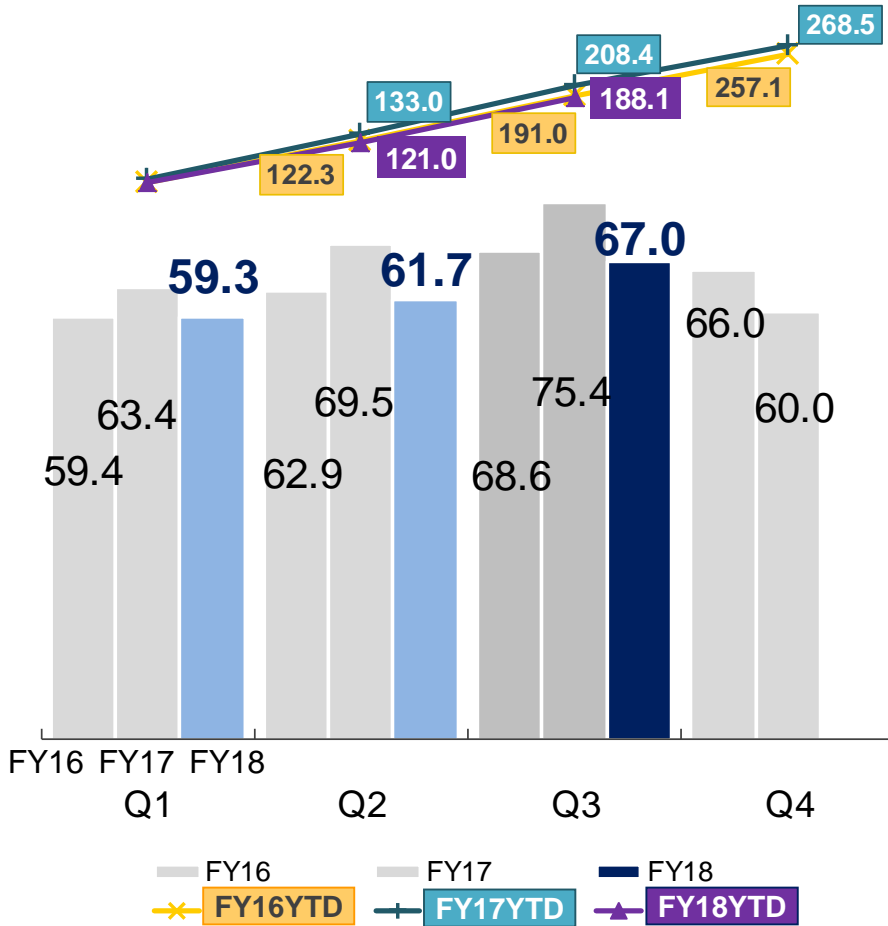


(Billions of yen)	Operating Profit		
	FY17 Q3(YTD)	FY18 Q3(YTD)	Variance
Watches	8.1	10.3	+2.2
Electronic Devices	5.5	1.7	-3.8
Systems Solutions	1.1	1.7	+0.6
Sub Total	14.7	13.7	-0.9
Others	0.4	0.2	-0.2
Cons. Adj.	-3.7	-3.8	-0.0
<b>Cons. Total</b>	<b>11.4</b>	<b>10.1</b>	<b>-1.2</b>

# Consolidated Quarterly Performance

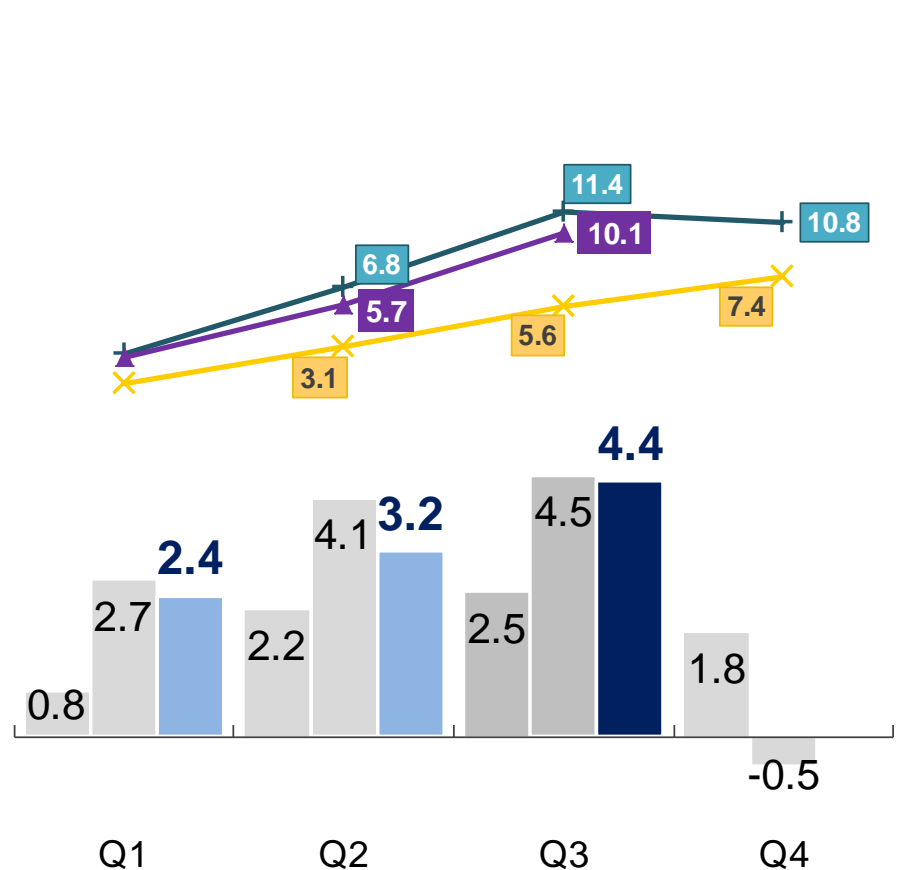
## Net Sales

(Billions of yen)



