

FY2016 Consolidated Results (Fiscal year ended March 31, 2017)

May 11, 2017

- 1) Progress on the Sixth Mid-Term Management Plan
- 2) Business Results for FY2016
- 3) Financial Forecast for FY2017

1) Progress on the Sixth Mid-Term Management Plan

Statement of Income

| (Billions of yen) | FY2016 Actual | FY2016 Target | Variance | FY2018 Target |
|---|---------------|---------------|----------|---------------|
| Net Sales | 257.1 | 290.0 | -32.8 | 310.0 |
| Operating Income | 7.4 | 12.0 | -4.5 | 17.0 |
| % | 2.9% | 4.1% | -1.2p | 5.5% |
| Ordinary Income | 6.6 | 12.0 | -5.3 | 18.0 |
| % | 2.6% | 4.1% | -1.5p | 5.8% |
| Profit attributable to owners of parent | 5.3 | 10.0 | -4.6 | 12.5 |
| % | 2.1% | 3.4% | -1.3p | 4.0% |

Sales and Operating Income by Reported Segments

| (Billions of yen) | | FY2016 Actual | FY2016 Target | Variance | FY2018 Target |
|---------------------|------------------|---------------|---------------|----------|---------------|
| Watches | Sales | 134.5 | 160.0 | -25.4 | 190.0 |
| | Operating Income | 7.6 | 12.0 | -4.3 | 17.0 |
| Electronic Devices | Sales | 84.0 | 90.0 | -5.9 | 75.0 |
| | Operating Income | 3.8 | 3.0 | +0.8 | 2.5 |
| Systems Solutions | Sales | 20.2 | 20.0 | +0.2 | 25.0 |
| | Operating Income | 1.2 | 1.0 | +0.2 | 1.5 |
| Others | Sales | 27.0 | 29.0 | -1.9 | 30.0 |
| | Operating Income | 0.3 | 1.0 | -0.6 | 1.0 |
| Cons. Total | Sales | 257.1 | 290.0 | -32.8 | 310.0 |
| | Operating Income | 7.4 | 12.0 | -4.5 | 17.0 |

| (Billions of yen) | FY2016 Actual | FY2018 Target |
|----------------------|------------------|------------------|
| Total Assets | 328.8 | 340.0 |
| Net Assets | 107.1 | 120.0 |
| Equity Capital Ratio | 29.8% | 35.0% |
| Net Debt | 101.2 | 75.0 or less |

2) Business Results for FY2016

FY2016 Statement of Income (Apr.2016 - Mar.2017)

| (Billions of yen) | FY2015 Full Year | FY2016 Full Year | Variance | | |
|--|---------------------|---------------------|----------|--------|--------|
| | | | Amt. | % | |
| Net Sales | 296.7 | 257.1 | -39.5 | -13.3% | |
| Gross Profit | 108.5 | 96.2 | -12.2 | -11.3% | |
| Operating Income | 13.3 | 7.4 | -5.8 | -43.7% | |
| % | 4.5% | 2.9% | -1.6p | — | |
| Ordinary Income | 11.8 | 6.6 | -5.2 | -43.8% | |
| % | 4.0% | 2.6% | -1.4p | — | |
| Income before income taxes | 8.8 | 6.1 | -2.7 | -30.9% | |
| Profit attributable to owners of parent | 12.1 | 5.3 | -6.7 | -55.6% | |
| % | 4.1% | 2.1% | -2.0p | — | |
| Exchange Rates(JPY) | USD | 120.1 | 108.3 | -11.7 | -9.8% |
| | EUR | 132.5 | 118.7 | -13.8 | -10.4% |

Net Sales : -39.5

| | |
|---|-------|
| Exchange rate fluctuations | -14.0 |
| Impacts of a reduction of products handled in sales of watch movements, and the transfer of the wide format printer business | -14.5 |

Operating Income : -5.8

| | |
|-----------------|-------|
| Decrease in GP | -12.2 |
| Decrease in SGA | + 6.4 |

Ordinary Income : -5.2

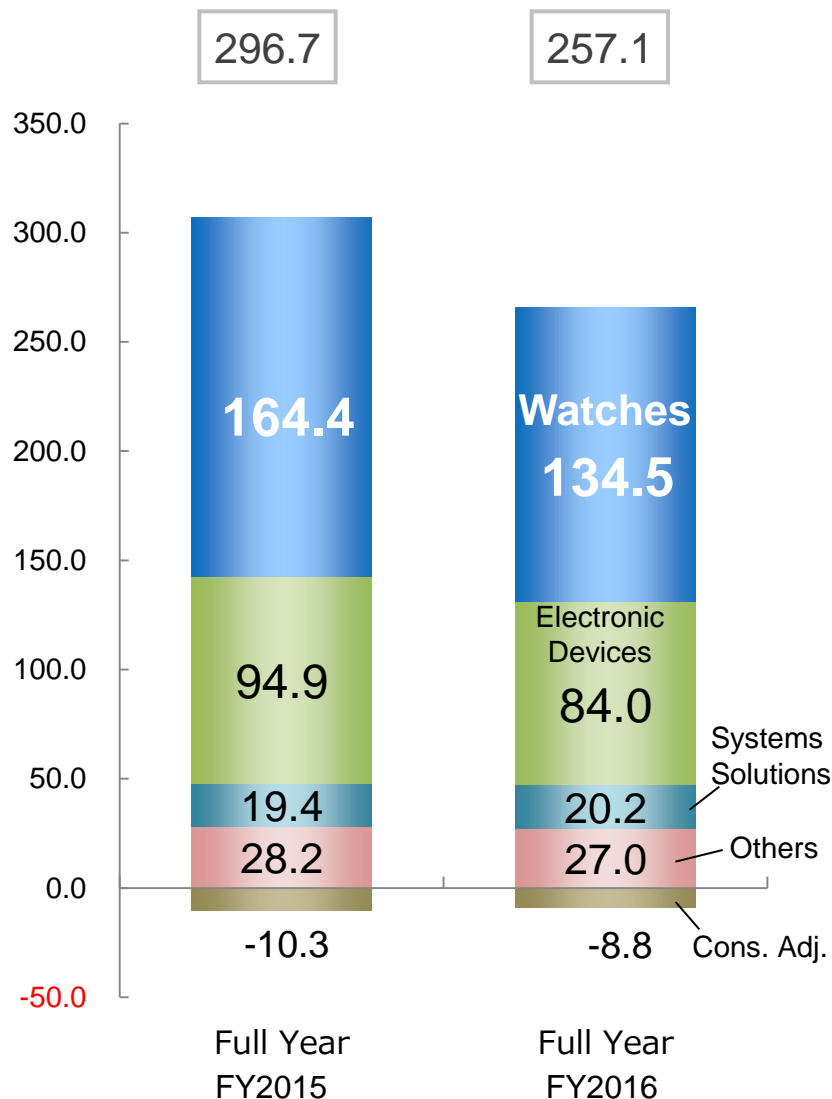
| | |
|-------------------------------------|------|
| Decrease in Operating income | -5.8 |
| Decrease in Interest expenses | +0.3 |
| Decrease in Foreign exchange losses | +0.7 |
| Decrease in Equity method Income | -0.1 |
| Decrease in Dividend income, etc. | -0.3 |

