

FY2020 Q1
Consolidated Results
(for the three months ended June 30, 2020)

August 12, 2020

◆ Actual results for FY2020 Q1

- Net sales were sluggish in the Watches Business, the Clocks Business, the Wako Business and others as a result of lockdowns in cities overseas continuing from the 4th quarter of the previous fiscal year, closures of commercial facilities and retail stores due to the government's declaration of a state of emergency in April in Japan, and a loss of inbound demand from foreign tourists to Japan due to global movement restrictions.
- The Systems Solutions Business performed favorably, owing to the success of efforts to diversify the business and expand the stock business.
- The Group performed a review of investment timing and methods, due to changes in the environment accompanying the spread of the COVID-19. As a result, advertising and promotion expenses for FY2020 Q1 fell by approx. 40% year on year.
- A gain on transfer of shares of the semiconductor company of 7.1 billion yen was posted as extraordinary income, and a loss of 3.0 billion yen relating to the COVID-19 was posted as extraordinary losses.

◆ Impact of COVID-19

(Billions of yen)

Period	Environment	Impact on Operating Profit
FY2019 Q4 Actual results	Infectious disease spread in China from late January. The number of tourists visiting Japan has decreased since the latter half of the Chinese Spring Festival. Sales and manufacturing activities from March were impacted by restrictions such as overseas lockdowns and Japanese government requests for people to refrain from going out.	approx. -2.5
FY2020 Q1 Actual results	In Japan, a state of emergency declared in the metropolitan area in early April was expanded throughout the country, and commercial facilities have been closed. The state of emergency persisted until the end of May in the metropolitan area. Lockdowns continued until May in many cities overseas, severely restricting domestic and overseas sales and manufacturing activities for 2 months. Although recovering gradually since June, the long-distance movement of people has not yet recovered.	approx. -5.0
FY2020 Q2-Q4 Forecast	We do not expect the re-emergence of the COVID-19 beyond current levels, and expect that domestic and overseas economic activities will continue and the long-distance movement of people will gradually return to normal after Q3, despite some restrictions on sales and manufacturing activities.	-

- ◆ **Forecast for FY2020 full year**
 - We expect that consumption activities in the market for completed products in the Watches Business will gradually recover both in Japan and overseas, and that a full-scale recovery will begin from the new year onward. Meanwhile, the market for movements is expected to remain sluggish for the time being.
 - In the Electronic Devices Business, products for the automobile, printer, and watch markets will continue to be stagnant. Products for data centers will remain strong.
 - In the Systems Solutions Business, we will not miss business opportunities in fields where demand is rising and will lead them to results.
 - The dividend forecast for FY2020 will be disclosed based on the 2nd quarter results as progress in recovering from the COVID-19 in the 2nd quarter is considered to have the most variable factors.

◆ Initiatives for “With / After COVID-19”

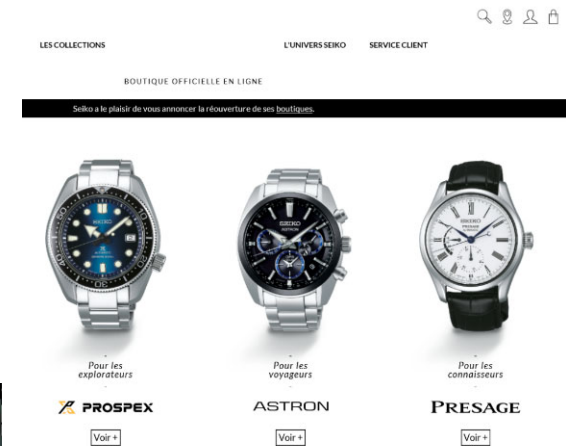
- Strengthening digital marketing such as e-commerce in collaboration with existing distribution, communication with users, and seminars and new product rollouts on the web.



Appealing Grand Seiko on EC website in collaboration with a luxury watch chain in China



New product rollouts on the web



Official EC website



- In the Systems Solutions Business, further actively developing technologies such as cashless payments, wireless payments, and wireless communication using the keywords “contactless” and “remote.”

◆ Initiatives in FY2020

- Jun. 8 Opened “Grand Seiko Boutique Paris Vendôme”
- Jul. 20 Opened “Grand Seiko Studio Shizukuishi,”
the manufacturing studio for mechanical watches
- Aug. 6 Opened “Grand Seiko Boutique Flagship WAKO”
- Aug. 19 Opening “The Seiko Museum Ginza”



Grand Seiko Boutique Flagship WAKO



The Seiko Museum Ginza

1. Consolidated Results

(Billions of yen)

		FY19 Q1	FY20 Q1	Variance	
				Amt.	%
Net Sales		58.5	35.6	-22.9	-39.2%
Gross Profit		23.8	12.6	-11.1	-46.8%
	%	40.7%	35.6%	-5.1pt	
Operating Profit		2.8	-2.1	-5.0	-
	%	4.8%	-6.1%	-	
Ordinary Profit		3.3	-2.5	-5.9	-
	%	5.7%	-7.3%	-	
Income before income taxes		3.2	1.4	-1.7	-54.3%
Profit attributable to owners of parent		2.1	0.9	-1.2	-56.2%
	%	3.7%	2.6%	-1.0pt	
Exchange Rates (JPY)	USD	109.9	107.6	-2.3	-2.1%
	EUR	123.5	118.6	-4.9	-4.0%

Net Sales :	y/y	-22.9
Exchange rate fluctuations	approx.	-0.6

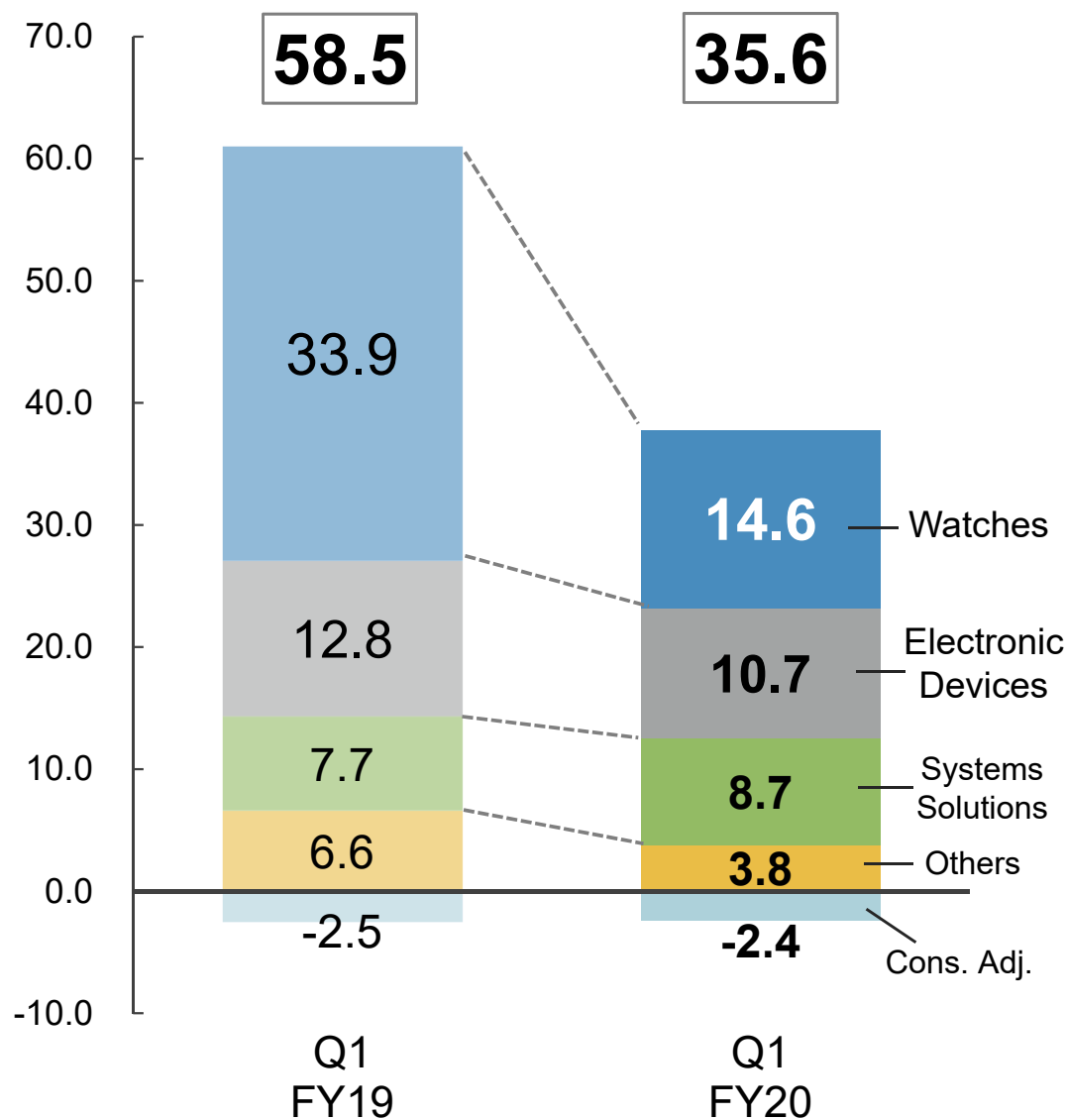
Operating Profit :	y/y	-5.0
Impact of decrease in Net sales		-8.1
Impact of deteriorated GP%		-3.0
Decrease in SG&A expenses		+6.1