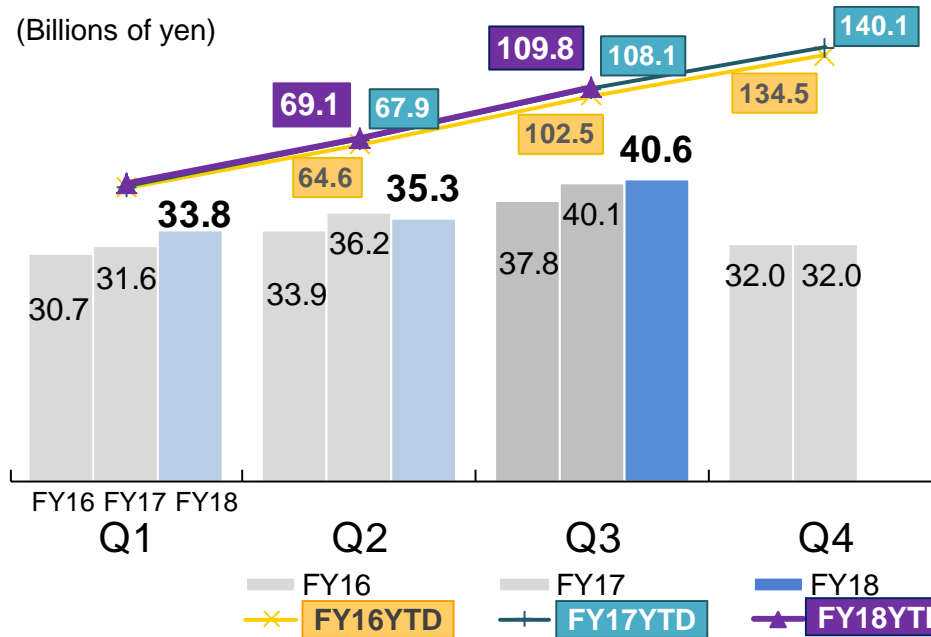
## Operating Profit

(Billions of yen)



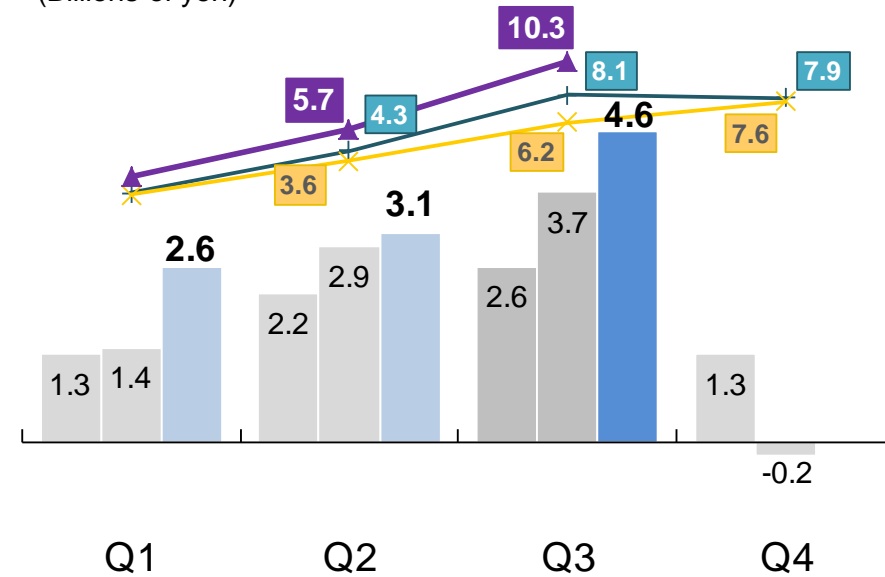
## Net Sales

(Billions of yen)



## Operating Profit

(Billions of yen)

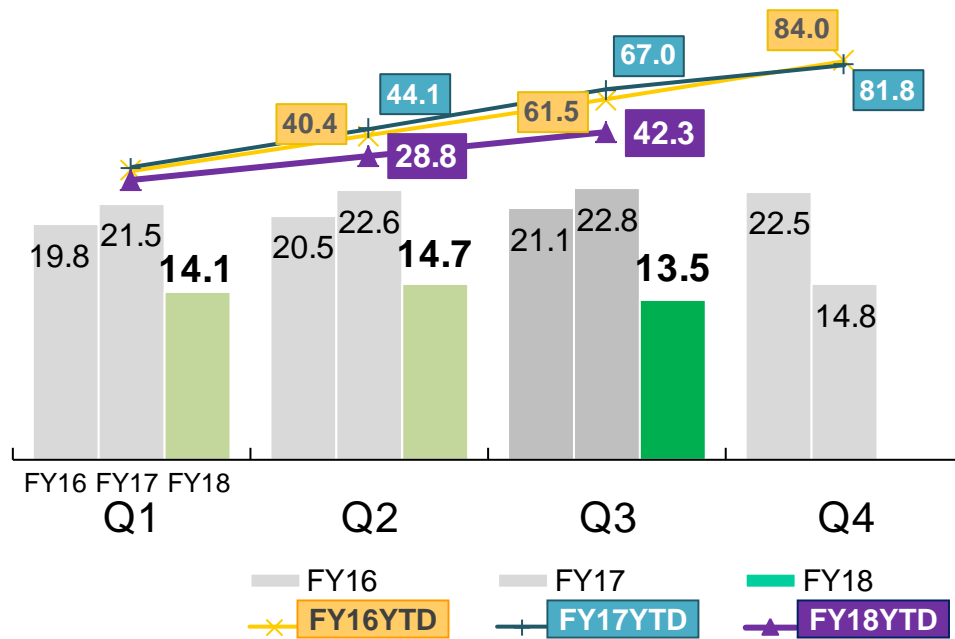


- **Watches (In Japan)** : Sales continued to grow steadily, mainly for the Grand Seiko and Prospex.
- **Watches (In Overseas)** : The Grand Seiko and Prospex performed favorably in many countries, including the U.S. Sales of the Presage expanded in Asia, Europe and some other regions.
- **Movements** : Sales declined year on year owing to stagnant sales watches in the affordable price range in global markets and other factors.



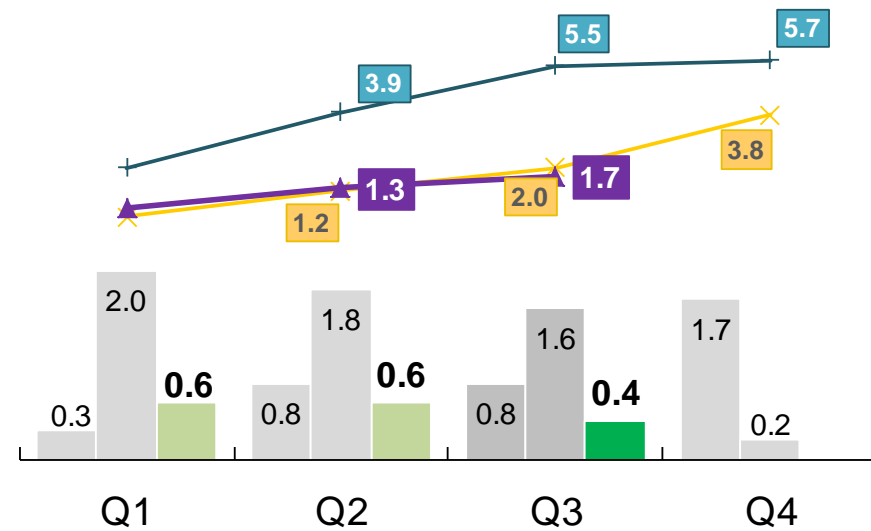
## Net Sales

(Billions of yen)