Extraordinary Income/Losses: -0.5

| | |
|---|-------------|
| <u>Extraordinary Income</u> | <u>0.4</u> |
| Gain on sales of non-current assets | 0.4 |
| <u>Extraordinary Losses</u> | <u>-1.0</u> |
| Restructuring expenses | -0.4 |
| Settlement payment related to patent contracts | -0.5 |
| Business structure improvement expenses | -0.1 |

Sales by Reported Segments (Apr.2016 –Mar.2017)

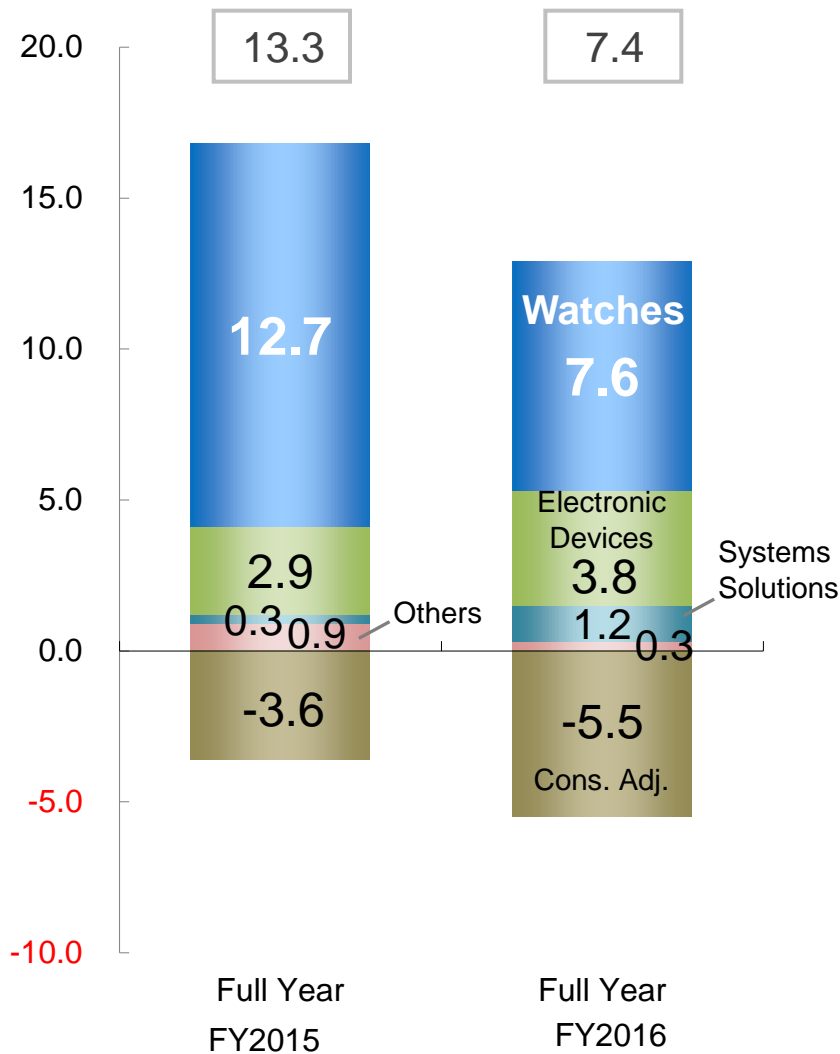
(Billions of yen)



| (Billions of yen) | Net Sales | | |
|---------------------|------------------|------------------|--------------|
| | FY2015 Full Year | FY2016 Full Year | Variance |
| Watches | 164.4 | 134.5 | -29.8 |
| Electronic Devices | 94.9 | 84.0 | -10.8 |
| Systems Solutions | 19.4 | 20.2 | +0.8 |
| Sub Total | 278.8 | 238.9 | -39.8 |
| Others | 28.2 | 27.0 | -1.1 |
| Cons. Adj. | -10.3 | -8.8 | +1.4 |
| Cons. Total | 296.7 | 257.1 | -39.5 |