Ordinary Profit :	y/y	-5.9
Decrease in Operating profit		-5.0
Decrease in Equity-method income		-0.9
Others		+0.0

Extraordinary Income/Losses:	+4.0
Extraordinary Income	7.1
Gain on sales of investment securities	7.1
Subsidy income	0.0
Extraordinary Losses	3.0
Loss on the spread of infectious disease	3.0

Sales by Reported Segment (Apr. 2020 – Jun. 2020)

(Billions of yen)

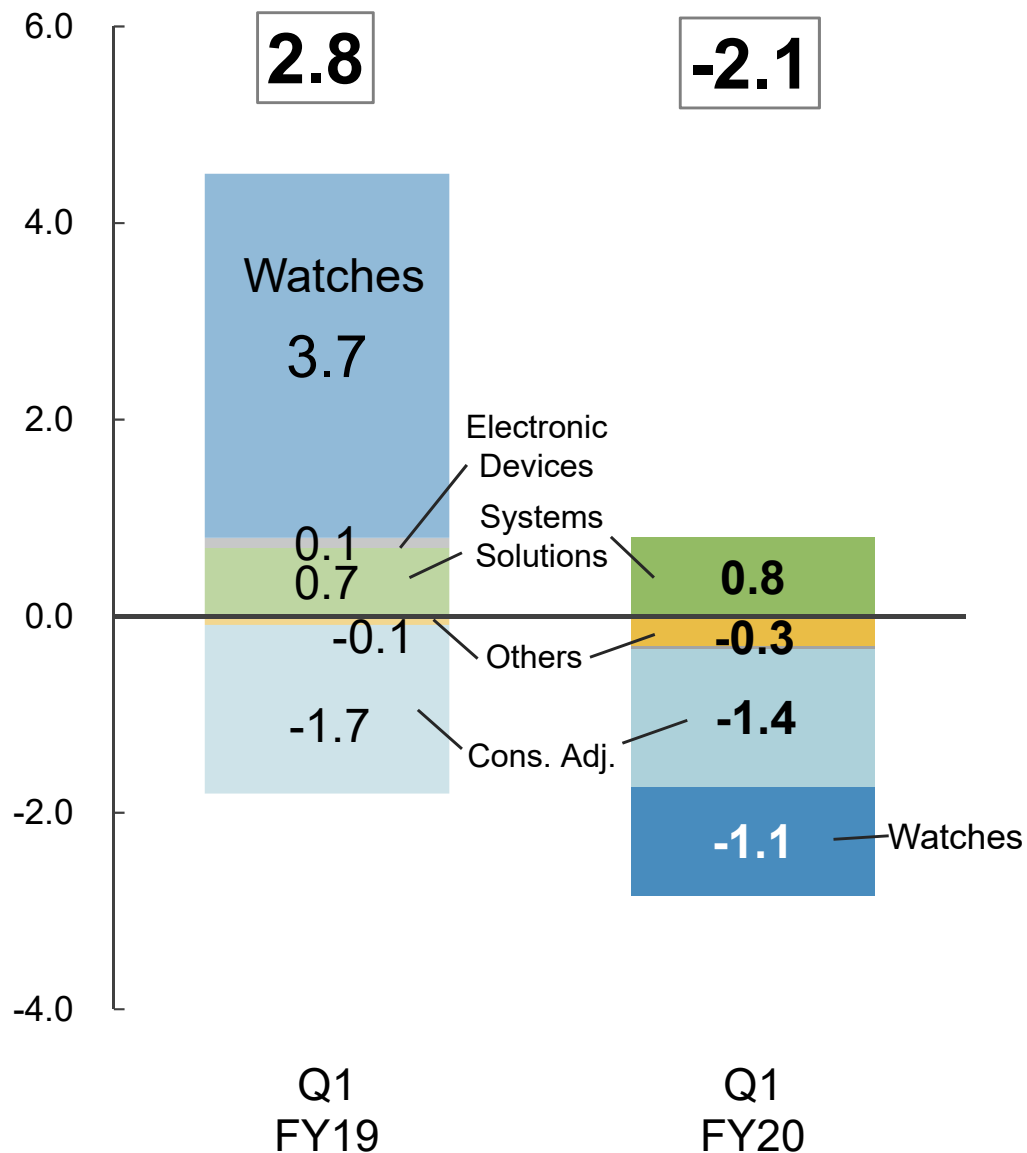


(Billions of yen)

	Net Sales (Composition ratio)		
	FY19 Q1	FY20 Q1	Variance
Watches	33.9 (58%)	14.6 (41%)	-19.2
Electronic Devices	12.8 (22%)	10.7 (30%)	-2.0
Systems Solutions	7.7 (13%)	8.7 (25%)	+1.0
Sub Total	54.4	34.2	-20.2
Others	6.6 (11%)	3.8 (11%)	-2.7
Cons. Adj.	-2.5 (-4%)	-2.4 (-7%)	+0.1
Cons. Total	58.5	35.6	-22.9

Operating Profit by Reported Segment (Apr. 2020 - Jun. 2020)

(Billions of yen)



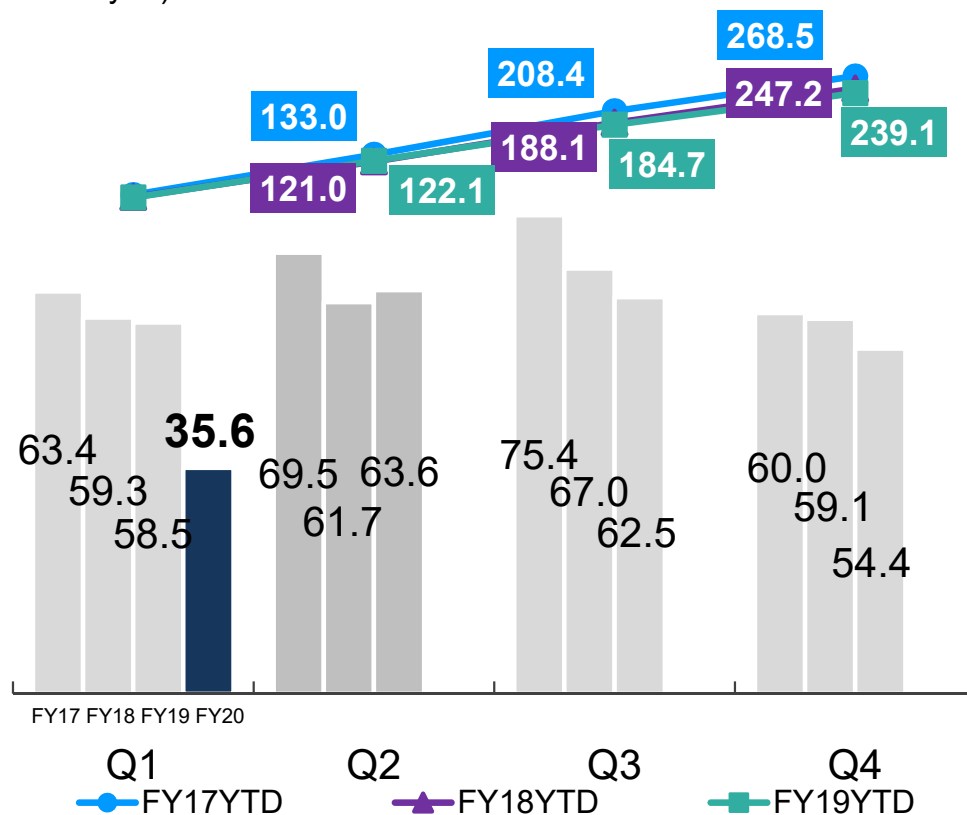
(Billions of yen)