## Operating Profit

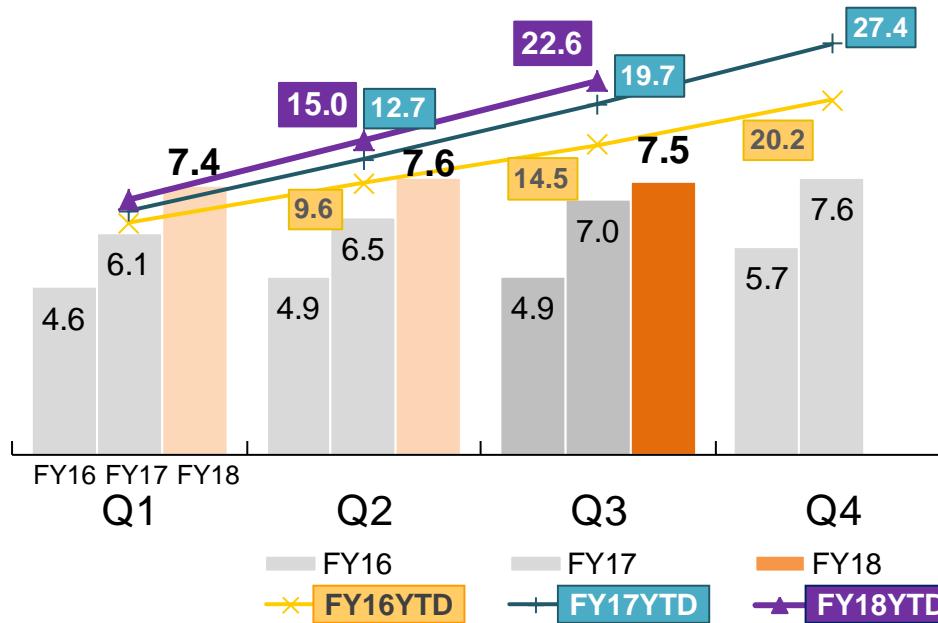
(Billions of yen)



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

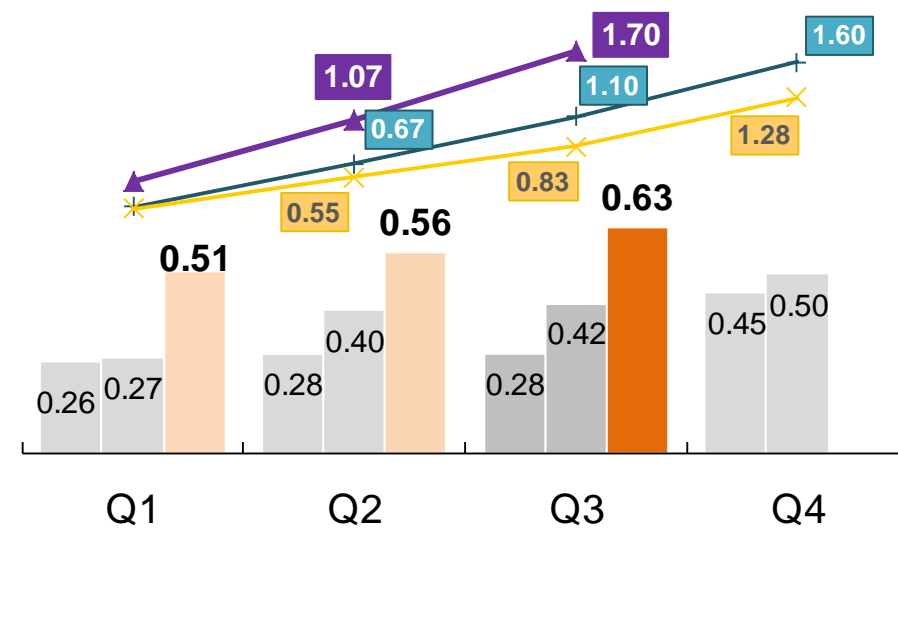
## Net Sales

(Billions of yen)



## Operating Profit

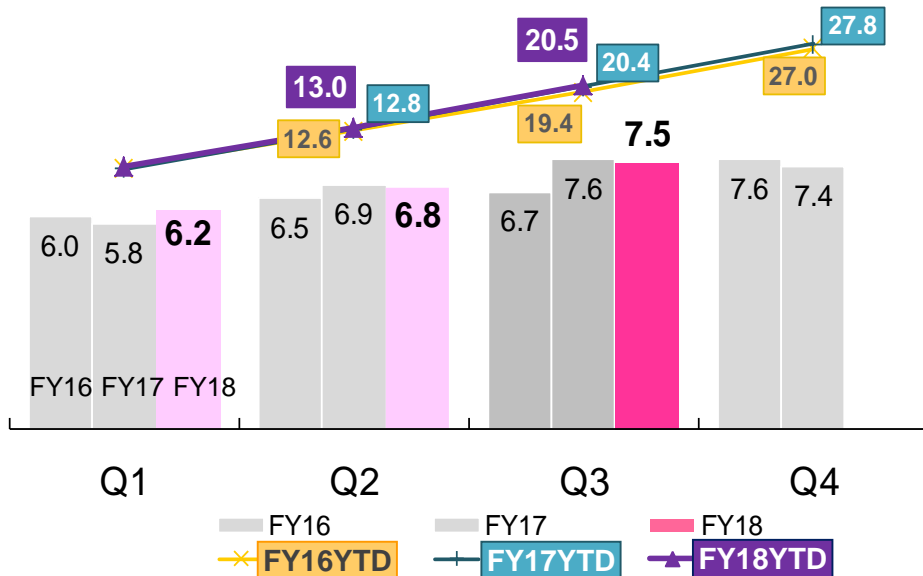
(Billions of yen)



- 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.