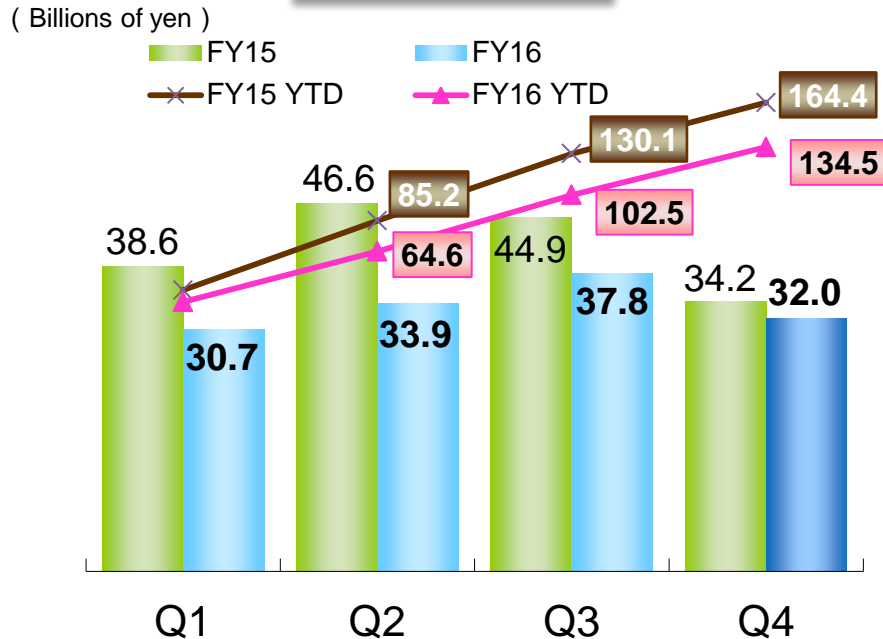
Operating Income by Reported Segments (Apr.2016 -Mar.2017)

(Billions of yen)

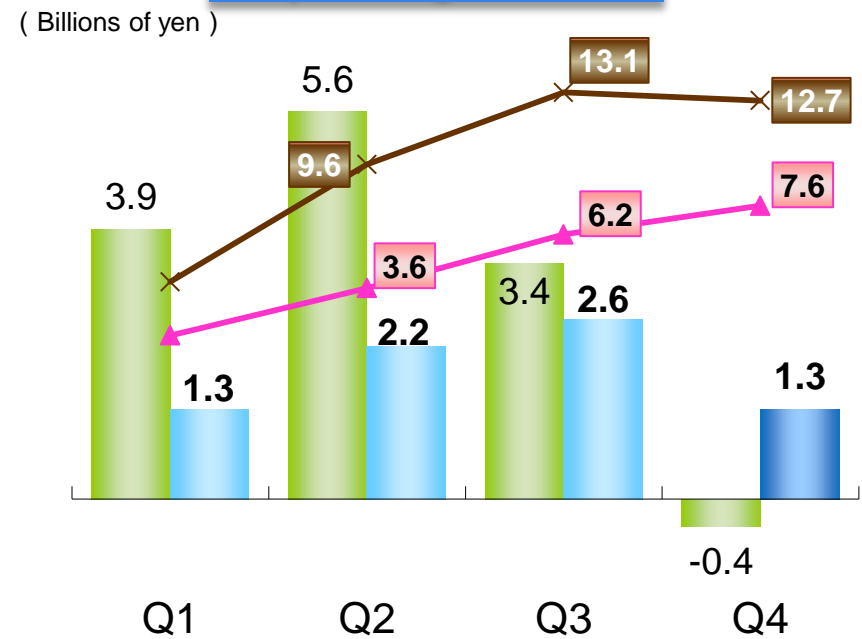


| (Billions of yen) | Operating Income | | |
|---------------------|---------------------|---------------------|----------|
| | FY2015 Full Year | FY2016 Full Year | Variance |
| Watches | 12.7 | 7.6 | -5.1 |
| Electronic Devices | 2.9 | 3.8 | +0.8 |
| Systems Solutions | 0.3 | 1.2 | +0.9 |
| Sub Total | 16.0 | 12.7 | -3.2 |
| Others | 0.9 | 0.3 | -0.6 |
| Cons. Adj. | -3.6 | -5.5 | -1.9 |
| Cons. Total | 13.3 | 7.4 | -5.8 |

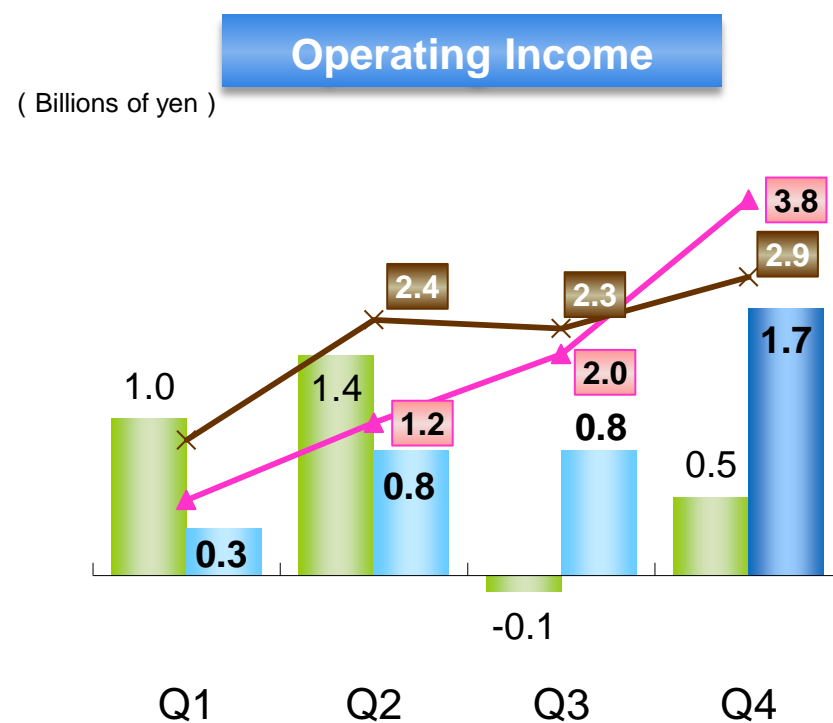
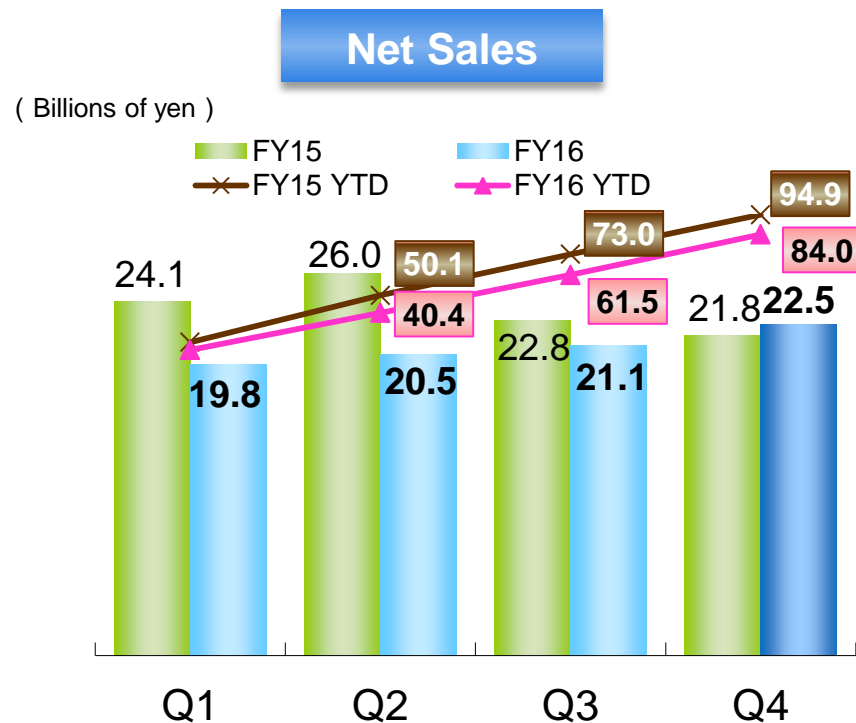
Net Sales