	Operating Profit		
	FY19 Q1	FY20 Q1	Variance
Watches	3.7	-1.1	-4.9
Electronic Devices	0.1	-0.0	-0.2
Systems Solutions	0.7	0.8	+0.0
Sub Total	4.7	-0.3	-5.0
Others	-0.1	-0.3	-0.1
Cons. Adj.	-1.7	-1.4	+0.2
Cons. Total	2.8	-2.1	-5.0

Consolidated Quarterly Performance

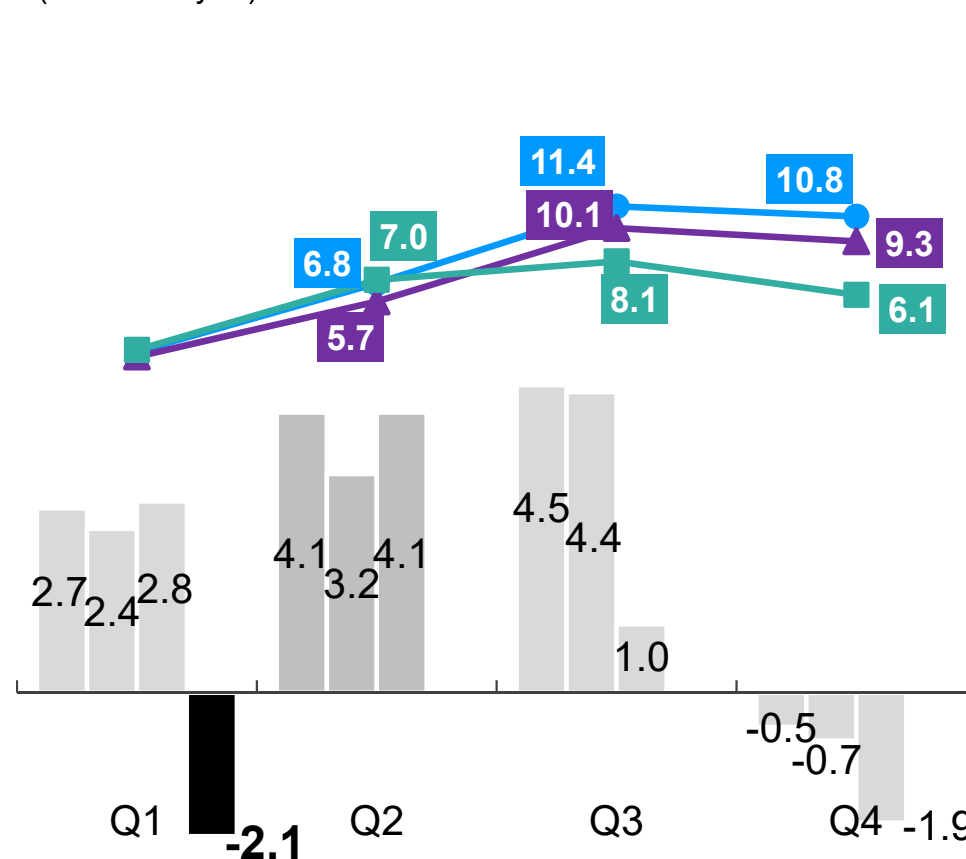
Net Sales

(Billions of yen)



Operating Profit

(Billions of yen)



<Net sales growth % vs. previous fiscal year>

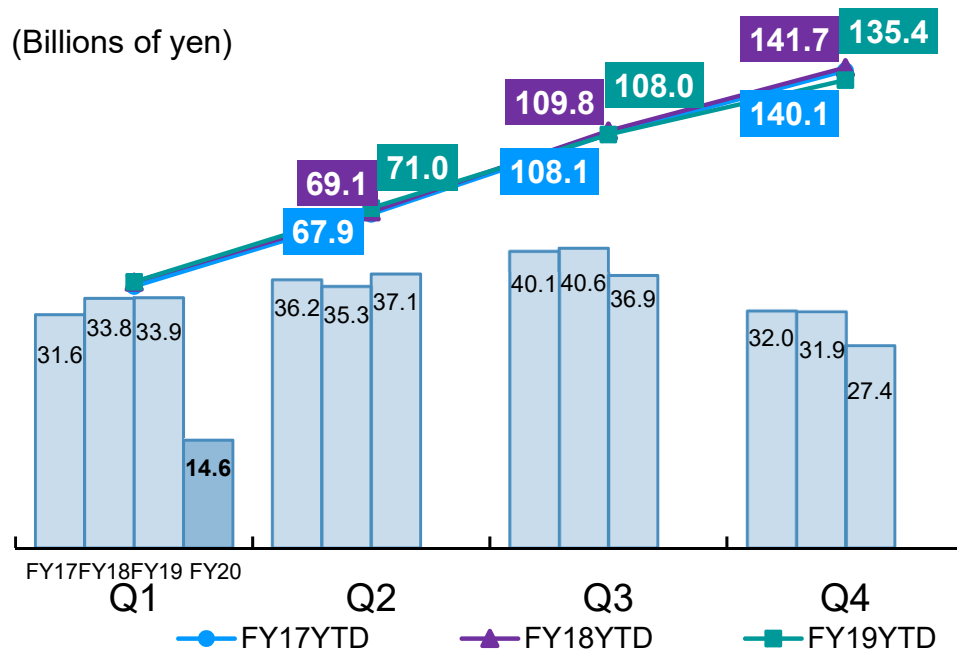
	Q1	Q2	Q3	Q4	Total
FY20	-39.2%				
FY19	-1.4%	+3.1%	-6.7%	-8.0%	-3.3%
FY18	-6.5%	-11.3%	-11.1%	-1.5%	-7.9%

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	Q1	Q2	Q3	Q4	Total
FY20	-6.1%				
FY19	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%

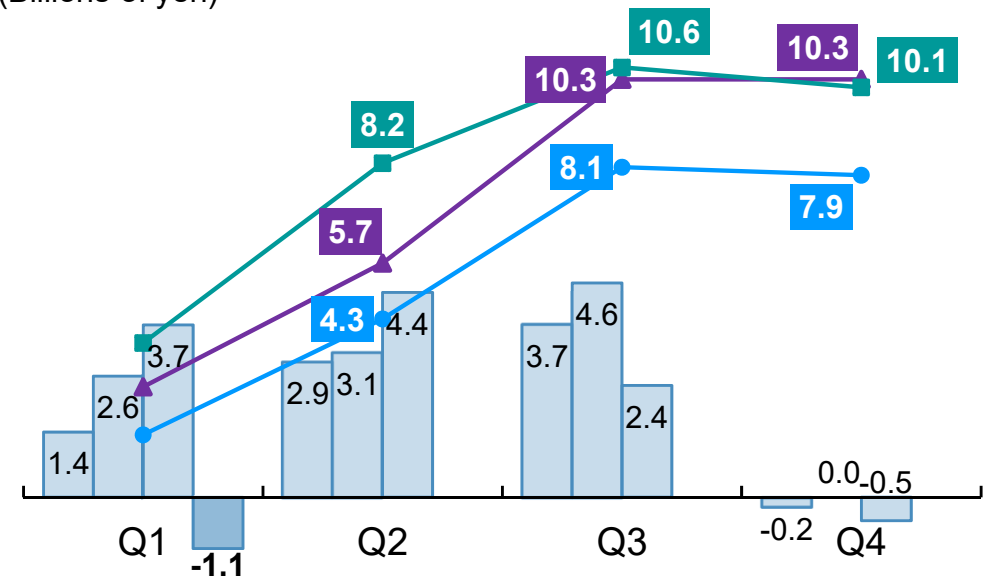
Net Sales

(Billions of yen)