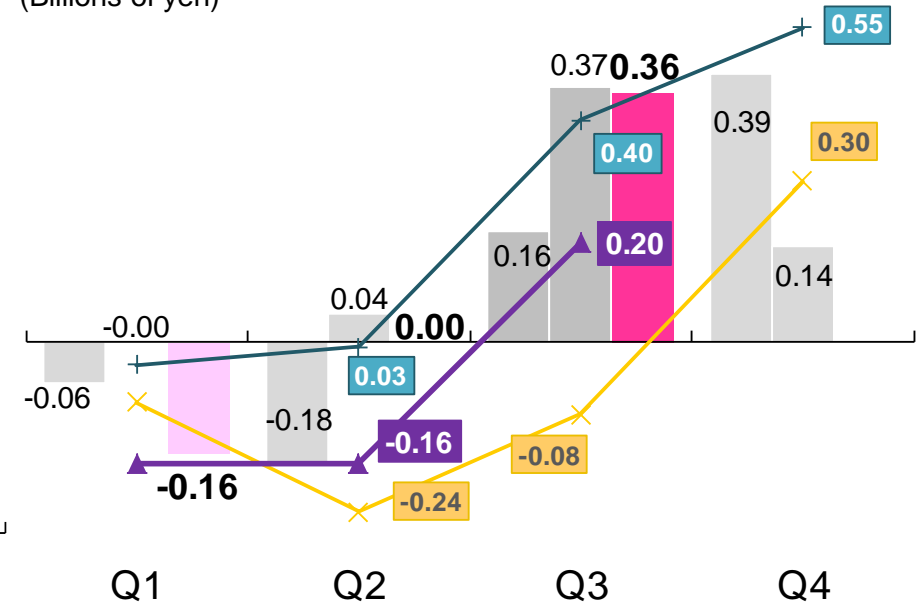
## Net Sales

(Billions of yen)



## Operating Profit

(Billions of yen)



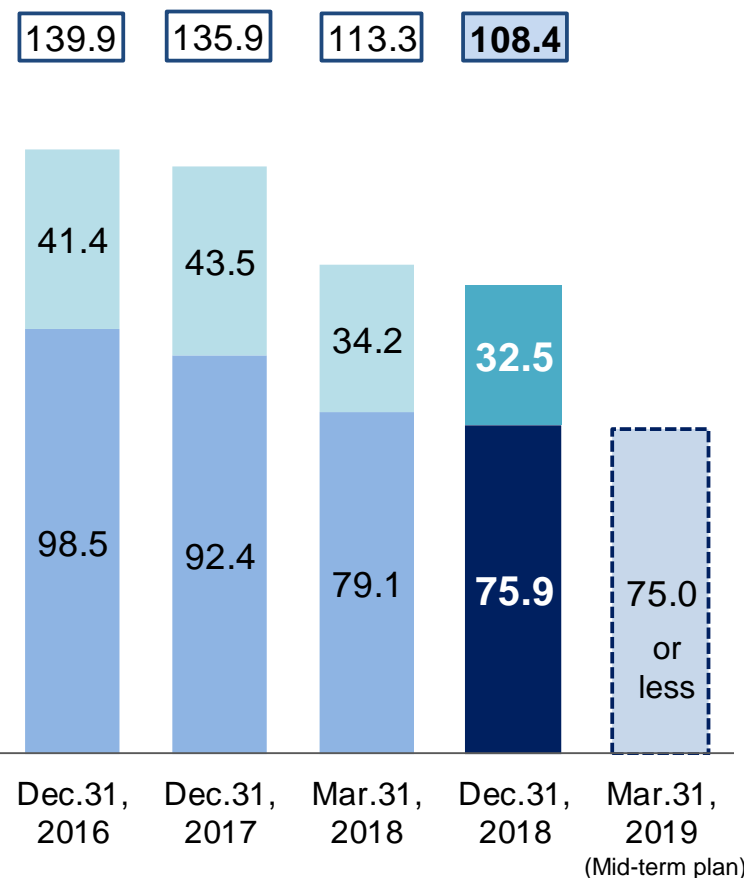
- Net sales exceeded those of the previous year in the Wako Business and other businesses, although operating profit fell below that of the previous year.

# Balance Sheets as of Dec. 31, 2018

(Billions of yen)	Dec.31, 2016	Dec.31, 2017	Mar.31, 2018(a)	Dec.31, 2018(b)	Variance (b)-(a)
Inventories	71.1	67.4	57.0	61.2	+4.2
Interest Bearing Debt	139.9	135.9	113.3	108.4	-4.9
Net Assets	104.6	115.2	105.1	109.7	+4.5
Total Assets	342.9	348.0	305.2	305.4	+0.1
Equity Capital Ratio	27.9%	30.1%	34.1%	35.6%	+1.5pt
Net Debt Equity Ratio	0.9	0.8	0.7	0.6	-0.1
Number of Employees	13,333	13,060	12,033	12,127	+94

## Interest Bearing Debt

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



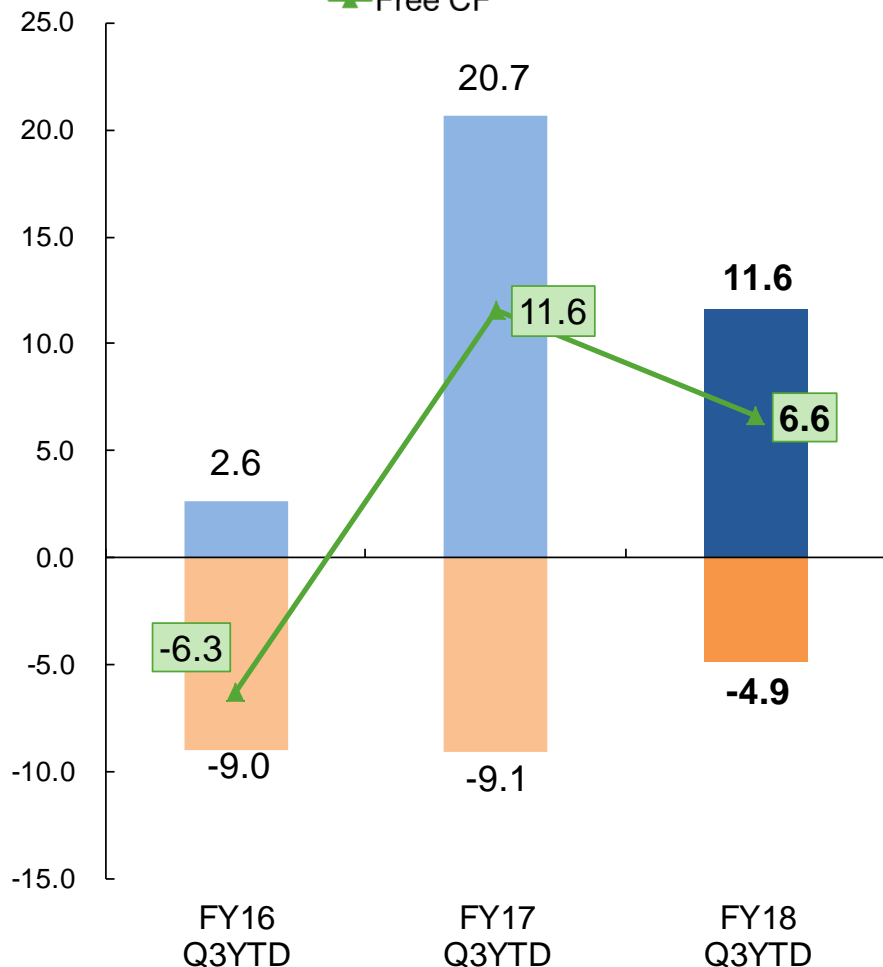
\* The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, total assets and equity capital ratio as of March 31, 2018 are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