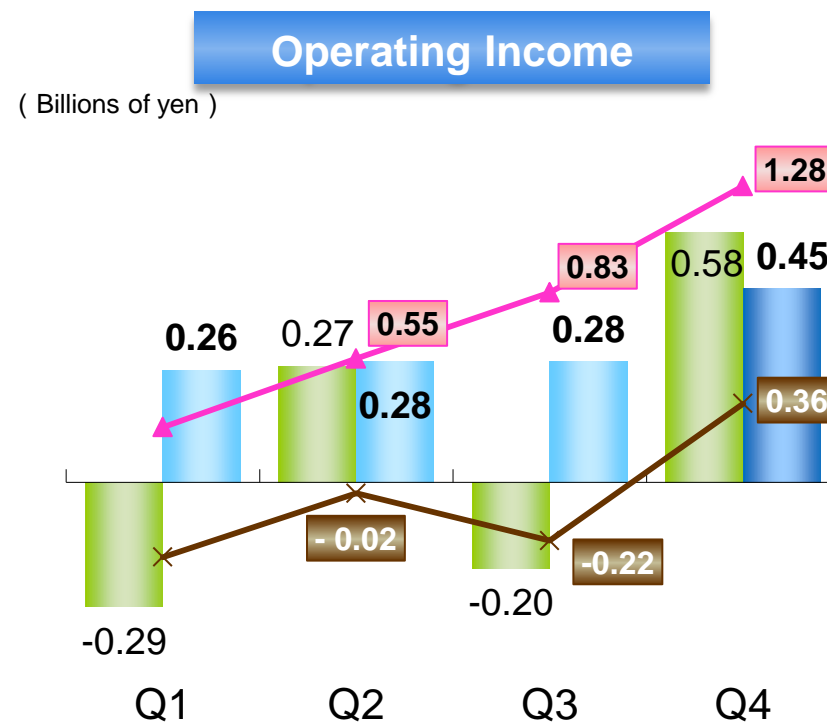
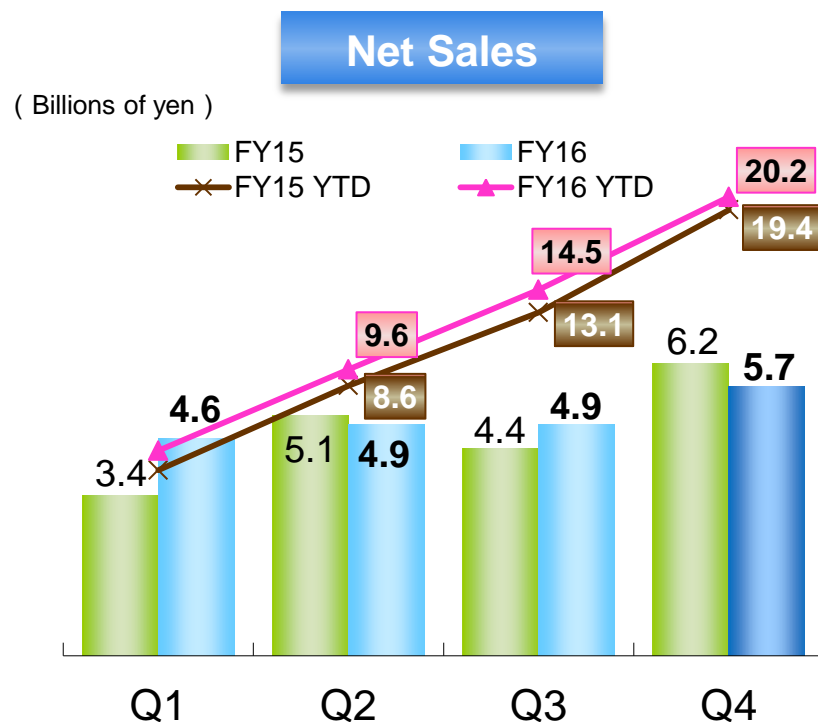
Operating Income



- **Watches (In Japan)** : Sales fell due to factors including a decline in consumption by foreign tourists and sluggish sales of high-end products due to stagnant personal consumption.
- **Watches (In overseas)** : Sales shrank due to factors including the impact of yen appreciation, as well as a falling off in department store distribution channels in the U.S. market. On a local currency basis, performance was strong and sales grew in markets in many countries and regions, including Germany and the Netherlands and Thailand.
- **Movements** : Earnings of watch movements worsened due to the impact of a change in distribution of products handled, as well as the slump in the watch markets of the United States and China.