Operating Profit

(Billions of yen)



<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
FY20	-56.7%				
FY19	+0.3%	+5.1%	-9.0%	-14.2%	-4.5%
FY18	+6.7%	-2.4%	+1.1%	-0.1%	+1.2%

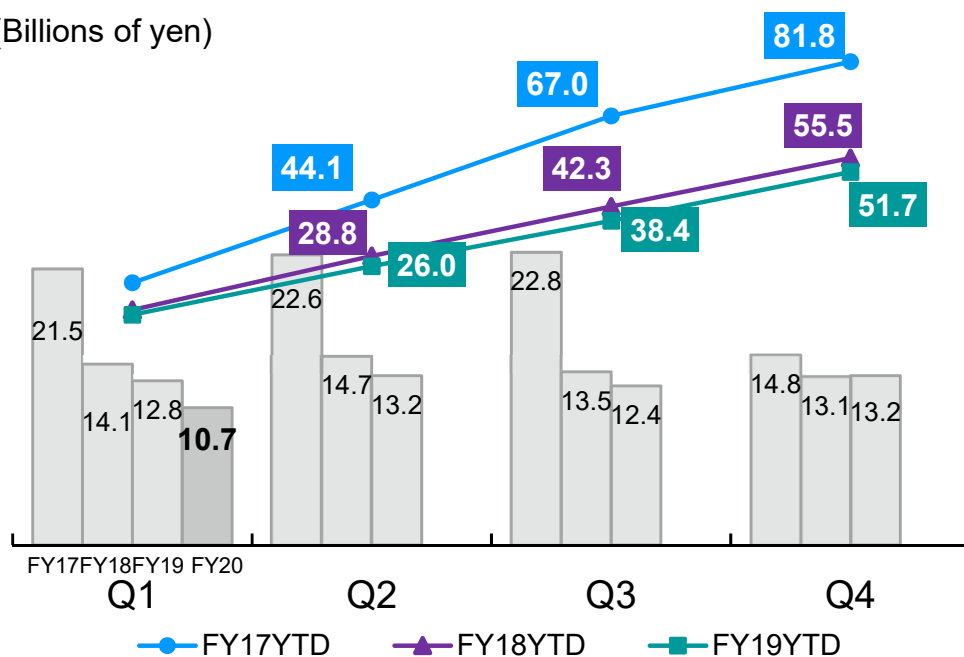
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	Q1	Q2	Q3	Q4	Total
FY20	-7.9%				
FY19	11.1%	12.0%	6.7%	-1.9%	7.5%
FY18	7.7%	8.8%	11.3%	0.1%	7.3%
FY17	4.5%	8.1%	9.3%	-0.7%	5.6%

- **Watches (In Japan)** : Seiko Prospex, the limited-edition models commemorating the 55th Anniversary of Seiko's diver's watch, saw a strong performance and net sales of Seiko Prospex for the single month of June after the state of emergency was lifted were up from the month of June 2019. All distribution channels were affected by the COVID-19. In particular, department stores and mass retailers, strong in urban central areas, were greatly affected.
- **Watches (In Overseas)** : Net sales of Grand Seiko in China for all months from April to June exceeded those of April to June 2019. Net sales in China in total for the Q1 2020 also surpassed the performance in Q1 2019. In Thailand, overall net sales of watches increased year on year, driven by Grand Seiko and Seiko Presage. In Australia, net sales of Global Brands recovered to roughly the same level as FY2019.
- **Movements** : Net sale saw a stagnant performance due to a sluggish demand for analogue quartz movements and partial restrictions of manufacturing activities for mechanical movements.

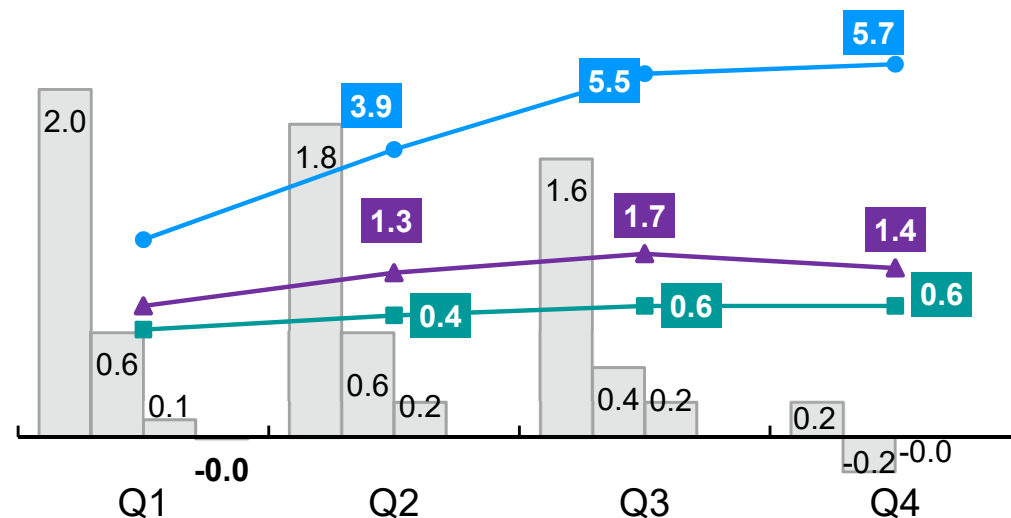
Net Sales

(Billions of yen)



Operating Profit

(Billions of yen)



<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
FY20	-16.0%				
FY19	-9.2%	-10.1%	-8.2%	+0.8%	-6.8%
FY18	-34.6%	-35.0%	-40.6%	-11.2%	-32.1%

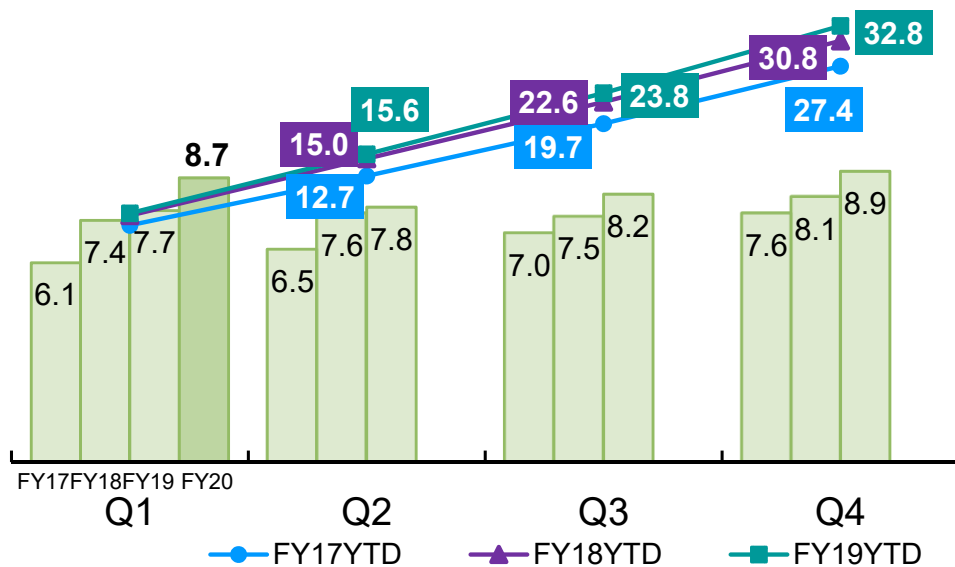
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	Q1	Q2	Q3	Q4	Total
FY20	-0.4%				
FY19	1.5%	1.8%	1.7%	-0.3%	1.2%
FY18	4.5%	4.6%	3.0%	-2.2%	2.5%
FY17	9.5%	8.2%	7.2%	1.7%	7.1%

Sales of printer-related products were sluggish mainly due to a delayed recovery in demand in China and other markets along with the spread of the novel coronavirus. Meanwhile, sales of products such as high-performance metals for semiconductor production equipment and precision components for data centers were favorable.

