

May 11, 2018

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 2018

Financial Highlights

For the fiscal year ended March 31, 2018 (FY2017)

	FY2017		FY2016
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	268,529	2,526.9	257,115
Operating profit	10,836	102.0	7,487
Ordinary profit	10,911	102.7	6,671
Profit attributable to owners of parent	11,541	108.6	5,392
Earnings per share (yen/USD)	¥ 280.01	US\$ 2.63	¥ 130.71
Cash dividends per share (yen/USD)	¥ 75.00	US\$ 0.71	¥ 75.00
	March 31, 2018		March 31, 2017
Total assets	307,590	2,894.4	328,857
Net assets	105,170	989.6	107,161

Note1: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 106.27 yen/dollar.

Note2: The Company has conducted share consolidation by which five common shares have been consolidated into one share on October 1, 2017. Earnings per share and Cash dividends per share for the consolidated business results represent figures on the presumption that said share consolidation is performed at the beginning of the previous consolidated fiscal year (FY2016).

Business Results

1. Overview

During the fiscal year ended March 31, 2018, in the world economy, a balanced economic recovery continued in both developed and emerging countries, due to factors including steady performance in the U.S. and European economies, continued stable growth of the Chinese economy, and accelerated growth in Asian economies. However, the outlook for the world economy is increasingly uncertain owing to interest rate hikes in countries including the U.S. and rising protectionism.

The Japanese economy recovered gradually in response to a recovery in exports and production activities followed by an improvement in personal consumption and in the employment and income situation. However, there are grounds for concern regarding future trends in an unstable stock market and foreign exchange rates, and geopolitical risks such as the situation in North Korea.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 2/19

For the fiscal year ended March 31, 2018, the Company reported consolidated net sales of 268.5 billion yen, a year-on-year increase of 11.4 billion yen, or 4.4%. On a per-segment basis, sales under the Watches Business, the Systems Solutions Business, and Others all grew compared to the previous fiscal year. Sales under the Electronic Devices Business declined from the previous fiscal year due to the impact of the exclusion of the semiconductor business from the scope of consolidation. On an overall consolidated basis, domestic net sales came to 143.0 billion yen (a year-on-year increase of 6.1%), and overseas net sales were 125.4 billion yen (a year-on-year increase of 2.6%). Overseas net sales comprised 46.7% of net sales overall.

In terms of income, operating profit increased 3.3 billion yen compared to the previous fiscal year to 10.8 billion yen (a year-on-year increase of 44.7%), due to an increase in net sales and other factors. Ordinary profit increased by 4.2 billion yen from the previous fiscal year to become 10.9 billion yen (a year-on-year increase of 63.5%), due to improvement in non-operating income and expenses mainly owing to improvement in share of profit/loss of entities accounted for using the equity method and a decrease in interest expenses. Gain on transfer of the semiconductor business of 9.3 billion yen was posted as extraordinary income, and provision of reserve for loss on lease contracts of 2.1 billion yen and business structure improvement expenses of 1.9 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 increased 6.1 billion yen from the previous fiscal year to become 11.5 billion yen (a year-on-year increase of 114.0%).

Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business came to 140.1 billion yen, a year-on-year increase of 5.5 billion yen, or 4.1%. In Japan, the independently branded Grand Seiko performed strongly, and sales of Presage and Prospex were also up year on year due to the introduction of new products. On a distribution channel basis, sales to independent stores and outlets as well as via the Internet rose compared to the previous fiscal year. On the overseas front, e-commerce sales were robust in China, and sales were strong for Asia and Europe as well, with the effects of foreign exchange rates being one of the factors. In addition, sales of watch movements were up year on year as market conditions began to recover for some of the products.

With regard to income, the increase in net sales resulted in 7.9 billion yen in operating income (a year-on-year increase of 3.8%).

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 81.8 billion yen, a year-on-year decrease of 2.2 billion yen, or 2.6%. Although net sales declined due to the exclusion of the semiconductor

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 3/19

business from the scope of consolidation in January 2018, operating income grew 1.9 billion yen from the previous fiscal year to 5.7 billion yen (a year-on-year increase of 52.1%), due to the strong performance of 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 27.4 billion yen (a year-on-year increase of 35.1%), and operating income to 1.6 billion yen (a year-on-year increase of 25.1%). In addition to the acquisition of IIM Corporation, which provides computer performance management software, sales were favorable for businesses including various mobile wireless communication devices for automobiles and for home security, and network-related devices mainly for broadcasting and telecommunications.

d. Others

Net sales under Others amounted to 27.8 billion yen (a year-on-year increase of 3.0%), and operating profit to 0.5 billion yen (a year-on-year increase of 81.0%). 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.