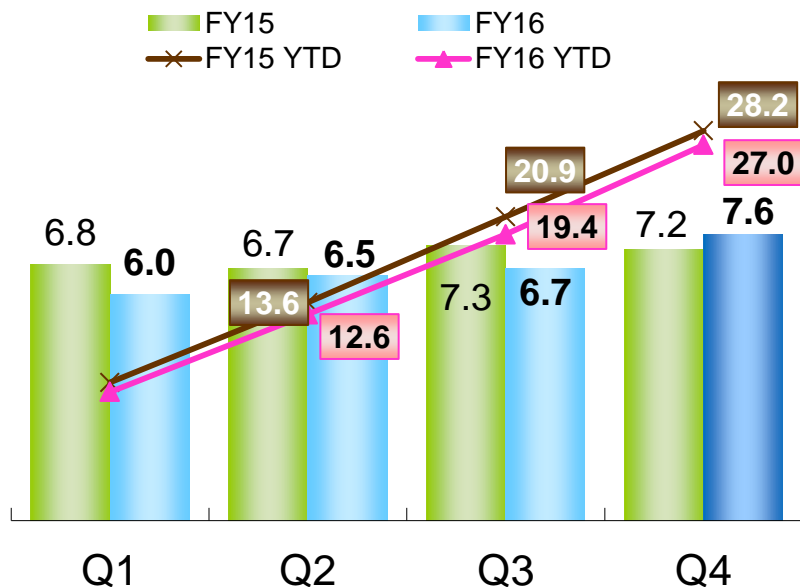
- Net sales in the segment overall declined year on year due to factors including the impact of yen appreciation and the transfer of the wide format printer business in the previous fiscal year.
- Semiconductors mainly for smartphone components performed steadily on a volume basis.
- Performance was also strong for some products including high performance metal products for semiconductor manufacturing facilities.
- Improving profitability through restructuring and dissolving unprofitable businesses.



- Sales were favorable in some businesses such as data services, mainly in payment-related businesses, and mobile solutions for home security.
- Profitability had a great improvement through enhancing organization.

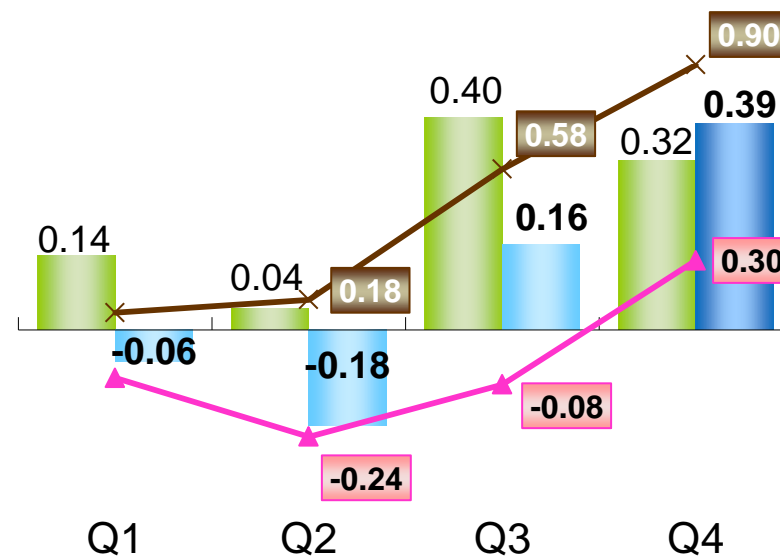
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)