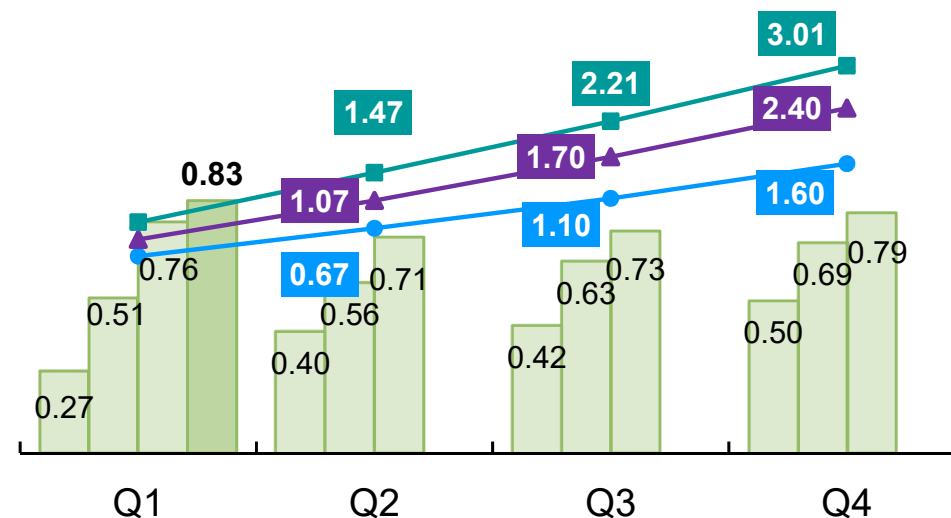
Net Sales

(Billions of yen)



Operating Profit

(Billions of yen)



<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
FY20	+13.3%				
FY19	+4.3%	+3.1%	+9.0%	+9.7%	+6.6%
FY18	+19.9%	+17.1%	+7.6%	+6.8%	+12.4%

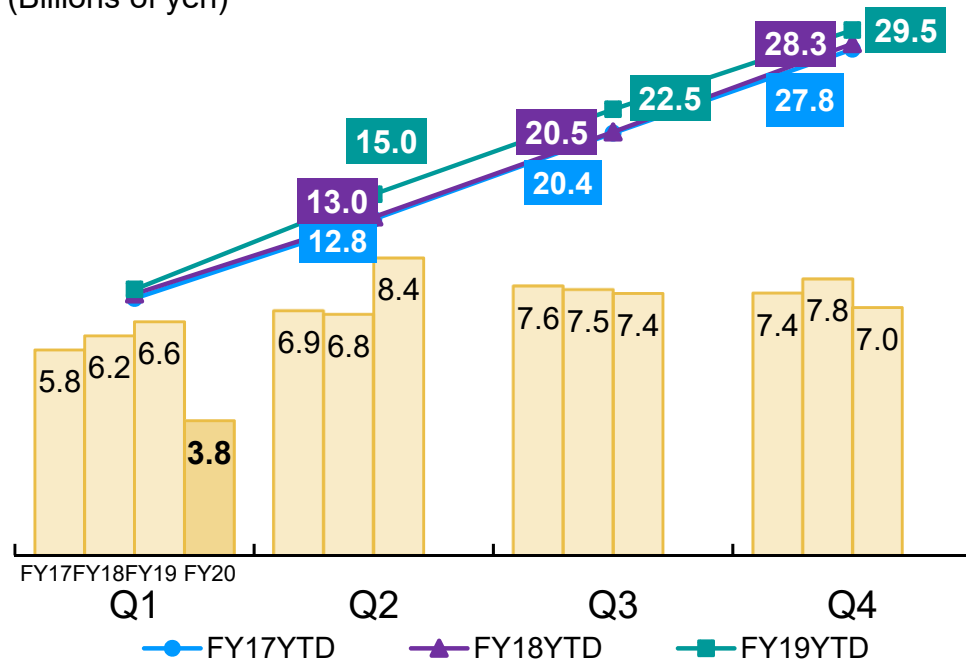
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	Q1	Q2	Q3	Q4	Total
FY20	9.5%				
FY19	9.8%	9.1%	9.0%	8.9%	9.2%
FY18	6.9%	7.4%	8.3%	8.5%	7.8%
FY17	4.4%	6.2%	6.0%	6.6%	5.9%

Although some business struggled due to the spread of the novel coronavirus, in addition to COSMO CO., LTD. being made into a subsidiary in April, sales grew in payment-related businesses, application performance management software and other areas.

Net Sales

(Billions of yen)

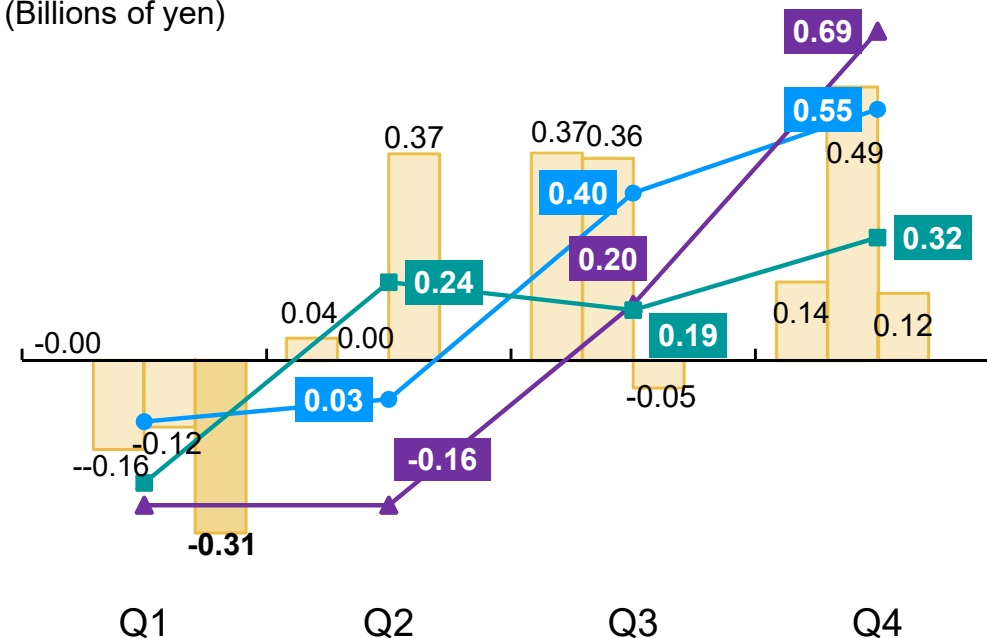


<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total
FY20	-41.8%				
FY19	+6.6%	+23.6%	-0.4%	-9.8%	+4.3%
FY18	+5.4%	-2.1%	-1.4%	+5.9%	+1.8%

Operating Profit

(Billions of yen)



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	Q1	Q2	Q3	Q4	Total
FY20	-8.1%				
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%

Net sales for April and May fell significantly in the Wako Business, which closed its stores for about 2 months following the government's declaration of a state of emergency in Japan due to the spread of the COVID-19, as well as in the Clocks Business, with many of its distribution channels, such as department stores and mass retailers, having been shut down.