# Statement of Cash Flows

(Billions of yen)

(Billions of yen)

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



	FY16 Q3YTD	FY17 Q3YTD	<b>FY18 Q3YTD</b>
Profit before income taxes	4.8	10.5	<b>12.6</b>
Depreciation	8.0	7.8	<b>6.3</b>
Others	-10.2	2.3	<b>-7.3</b>
<b>Net cash provided by (used in) operating activities</b>	2.6	20.7	<b>11.6</b>
Purchase of property, plant and equipment	-9.1	-4.4	<b>-4.1</b>
Others	0.1	-4.6	<b>-0.8</b>
<b>Net cash provided by (used in) investing activities</b>	-9.0	-9.1	<b>-4.9</b>
Net increase (decrease) in loans payable	11.8	-0.7	<b>-4.7</b>
Others	-2.9	-3.6	<b>-3.3</b>
<b>Net cash provided by (used in) financing activities</b>	8.8	-4.4	<b>-8.1</b>
Effect of exchange rate change on cash and cash equivalents etc.	0.0	0.4	<b>0.0</b>
Cash and cash equivalents	41.4	43.0	<b>32.5</b>
<b>Free cash flow</b>	-6.3	11.6	<b>6.6</b>

## 2. Financial Forecast for FY2018

# Summary of Financial Forecast for FY2018

(Billions of yen)	FY17					FY18		
	Actual	Forecast (Nov. 13)	Forecast (Feb.14)	Variance VS. FY17	Variance VS. Previous	4Q Actual	4Q Forecast	Variance VS. FY17
Net Sales	268.5	250.0	250.0	-18.5	±0.0	60.0	61.8	+1.7
Operating Profit	10.8	8.0	9.0	-1.8	+1.0	-0.5	-1.1	-0.5
%	4.0%	3.2%	3.6%	-0.4pt	+0.4pt	-1.0%	-1.8%	-0.9pt
Ordinary Profit	10.9	9.0	11.0	+0.0	+2.0	-1.0	-1.5	-0.5
%	4.1%	3.6%	4.4%	+0.3pt	+0.8pt	-1.7%	-2.5%	-0.8pt
Profit attributable to owners of parent	11.5	6.5	8.0	-3.5	+1.5	7.0	-1.6	-8.7
%	4.3%	2.6%	3.2%	-1.1pt	+0.6pt	11.8%	-2.7%	-14.5pt

# Financial Forecast for FY2018 by Reported Segments

(Billions of yen)	Net Sales				
	FY17 Actual	FY18 Forecast		Variance VS. FY17	Variance VS. Previous
		Previous (Nov.13)	Latest (Feb.14)		
Watches	140.1	140.0	143.0	+2.8	+3.0
Electronic Devices	81.8	60.0	56.0	-25.8	-4.0
Systems Solutions	27.4	29.0	30.0	+2.5	+1.0
Sub Total	249.4	229.0	229.0	-20.4	±0.0

Operating Profit				
FY17 Actual	FY18 Forecast		Variance VS. FY17	Variance VS. Previous
	Previous (Nov.13)	Latest (Feb.14)		
7.9	9.0	10.0	+2.0	+1.0
5.7	2.0	1.5	-4.2	-0.5
1.6	2.0	2.3	+0.6	+0.3
15.3	13.0	13.8	-1.5	+0.8

Others	27.8	30.0	30.0	+2.1	±0.0
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0.5	0.5	0.5	-0.0	±0.0
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Cons. Adj.	-8.7	-9.0	-9.0	-0.2	±0.0
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-5.0	-5.5	-5.3	-0.2	+0.2
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Cons. Total	268.5	250.0	250.0	-18.5	±0.0
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10.8	8.0	9.0	-1.8	+1.0
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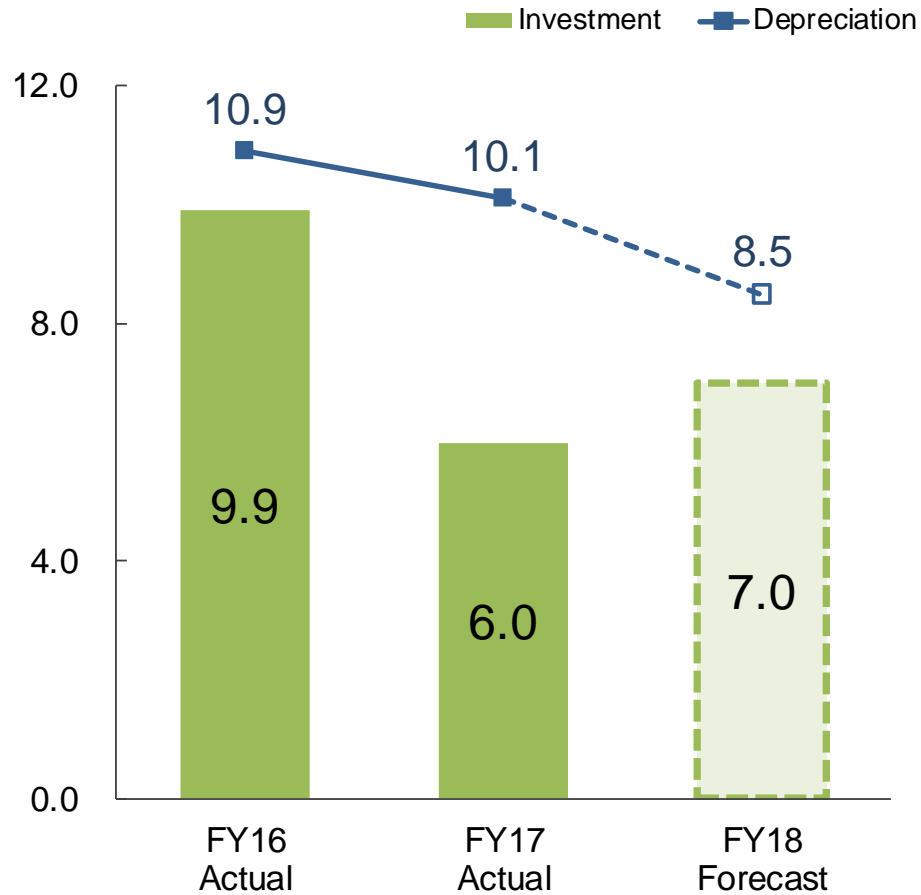