2. Financial Condition

-Assets

Total assets at the close of the fiscal year ended March 31, 2018 amounted to 307.5 billion yen, a decrease of 21.2 billion yen from the close of the previous fiscal year. Total current assets came to 142.4 billion yen, a decrease of 11.4 billion yen from the close of the previous fiscal year. This was due to decreases of 5.1 billion yen in merchandise and finished goods, 2.9 billion yen in work in process, and 1.6 billion yen in notes and accounts receivable - trade. Under non-current assets, decreases of 6.5 billion yen in property, plant and equipment and 5.0 billion yen in investments and other assets due to a decrease of 5.9 billion yen in deferred tax assets resulted in total non-current assets of 165.1 billion yen, a decrease of 9.8 billion yen relative to the close of the previous fiscal year.

-Liabilities

For liabilities, total loans came to 111.4 billion yen, due to an increase of 0.4 billion yen in short-term loans payable and decreases of 8.5 billion yen in the current portion of long-term loans payable and 13.9 billion yen in long-term loans payable. In addition, notes and accounts payable - trade increased by 3.7 billion yen. As a result, total liabilities amounted to 202.4 billion yen, a decrease of 19.2 billion yen over the close of the previous fiscal year.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 4/19

-Net assets

With regard to net assets, total net assets decreased by 1.9 billion yen over the close of the previous fiscal year to become 105.1 billion yen, due to decreases of 7.8 billion yen in non-controlling interests and 3.3 billion yen in valuation difference on available-for-sale securities, offsetting an increase of 8.4 billion yen in retained earnings.

3. Overview of Cash Flows for the Year Ended March 31, 2018

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2018 came to 33.9 billion yen, a decline of 1.4 billion yen relative to the end of the previous fiscal year. This is primarily due to the following factors:

-Cash flows from operating activities

Net cash flow from operating activities came to 27.8 billion yen. This was the result of the Company posting 15.8 billion yen in profit before income taxes, factoring in depreciation amounting to 10.1 billion yen, a 1.9 billion-yen decrease in inventories, and a 9.3 billion-yen increase in notes and accounts payable - trade, in addition to 9.3 billion yen in loss (gain) on transfer of business (posted as a decrease), and extra retirement payments of 2.2 billion yen (posted as a decrease).

-Cash flows from investing activities

Net cash flow from investment activities came to negative 17.4 billion yen due mainly to 6.9 billion yen in purchase of property, plant and equipment (posted as a decrease), 3.2 billion yen in purchase of long-term prepaid expenses (posted as a decrease), and 4.3 billion yen in the total of purchase of shares of subsidiaries resulting in change in scope of consolidation and payments for sales of shares of subsidiaries resulting in change in scope of consolidation (posted as a decrease).

-Cash flows from financing activities

Net cash flow from financing activities came to negative 11.7 billion yen due mainly to the repayments of long- and short-term loans payable and borrowings that combined for a net amount of 7.9 billion yen (posted as a decrease), and 3.1 billion yen in cash dividends paid (posted as a decrease).

4. Outlook for the Future

The world economy can be expected to develop steadily for the time being due to robust trade in addition to favorable consumer and corporate sentiment. However, there is increasing risk of a downturn in the outlook, including possible acceleration of interest rate hikes in the U.S. against the backdrop of rising inflation, and the risk that trade friction between the U.S. and China could increase and impede world economic growth. The Japanese economy is expected to continue to recover gradually, amid ongoing improvement in the employment and income situation, in addition to the effects of various government measures. However, uncertainty in overseas economies and

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 5/19

fluctuations in financial and capital markets should be kept in mind.

Amid such a business environment, the Company will continue striving to increase the Seiko brand value while working to grow profits in the Watches Business in all markets throughout the world, particularly for high-priced products. The Company will also work to further improve earnings in the Electronic Devices Business and the Systems Solutions Business. Note that assumed exchange rates for the next fiscal year are as follows: 1 US dollar = 105 yen; 1 euro = 125 yen.