Balance Sheets as of June 30, 2020

(Billions of yen)

	Jun. 30, 2018	Jun. 30, 2019	Mar. 31, 2020(a)	Jun. 30, 2020(b)	Variance (b)-(a)
Inventories	60.5	60.8	65.7	72.5	+6.8
Interest Bearing Debt*	110.1	110.4	115.2	126.9	+11.6

Net Assets	108.6	109.8	104.2	104.0	-0.2
Total Assets	304.9	303.4	299.9	304.6	+4.6

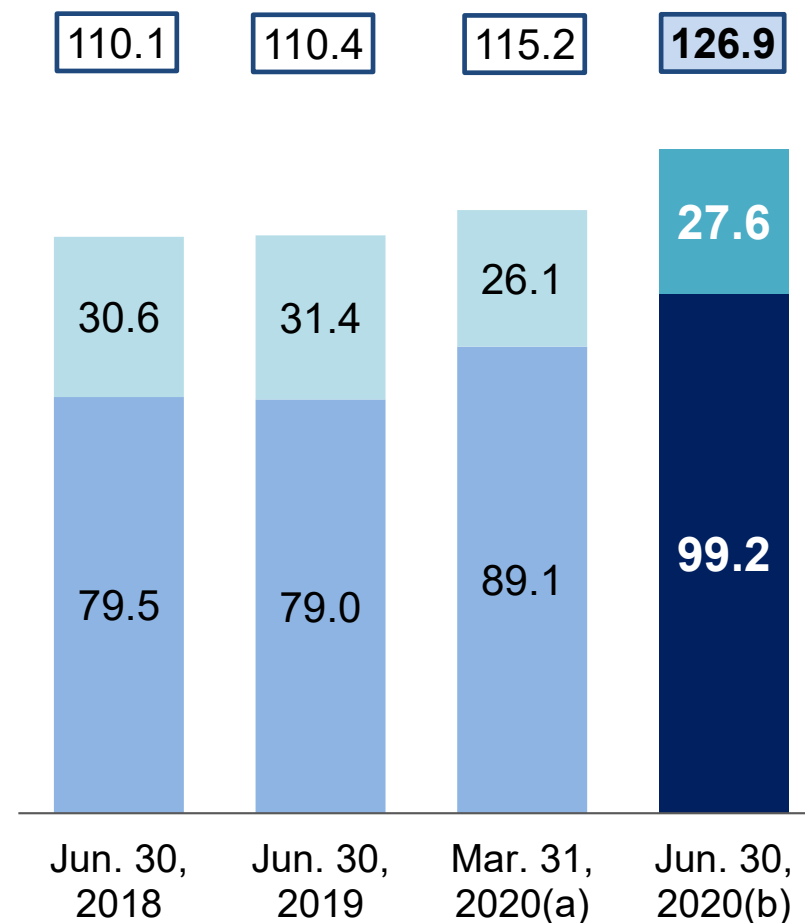
Equity Capital Ratio	35.2%	35.8%	34.4%	33.7%	-0.6pt
Net Debt Equity Ratio	0.7	0.7	0.8	0.9	+0.1
Number of Employees	12,090	12,124	11,947	12,237	+290

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

Interest Bearing Debt *

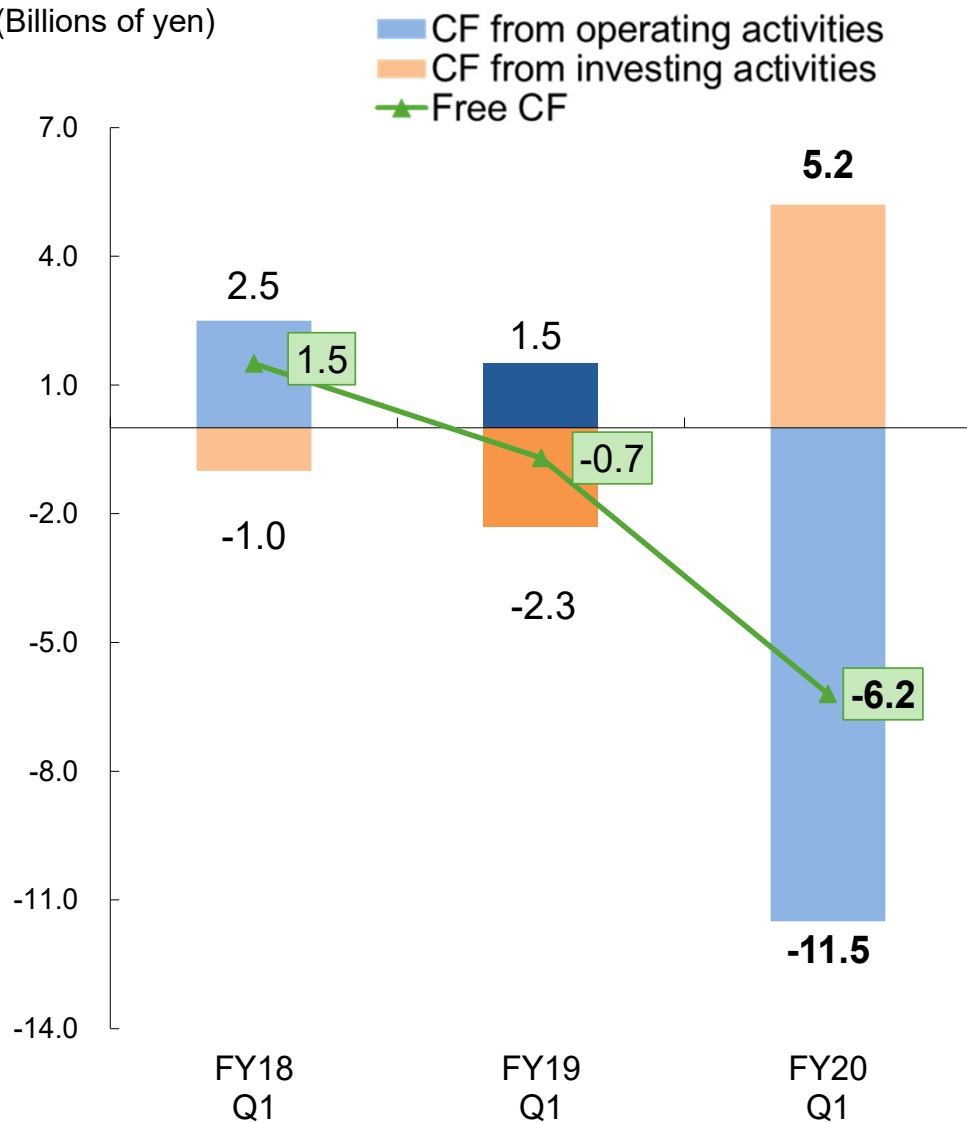
(Billions of yen)

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



Statement of Cash Flows

(Billions of yen)



(Billions of yen)

	FY18 Q1	FY19 Q1	FY20 Q1
Profit before income taxes	3.5	3.2	1.4
Depreciation	2.0	2.5	2.4
Others	-3.0	-4.2	-15.4
Net cash provided by (used in) operating activities	2.5	1.5	-11.5
Purchase of property, plant and equipment	-1.3	-1.6	-3.1
Others	0.3	-0.6	8.3
Net cash provided by (used in) investing activities	-1.0	-2.3	5.2
Net increase (decrease) in loans payable	-3.3	0.7	9.9
Others	-1.6	-1.9	-2.0
Net cash provided by (used in) financing activities	-4.9	-1.1	7.8
Effect of exchange rate change on cash and cash equivalents etc.	0.1	-0.3	-0.0
Cash and cash equivalents	30.6	31.4	27.6
Free cash flow	1.5	-0.7	-6.2

2. Financial Forecast for FY2020

Summary of Financial Forecast for FY2020

(Billions of yen)

	Full Year			Q2-Q4 (9 months)		
	FY19 Actual	FY20 Forecast (Aug. 11)	Variance vs. FY19	FY19 Actual	FY20 Forecast (Aug. 11)	Variance vs. FY19
Net sales	239.1	210.0	-29.1	180.6	174.3	-6.2
Operating profit	6.1	0.2	-5.9	3.3	2.3	-0.9
%	2.6%	0.1%	-2.5pt	1.8%	1.4%	-0.5pt
Ordinary profit	7.0	-1.3	-8.3	3.6	1.2	-2.3
%	2.9%	-0.6%	-	2.0%	0.7%	-1.3pt
Profit attributable to owners of parent	3.3	1.0	-2.3	1.2	0.0	-1.1
%	1.4%	0.5%	-0.9pt	0.7%	0.0%	-0.7pt

*Exchange rates for the forecast Q2-Q4: JPY 105 / USD 1.00, JPY 120 / EUR 1.00

Financial Forecast for FY2020 by Reported Segments

(Billions of yen)