# Financial Forecast for FY2018 by Reported Segments

(Billions of yen)	Net Sales			Operating Profit		
	FY17 4Q	FY18 4Q Forecast (Feb.14)	Variance VS. FY17	FY17 4Q	FY18 4Q Forecast (Feb.14)	Variance VS. FY17
Watches	32.0	33.1	+1.1	-0.2	-0.3	-0.1
Electronic Devices	14.8	13.6	-1.2	0.2	-0.2	-0.4
Systems Solutions	7.6	7.3	-0.2	0.5	0.5	-0.0
Sub Total	54.4	54.1	-0.3	0.5	0.0	-0.5
Others	7.4	9.4	+2.0	0.1	0.2	+0.1
Cons. Adj.	-1.8	-1.8	+0.0	-1.2	-1.4	-0.1
Cons. Total	60.0	61.8	+1.7	-0.5	-1.1	-0.5

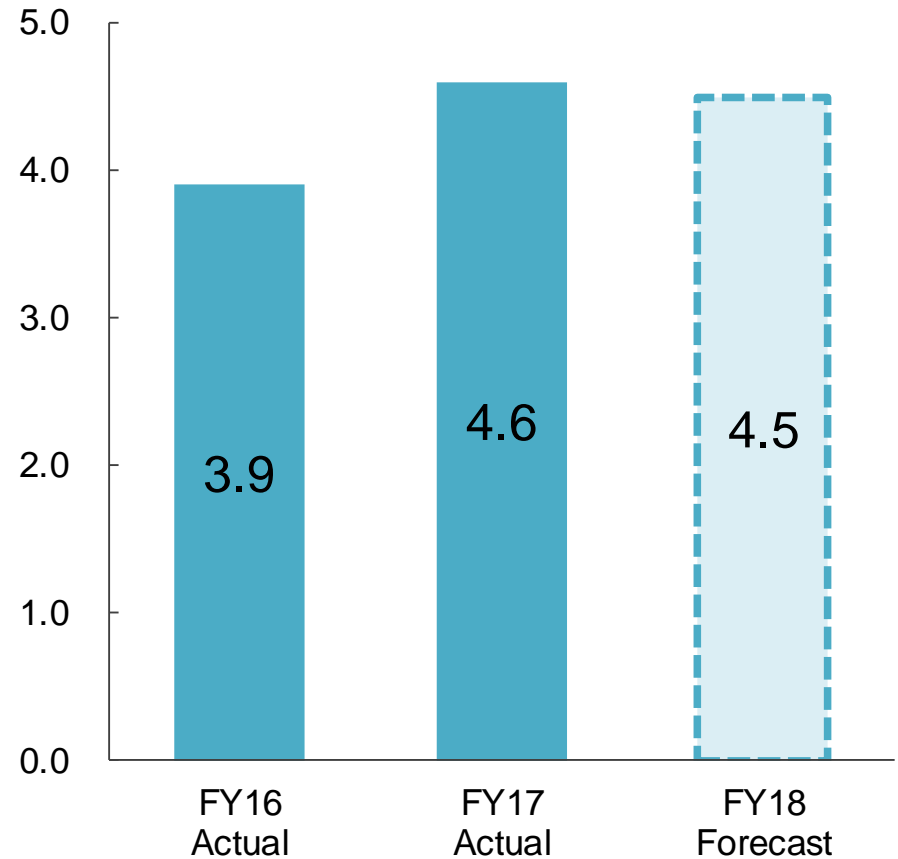
## Investment / Depreciation

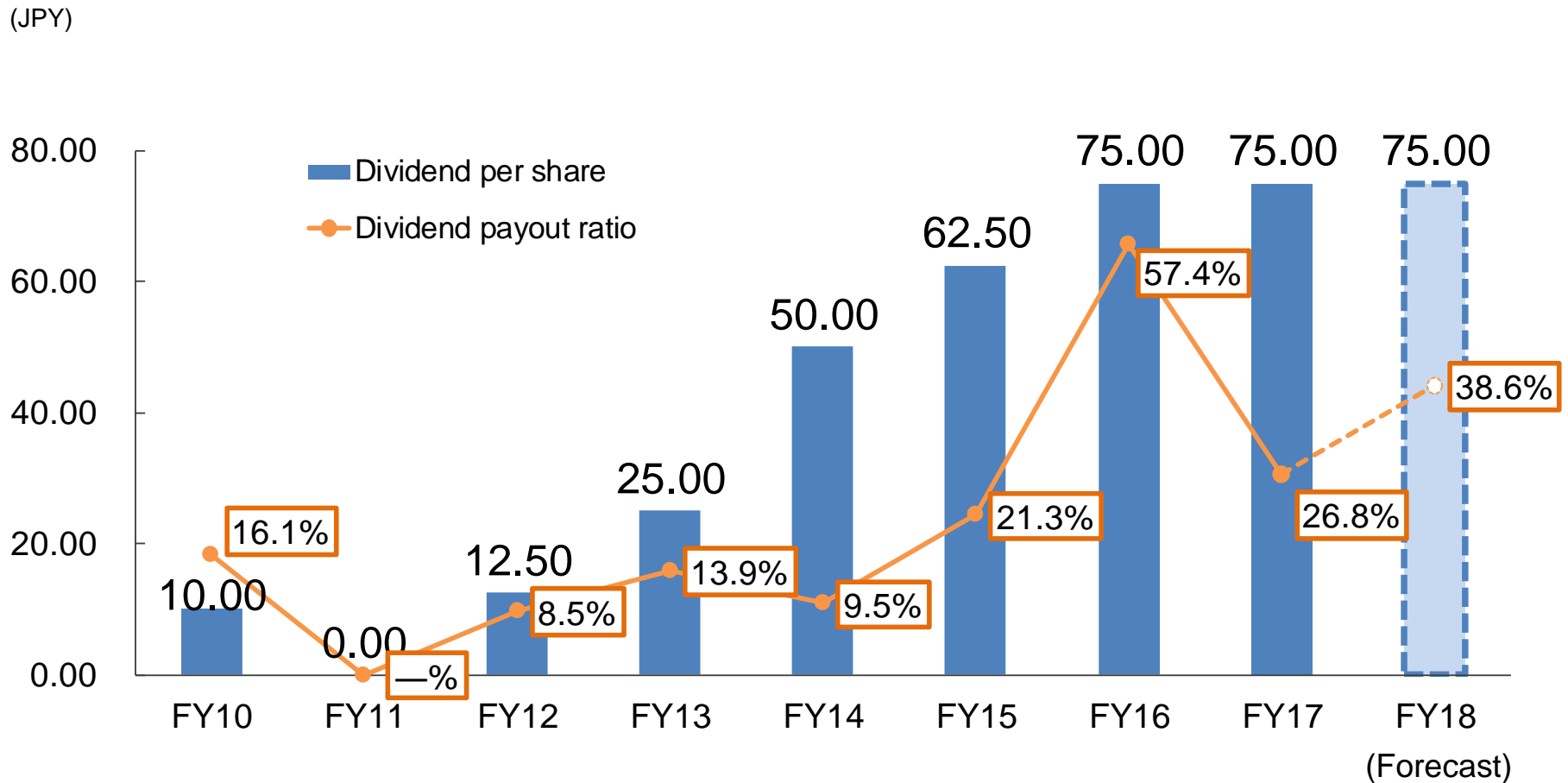
(Billions of yen)