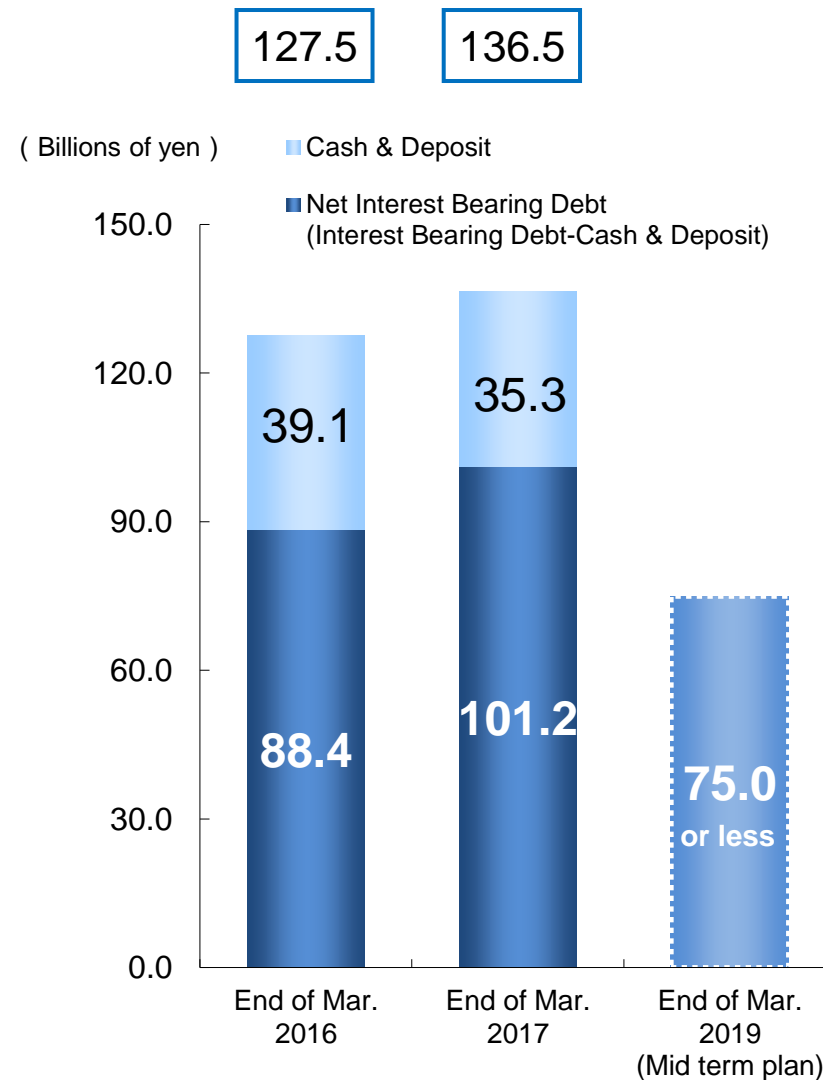


- Clocks : Clocks Business saw a steady increase in sales and income in Japan despite a decrease in sales to overseas due to the impact of yen appreciation.
- Others : Time systems Business mainly for system clocks performed steadily. Sales under the Retail Business fell due to a decline in consumption by foreign tourists.

Balance Sheet as of Mar. 31, 2017

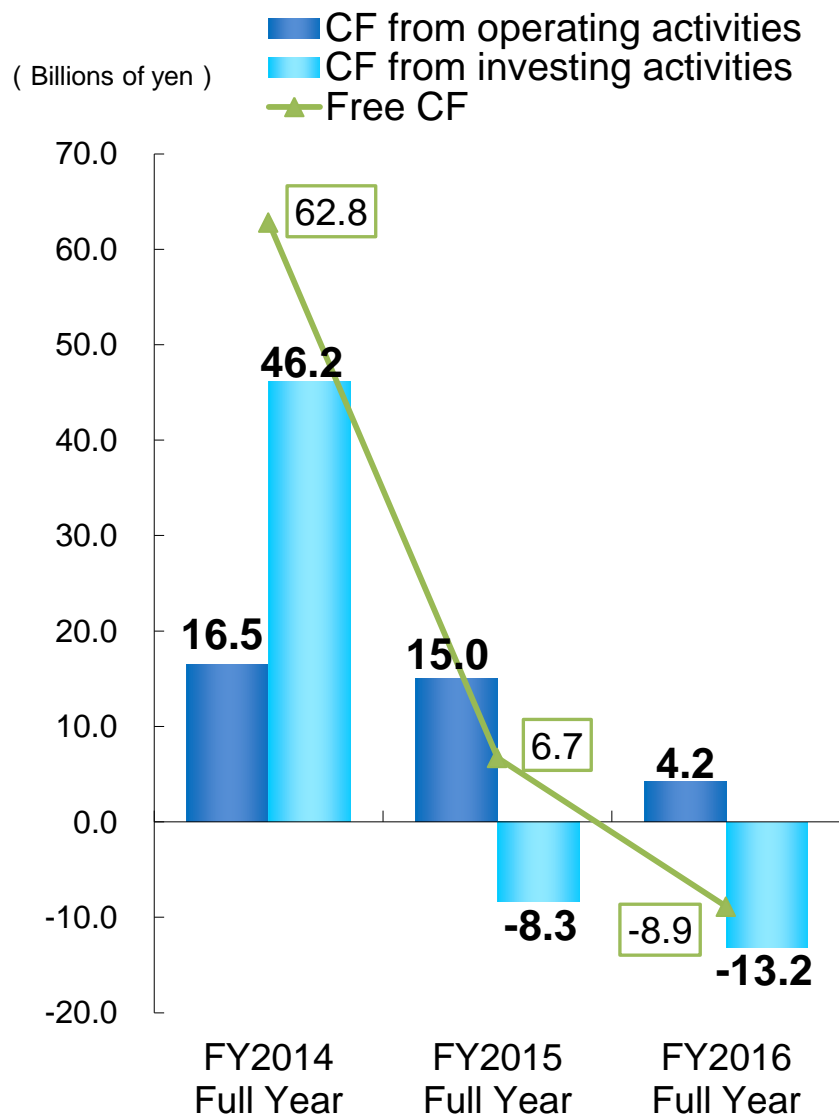
| (Billions of yen) | Mar. 31, 2016 (a) | Mar. 31, 2017 (b) | Variance (b) – (a) |
|-----------------------|----------------------|----------------------|-----------------------|
| Inventories | 65.1 | 66.1 | +0.9 |
| Interest Bearing Debt | 127.5 | 136.5 | +9.0 |
| Net Assets | 102.6 | 107.1 | +4.4 |
| Total Assets | 329.1 | 328.8 | -0.2 |
| Equity Capital Ratio | 28.7% | 29.8% | +1.1p |
| Net Debt Equity Ratio | 0.8 | 0.9 | +0.1 |
| Number of Employees | 13,437 | 13,065 | -372 |

Interest Bearing Debt



Statements of Cash Flow

(Billions of yen)



| | FY2014 Full Year | FY2015 Full Year | FY2016 Full Year |
|--|------------------|------------------|------------------|
| Profit before income taxes | 24.6 | 8.8 | 6.1 |
| Depreciation | 10.8 | 10.3 | 10.9 |
| Others | -19.0 | -4.0 | -12.8 |
| Net cash provided by (used in) operating activities | 16.5 | 15.0 | 4.2 |
| Purchase of property, plant and equipment | -9.3 | -13.0 | -12.1 |
| Others | 55.6 | 4.7 | -1.0 |
| Net cash provided by (used in) investing activities | 46.2 | -8.3 | -13.2 |
| Net increase (decrease) in loans payable | -62.9 | -8.7 | 8.8 |
| Others | -3.8 | 2.0 | -3.1 |
| Net cash provided by (used in) financing activities | -66.8 | -6.6 | 5.7 |
| Effect of exchange rate change on cash and cash equivalents etc. | 1.7 | -1.4 | -0.3 |
| Cash and cash equivalents | 40.2 | 38.9 | 35.3 |
| Free cash flow | 62.8 | 6.7 | -8.9 |

3) Financial Forecast for FY2017

Challenges and Initiatives

- ◆ Strengthening profitability and investing for growth

Watches Business

- Establishing new brand strategies for the Grand Seiko and expanding sales in Japan and overseas
- Promoting efforts aimed at revitalization in the U.S.
- Improving profitability through cost review in the watch movement sales business

Electronic Devices Business

- Prioritizing allocation of management resources to highly profitable businesses, focusing on inkjet print heads

* The semiconductor business is expected to be removed from the scope of consolidation from January 2018.