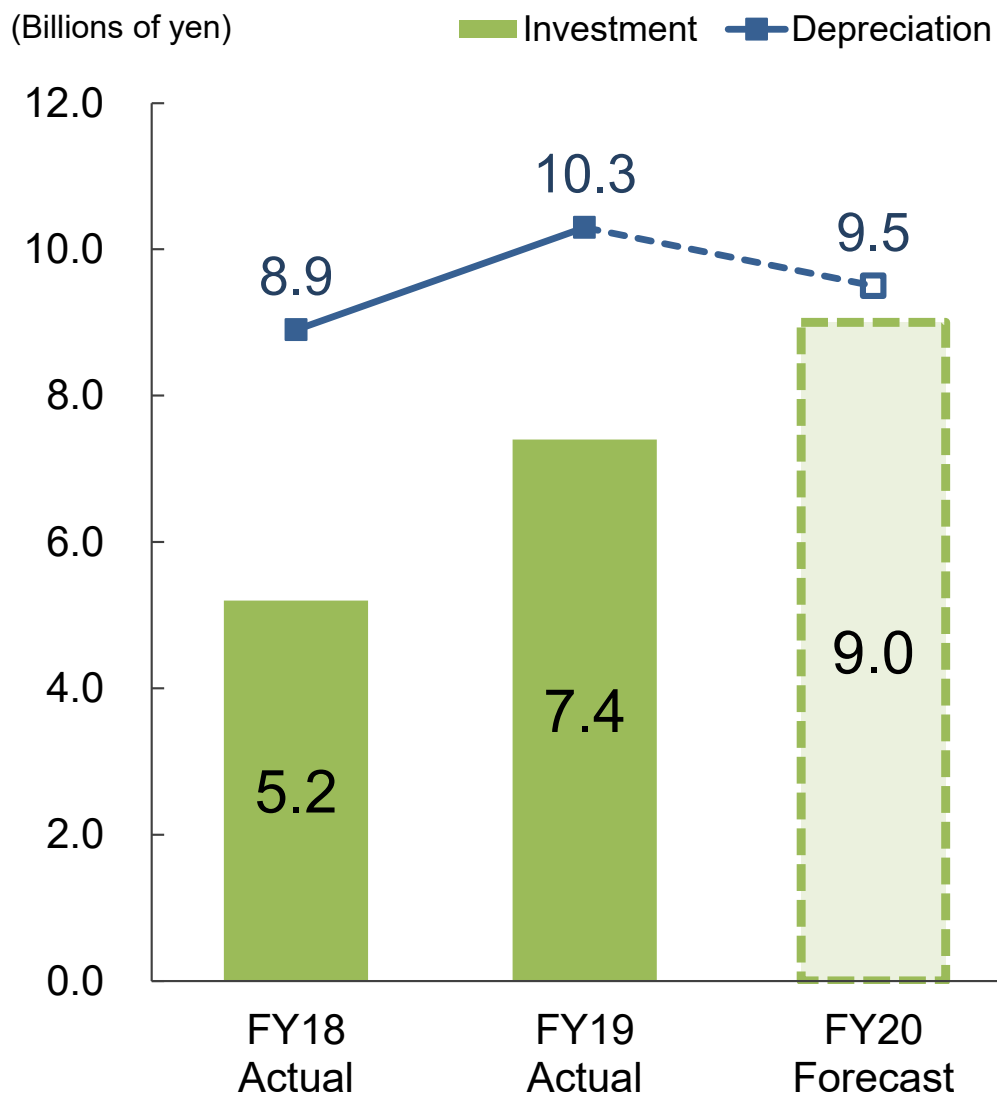
	Net sales			Operating profit		
	FY19 Actual	FY20 Forecast (Aug. 11)	Variance vs. FY19	FY19 Actual	FY20 Forecast (Aug. 11)	Variance vs. FY19
Watches	135.4	110.0	-25.4	10.1	4.5	-5.6
Electronic Devices	51.7	50.0	-1.7	0.6	0.8	+0.1
Systems Solutions	32.8	35.0	+2.1	3.0	3.5	+0.4
Sub total	220.0	195.0	-25.0	13.7	8.8	-4.9
Others	29.5	25.0	-4.5	0.3	0.0	-0.3
Cons. adj.	-10.4	-10.0	+0.4	-7.9	-8.6	-0.6
Cons. total	239.1	210.0	-29.1	6.1	0.2	-5.9

Financial Forecast for FY2020 by Reported Segments

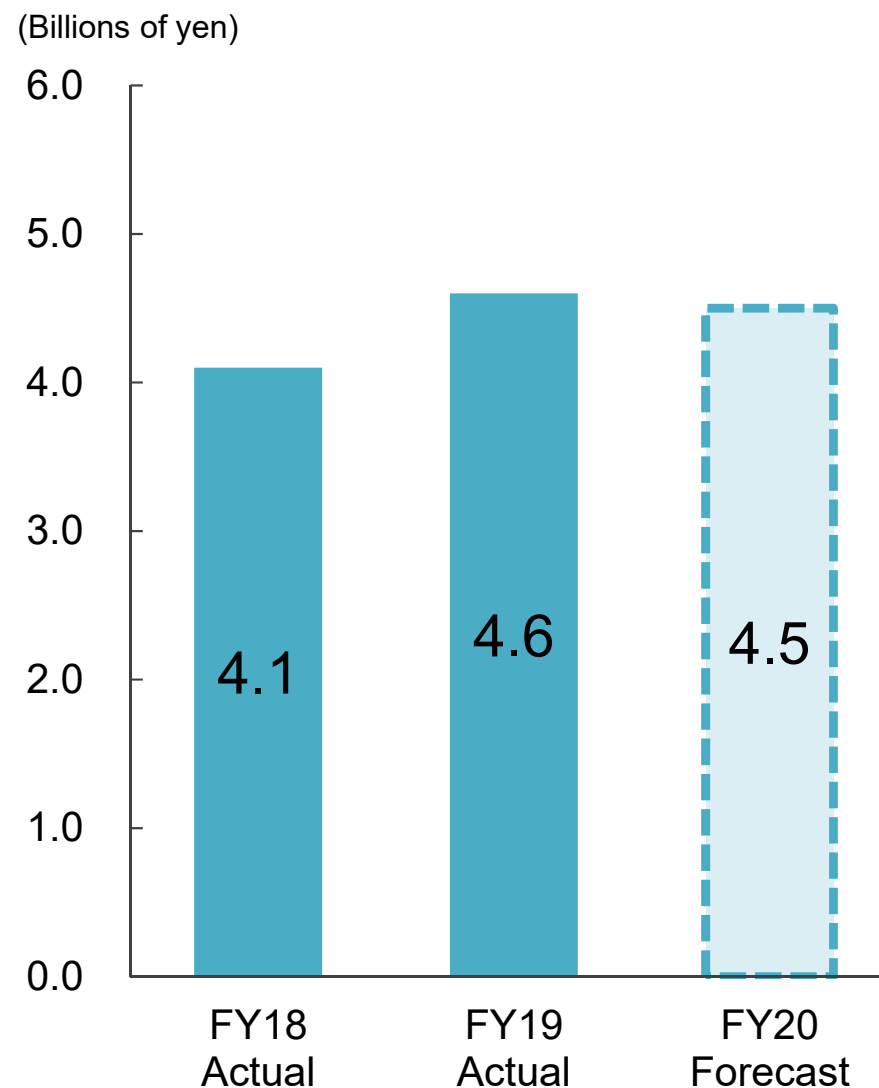
(Billions of yen)