## 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.

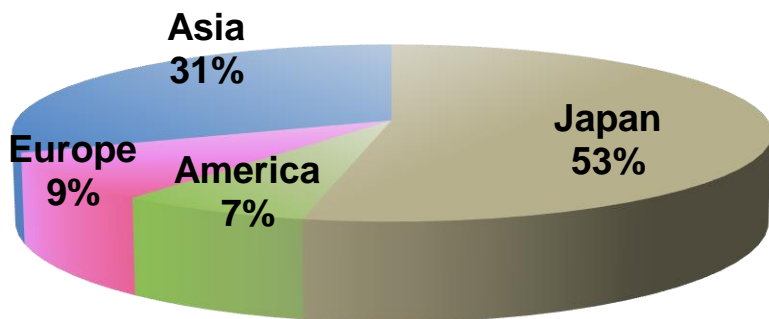
## Sensitivity Exchange Rate (Jan. 2019 – Mar. 2019)

Sensitivity Exc. Rate	USD	EUR
Forecast Exc. Rate	JPY 110.0	JPY 125.0
For Sales (Millions of yen)	200	30
For Income (Millions of yen)	20	10

## FY2018

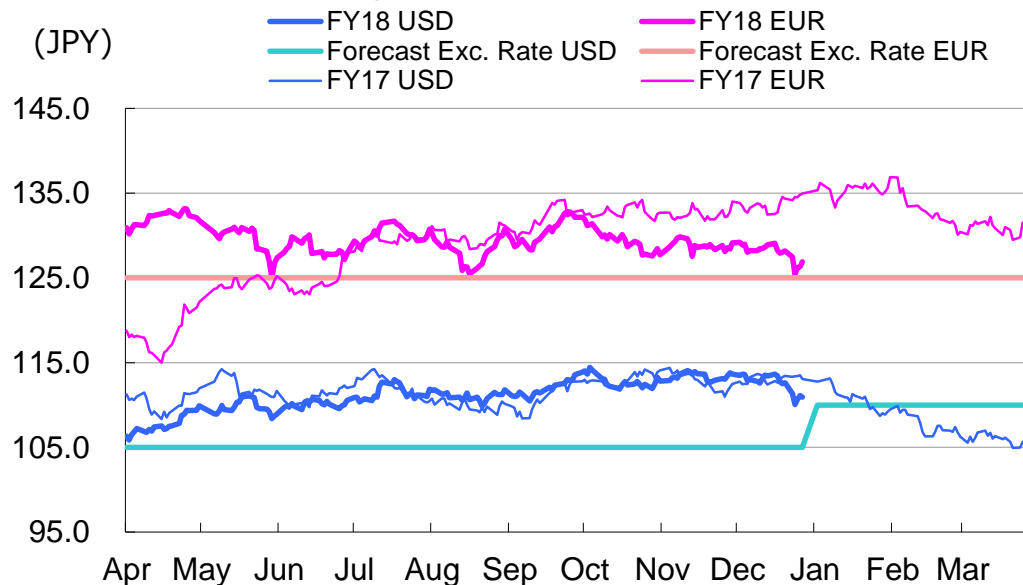
(JPY)		Q1	Q2	Q3	Forecast Exc. Rate
Average	USD	109.1	111.4	112.9	110.0
	EUR	130.0	129.5	128.8	125.0
Closing Date	USD	110.5	113.6	110.9	110.0
	EUR	127.9	132.2	126.9	125.0

## 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

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# FY2018 Statements of Income 3<sup>rd</sup> Quarter (Oct. - Dec. 2018)

(Billions of yen)	FY17 Q3	FY18 Q3	Variance	
			Amt.	%
Net Sales	75.4	67.0	-8.3	-11.1%
Gross Profit	29.2	27.6	-1.5	-5.2%
%	38.7%	41.2%	+2.6pt	
Operating Profit	4.5	4.4	-0.1	-2.6%
%	6.0%	6.6%	+0.6pt	
Ordinary Profit	4.9	4.9	-0.0	-0.1%
%	6.6%	7.4%	+0.8pt	
Income before income taxes	4.6	4.9	+0.3	+6.5%
Profit attributable to owners of parent	2.0	3.5	+1.5	+74.2%
%	2.7%	5.3%	+2.6pt	

**Net Sales : y/y -8.3**

Exchange rate fluctuations -0.3

Impact of the exclusion of the semiconductor business from the scope of consolidation -9.0

**Operating Profit : y/y -0.1**

Impact of improved GP% +1.9

Impact of the exclusion of the semiconductor business from the scope of consolidation -1.7