Challenges and Initiatives

- ◆ Strengthening profitability and investing for growth

Systems Solutions Business

- Continuing reinforcement of stable profit structure
- Maximizing effects of M&A with IIM Corporation, and achieving the Mid-Term Management Plan at an early date

Others Business

- Maintaining a stable profit structure
- Further rationalizing expenses to improve profit

Challenges and Initiatives

◆ Reinforcing the management foundation

Capital policy

- Implementing a continuous and stable dividend
- Reducing interest-bearing debt
- Improving the equity capital ratio

Strengthening organizational and Group functions

- Implementing further measures to develop human resources, including nurturing global human resources and candidates who will serve as senior management in the next generation, and promoting woman's active participation.

Summary of Financial Forecast for FY2017

| (Billions of yen) | FY2016 Actual | FY2017 Forecast | Variance |
|---|---------------|-----------------|----------|
| Net Sales | 257.1 | 260.0 | +2.8 |
| Operating Income | 7.4 | 6.5 | -0.9 |
| % | 2.9% | 2.5% | -0.4p |
| Ordinary Income | 6.6 | 7.0 | +0.3 |
| % | 2.6% | 2.7% | +0.1p |
| Profit attributable to owners of parent | 5.3 | 5.0 | -0.3 |
| % | 2.1% | 1.9% | -0.2p |

Financial Forecast for FY2017 by Reported Segments

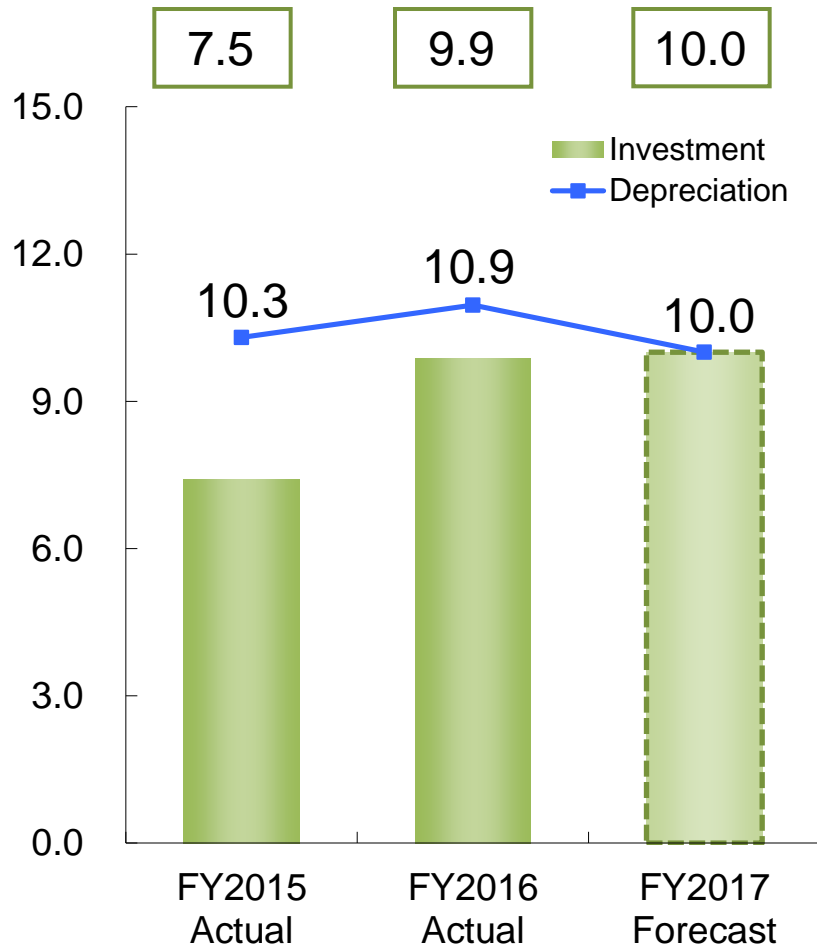
| (Billions of yen) | Net Sales | | |
|---------------------|---------------|-----------------|----------|
| | FY2016 Actual | FY2017 Forecast | Variance |
| Watches | 134.5 | 135.0 | +0.4 |
| Electronic Devices | 84.0 | 82.0 | -2.0 |
| Systems Solutions | 20.2 | 24.0 | +3.7 |
| Sub Total | 238.9 | 241.0 | +2.0 |
| Others | 27.0 | 27.0 | -0.0 |
| Cons. Total | 257.1 | 260.0 | +2.8 |

| Operating Income | | |
|------------------|-----------------|----------|
| FY2016 Actual | FY2017 Forecast | Variance |
| 7.6 | 7.0 | -0.6 |
| 3.8 | 3.5 | -0.3 |
| 1.2 | 1.5 | +0.2 |
| 12.7 | 12.0 | -0.7 |
| 0.3 | 0.5 | +0.1 |
| 7.4 | 6.5 | -0.9 |