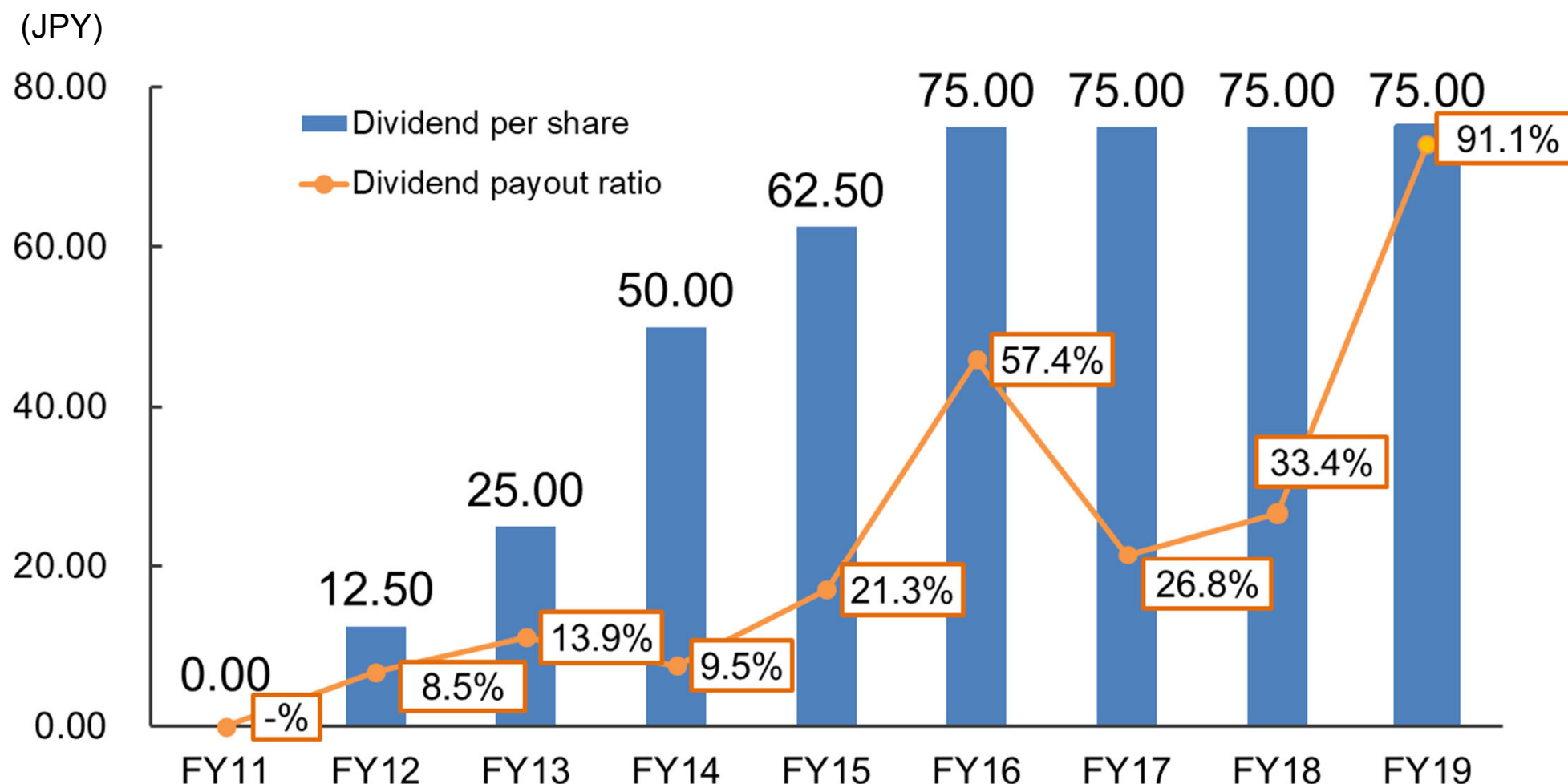
	Net sales Q2-Q4 (9 months)			Operating profit Q2-Q4 (9 months)		
	FY19 Actual	FY20 Forecast (Aug. 11)	Variance vs. FY19	FY18 Actual	FY20 Forecast (Aug. 11)	Variance vs. FY19
Watches	101.5	95.3	-6.2	6.4	5.6	-0.7
Electronic Devices	38.9	39.2	+0.3	0.4	0.8	+0.4
Systems Solutions	25.0	26.2	+1.1	2.2	2.6	+0.4
Sub total	165.5	160.7	-4.7	9.0	9.1	+0.0
Others	22.9	21.1	-1.8	0.4	0.3	-0.1
Cons. adj.	-7.9	-7.5	+0.3	-6.2	-7.1	-0.8
Cons. total	180.6	174.3	-6.2	3.3	2.3	-0.9

Investment / Depreciation



R&D Expense





**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.*

**The dividends forecast for FY2020 has not been determined yet at present.*

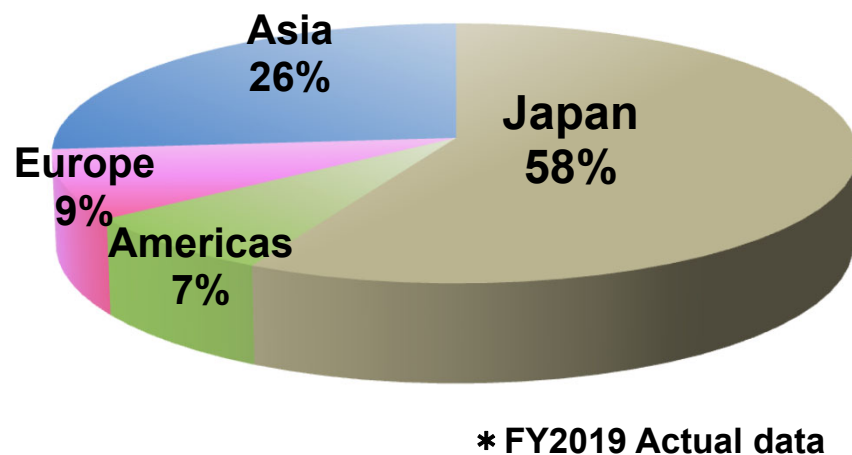
Sensitivity Exchange Rate (Jul. 2020-Mar.2021)

(Millions of yen)	USD	EUR
Exchange rate forecast	JPY 105.00	JPY 120.00
For <u>Net sales</u>	Approx. 650	Approx. 100
For <u>Operating profit</u>	Approx. 100	Approx. 30

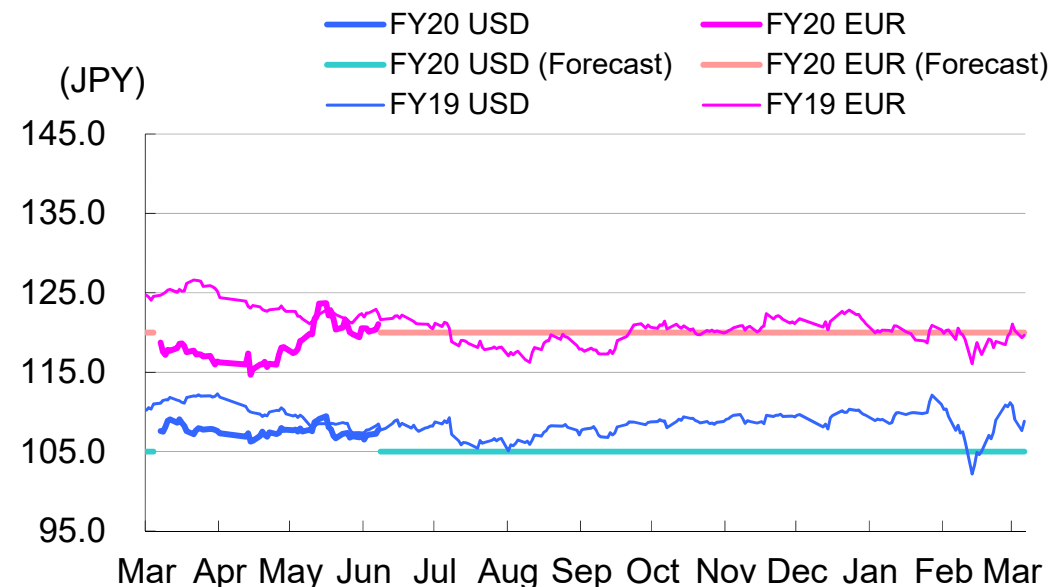
FY2020

(JPY)		Q1	Forecasted rate
Average	USD	107.6	105.0
	EUR	118.6	120.0
Closing Date	USD	107.7	105.0
	EUR	121.1	120.0

Sales by Area



Trend of Exchange Rate



End

**The forecasted results which appear in this presentation 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.*