Others -0.3

**Ordinary Profit : y/y -0.0**

Decrease in Operating profit -0.1

Increase in Equity method income +0.2

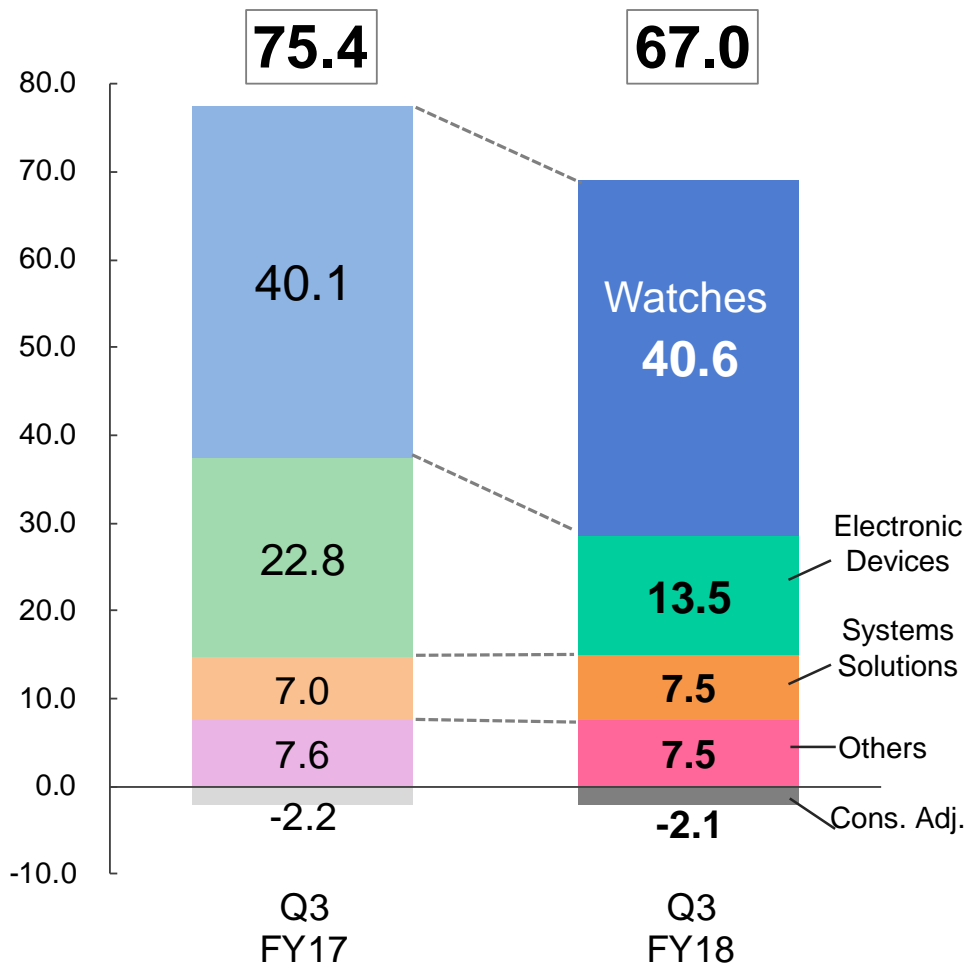
Others -0.1

**Extraordinary Income/Losses: -**

Exchange Rates (JPY)	USD	113.0	112.9	-0.1	-0.1%
	EUR	133.0	128.8	-4.2	-3.1%

# Sales by Reported Segments (Oct. - Dec. 2018)

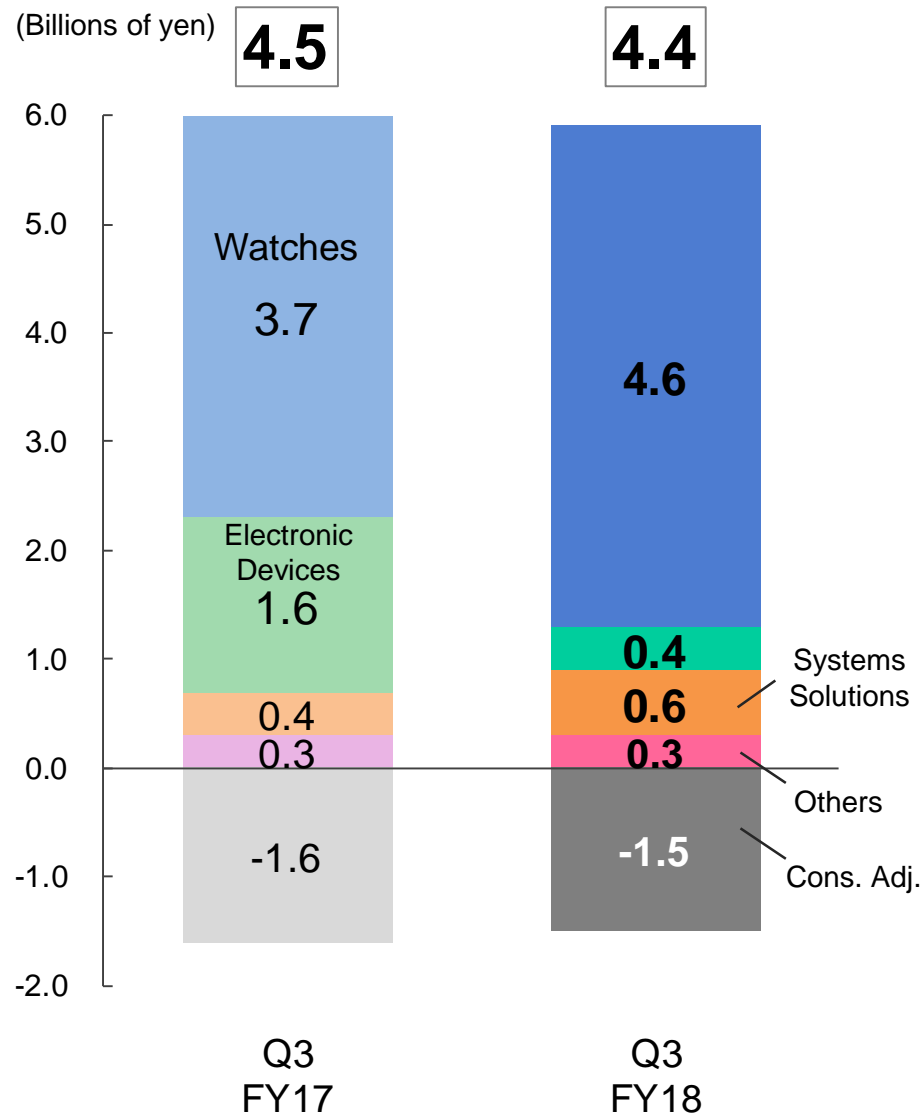
(Billions of yen)



(Billions of yen)	Net Sales (Composition ratio)		
	FY17 Q3	FY18 Q3	Variance
Watches	40.1 (53%)	40.6 (61%)	+0.4
Electronic Devices	22.8 (30%)	13.5 (20%)	-9.2
Systems Solutions	7.0 (9%)	7.5 (11%)	+0.5
Sub Total	70.0	61.7	-8.3
Others	7.6 (10%)	7.5 (11%)	-0.1
Cons. Adj.	-2.2 (-3%)	-2.1 (-3%)	+0.0
Cons. Total	75.4	67.0	-8.3



# Operating Profit by Reported Segments (Oct.- Dec. 2018)



(Billions of yen)	Operating Profit		
	FY17 Q3	FY18 Q3	Variance
Watches	3.7	4.6	+0.8
Electronic Devices	1.6	0.4	-1.2
Systems Solutions	0.4	0.6	+0.2
Sub Total	5.7	5.6	-0.1
Others	0.3	0.3	-0.0
Cons. Adj.	-1.6	-1.5	+0.0
Cons. Total	4.5	4.4	-0.1

End

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