The outlook for consolidated financial results in the next fiscal year is as follows:

■ Forecast for the consolidated business results for the year ending March 31, 2019 (FY2018)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	250.0	93.1
Operating profit	8.0	73.8
Ordinary profit	9.0	82.5
Profit attributable to owners of parent	6.5	56.3
Earnings per share (yen)	JPY 157.70	

■ Forecasted results by segment for the year ending March 31, 2019 (FY2018)

	Net Sales (Billions of yen)	Operating Profit (Billions of yen)
Watches Business	140.0	9.0
Electronic Devices Business	60.0	2.0
Systems Solutions Business	29.0	2.0
Total for all business segments	229.0	13.0
Others	30.0	0.5
Consolidated total	250.0	8.0

Note: Consolidated total represents figures after consolidation adjustment such as the elimination of inter-segment sales.

The forecasted results which appear in this report have been prepared based solely on the information which was available to us as of the date on which the report was released. As a result, actual results may differ from the forecasted figures due to a number of factors, such as changes in the business environment in the future.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 6/19

Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	34,229	35,355
Notes and accounts receivable - trade	38,109	39,730
Merchandise and finished goods	38,381	43,514
Work in process	10,701	13,627
Raw materials and supplies	7,928	9,035
Accounts receivable - other	3,537	3,679
Deferred tax assets	4,216	3,992
Other	6,589	6,250
Allowance for doubtful accounts	(1,206)	(1,260)
Total current assets	142,488	153,925
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,303	72,678
Machinery, equipment and vehicles	80,147	83,501
Tools, furniture and fixtures	30,419	31,297
Other	1,766	2,908
Accumulated depreciation	(145,116)	(144,359)
Land	49,199	48,945
Construction in progress	779	1,026
Total property, plant and equipment	89,498	95,998
Intangible assets		
Goodwill	9,149	7,298
Other	8,887	9,038
Total intangible assets	18,036	16,336
Investments and other assets		
Investment securities	46,774	48,131
Deferred tax assets	2,092	8,060
Other	8,908	6,583
Allowance for doubtful accounts	(208)	(178)
Total investments and other assets	57,566	62,596
Total non-current assets	165,102	174,931
Total assets	307,590	328,857

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 7/19

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,921	21,196
Electronically recorded obligations - operating	7,956	7,021
Short-term loans payable	49,916	49,468
Current portion of long-term loans payable	21,476	30,038
Accounts payable - other	12,598	13,311
Income taxes payable	1,275	936
Deferred tax liabilities	2	20
Provision for bonuses	3,534	3,995
Provision for goods warranties	445	432
Provision for loss on lease contracts	348	-
Other provision	350	213
Asset retirement obligations	51	0
Other	11,589	10,131
Total current liabilities	134,469	136,767
Non-current liabilities		
Long-term loans payable	40,075	54,055
Deferred tax liabilities	4,811	7,381
Deferred tax liabilities for land revaluation	3,614	3,614
Provision for loss on lease contracts	1,832	-
Provision for environmental measures	351	217
Provision for gift certificate exchange losses	157	162
Provision for long-term goods warranties	77	77
Provision for loss on business withdrawal	57	52
Provision for directors' retirement benefits	36	39
Other provision	38	18
Net defined benefit liability	10,810	12,428
Asset retirement obligations	676	702
Other	5,410	6,177
Total non-current liabilities	67,950	84,928
Total liabilities	202,420	221,696

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 8/19

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	67,975	59,535
Treasury shares	(334)	(329)
Total shareholders' equity	84,886	76,451
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,639	14,962
Deferred gains or losses on hedges	(294)	39
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	468	(402)
Remeasurements of defined benefit plans	(879)	(1,121)
Total accumulated other comprehensive income	19,123	21,668
Non-controlling interests	1,159	9,042
Total net assets	105,170	107,161
Total liabilities and net assets	307,590	328,857

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 9/19

Statements of Income

(Millions of yen)

	FY2017	FY2016
Net sales	268,529	257,115
Cost of sales	166,231	160,823
Gross profit	102,297	96,292
Selling, general and administrative expenses	91,461	88,804
Operating profit	10,836	7,487
Non-operating income		
Interest income	152	147
Dividend income	735	734
Share of profit of entities accounted for using equity method	734	-
House rent and other rental revenues	426	422
Royalty income	386	333
Other	820	1,007
Total non-operating income	3,255	2,645
Non-operating expenses		
Interest expenses	1,293	1,779
Foreign exchange losses	558	294
Share of loss of entities accounted for using equity method	-	6
Other	1,327	1,380
Total non-operating expenses	3,180	3,460
Ordinary profit	10,911	6,671
Extraordinary income		
Gain on transfer of business	9,373	-
Gain on sales of non-current assets	-	490
Total extraordinary income	9,373	490
Extraordinary losses		
Provision of reserve for loss on lease contracts	2,181	-
Business structure improvement expenses	1,955	112
Impairment loss	177	-
Loss on liquidation of subsidiaries and associates	142	-
Settlement payment related to patent contracts	-	530
Restructuring expenses	-	403
Total extraordinary losses	4,456	1,046

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 10/19

(Millions of yen)

	FY2017	FY2016
Profit before income taxes	15,828	6,115
Income taxes - current	2,338	1,668
Income taxes - deferred	470	(1,837)
Total income taxes	2,809	(169)
Profit	13,019	6,285
Profit attributable to non-controlling interests	1,477	892
Profit attributable to owners of parent	11,541	5,392

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 11/19

Statements of Comprehensive Income

(Millions of yen)

	FY2017	FY2016
Profit	13,019	6,285
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,692)	4,395
Deferred gains or losses on hedges	(320)	57
Foreign currency translation adjustment	202	(936)
Remeasurements of defined benefit plans, net of tax	93	(367)
Share of other comprehensive income of entities accounted for using equity method	1,199	(1,571)
Total other comprehensive income	(2,518)	1,576
Comprehensive income	10,501	7,862
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,996	6,950
Comprehensive income attributable to non-controlling interests	1,504	911

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 12/19

Statements of Changes in Equity

For Year Ended March 31, 2017

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,246	57,323	(158)	74,411
Changes of items during period					
Dividends of surplus			(3,101)		(3,101)
Profit attributable to owners of parent			5,392		5,392
Purchase of treasury shares				(1)	(1)
Treasury stock possession of stock ownership plan trust				(170)	(170)
Change of scope of consolidation			(54)		(54)
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Other			(24)		(24)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	2,212	(171)	2,039
Balance at end of current period	10,000	7,245	59,535	(329)	76,451

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 13/19

Millions of yen

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,719	(28)	8,190	1,647	(417)	20,110	8,170	102,692
Changes of items during period								
Dividends of surplus								(3,101)
Profit attributable to owners of parent								5,392
Purchase of treasury shares								(1)
Treasury stock possession of stock ownership plan trust								(170)
Change of scope of consolidation								(54)
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Other								(24)
Net changes of items other than shareholders' equity	4,242	67	-	(2,049)	(703)	1,557	871	2,429
Total changes of items during period	4,242	67	-	(2,049)	(703)	1,557	871	4,469
Balance at end of current period	14,962	39	8,190	(402)	(1,121)	21,668	9,042	107,161

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 14/19

For Year Ended March 31, 2018

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,245	59,535	(329)	76,451
Changes of items during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			11,541		11,541
Purchase of treasury shares				(4)	(4)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	8,440	(4)	8,435
Balance at end of current period	10,000	7,245	67,975	(334)	84,886

Millions of yen

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	14,962	39	8,190	(402)	(1,121)	21,668	9,042	107,161
Changes of items during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								11,541
Purchase of treasury shares								(4)
Net changes of items other than shareholders' equity	(3,322)	(334)	-	870	242	(2,544)	(7,882)	(10,426)
Total changes of items during period	(3,322)	(334)	-	870	242	(2,544)	(7,882)	(1,990)
Balance at end of current period	11,639	(294)	8,190	468	(879)	19,123	1,159	105,170

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 15/19

Statements of Cash Flows

(Millions of yen)

	FY2017	FY2016
Cash flows from operating activities		
Profit before income taxes	15,828	6,115
Depreciation	10,128	10,959
Increase (decrease) in provision for directors' retirement benefits	(2)	(32)
Increase (decrease) in allowance for doubtful accounts	162	(156)
Increase (decrease) in net defined benefit liability	(757)	(942)
Interest and dividend income	(887)	(882)
Interest expenses	1,293	1,779
Foreign exchange losses (gains)	203	7
Share of loss (profit) of entities accounted for using equity method	(734)	6
Impairment loss	177	-
Loss (gain) on transfer of business	(9,373)	-
Loss (gain) on sales of non-current assets	-	(490)
Loss on retirement of non-current assets	276	152
Decrease (increase) in notes and accounts receivable - trade	(2,438)	2,095
Decrease (increase) in inventories	1,990	(1,198)
Increase (decrease) in notes and accounts payable - trade	9,310	(4,033)
Other, net	6,865	(1,744)
Subtotal	32,043	11,636
Interest and dividend income received	887	882
Proceeds from dividend income from entities accounted for using equity method	213	113
Interest expenses paid	(1,291)	(1,786)
Extra retirement payments	(2,299)	(4,030)
Income taxes paid	(1,667)	(2,605)
Net cash provided by (used in) operating activities	27,885	4,209

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 16/19

(Millions of yen)

	FY2017	FY2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,954)	(12,138)
Proceeds from sales of property, plant and equipment	124	1,316
Purchase of long-term prepaid expenses	(3,274)	(622)
Purchase of investment securities	(966)	(602)
Proceeds from sales of investment securities	6	15
Payments of loans receivable	(725)	(470)
Collection of loans receivable	646	569
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,095)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,264)	-
Other, net	(1,927)	(1,266)
Net cash provided by (used in) investing activities	(17,430)	(13,200)
Cash flows from financing activities		
Increase in short-term loans payable	943,237	514,313
Decrease in short-term loans payable	(942,950)	(504,385)
Proceeds from long-term loans payable	24,200	54,800
Repayments of long-term loans payable	(32,476)	(55,852)
Cash dividends paid	(3,100)	(3,101)
Other, net	(669)	(60)
Net cash provided by (used in) financing activities	(11,759)	5,713
Effect of exchange rate change on cash and cash equivalents	67	(303)
Net increase (decrease) in cash and cash equivalents	(1,237)	(3,581)
Cash and cash equivalents at beginning of period	35,333	38,914
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(184)	(0)
Cash and cash equivalents at end of period	33,911	35,333

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 17/19

Segment Information

1. Outline of the reported segments

The Company's reported segments are business units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about management resources to be allocated to the segments and assessing the segment's performance.

As a holding company, the Company has a business structure for consolidating and managing each operating subsidiary, which is responsible for comprehensively developing domestic and global strategies as well as engaging in business activities for the merchandise, finished goods and associated services.

In view of this, the Company is comprised of segments centered around a core company of each business classified by merchandise and finished goods. Three reported segments are specified; namely the Watches Business, Electronic Devices Business and Systems Solutions Business.

The main merchandise and finished goods belonging to each reported segment are as follows:

Reported Segment	Main merchandise and finished goods
Watches Business	Watches, watch movements
Electronic Devices Business	Quartz crystals, micro batteries and materials, printers, and hard disk drive components
Systems Solutions Business	Wireless communication equipment, information network systems, data services
Others	Clocks / High-end jewelry, apparel and fashion accessories / System clocks etc.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 18/19

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

For Year Ended March 31, 2017

	Sales FY 2016	Operating Profit FY 2016
Watches Business	134,592	7,615
Electronic Devices Business	84,077	3,809
Systems Solutions Business	20,287	1,283
Total for reported segments	238,957	12,707
Others	27,043	304
Total for all business segments	266,000	13,012
Adjustments	(8,885)	(5,525)
Total	257,115	7,487

- 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 -5,525 million yen include -566 million yen in the amortization of goodwill, -19 million yen that mainly consists of the elimination of inter-segment transactions, and -4,938 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 has been adjusted for alongside operating profit on the consolidated statements of income.

For Year Ended March 31, 2018

	Sales FY 2017	Operating Profit FY 2017
Watches Business	140,156	7,902
Electronic Devices Business	81,852	5,793
Systems Solutions Business	27,411	1,605
Total for reported segments	249,420	15,301
Others	27,852	551
Total for all business segments	277,272	15,852
Adjustments	(8,743)	(5,015)
Total	268,529	10,836

- 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 -5,015 million yen include -566 million yen in the amortization of goodwill, 190 million yen that mainly consists of the elimination of inter-segment transactions, and -4,639 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 has been adjusted for alongside operating profit on the consolidated statements of income.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2018

Page 19/19

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