Investment / Research and Development Cost

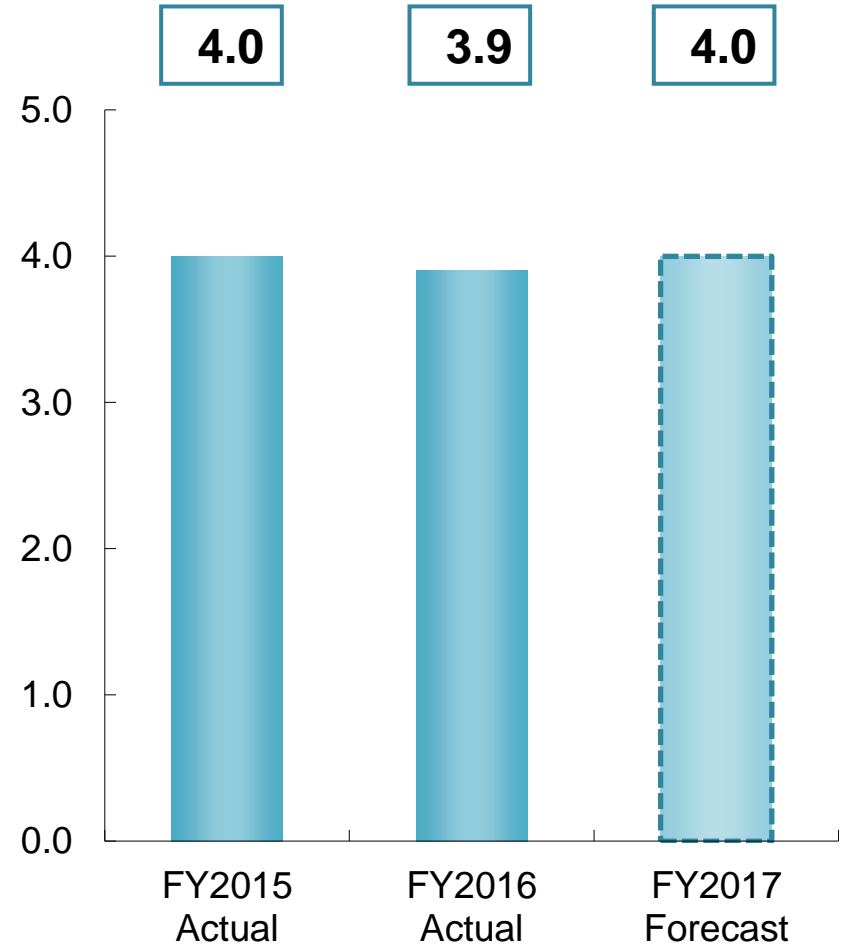
Investment / Depreciation

(Billions of yen)



Research and Development Cost

(Billions of yen)



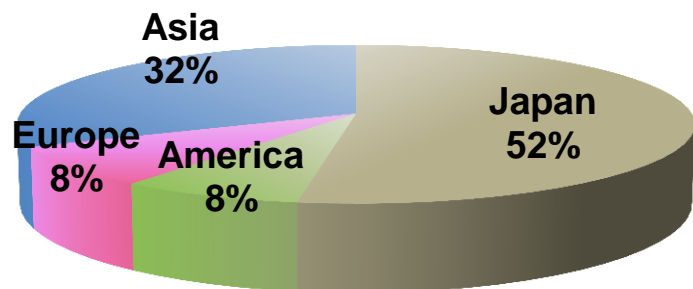
Sensitivity by Exchange Rate of FY2017

| | USD | EUR |
|---------------------------------|-----------------|-----------------|
| Forecast Exc. Rate | JPY105.0 | JPY115.0 |
| For Sales (Millions of yen) | 1,000 | 150 |
| For Income (Millions of yen) | 250 | 50 |

FY2016

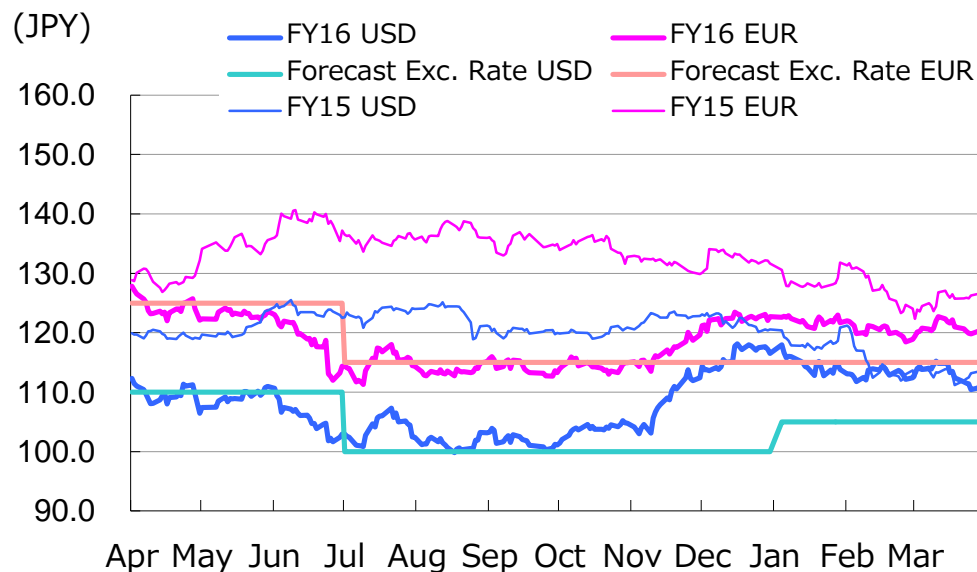
| | | Q1 | Q2 | Q3 | Q4 | Average (Q1-Q4) |
|--------------|-----|-------|-------|-------|-------|--------------------|
| Average | USD | 108.0 | 102.4 | 109.4 | 113.6 | 108.3 |
| | EUR | 121.9 | 114.2 | 117.8 | 121.0 | 118.7 |
| Closing Date | USD | 102.9 | 101.1 | 116.5 | 112.2 | - |
| | EUR | 114.3 | 113.2 | 122.7 | 119.7 | - |

Sales by Area



* FY2016 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

FY2016 4th Quarter Statement of Income (Jan.2017 - Mar.2017) **SEIKO**

| (Billions of yen) | FY2015 Q4 | FY2016 Q4 | Variance | | |
|--|--------------|--------------|----------|-------|-------|
| | | | Amt. | % | |
| Net Sales | 67.7 | 66.0 | -1.6 | -2.5% | |
| Gross Profit | 24.4 | 24.7 | +0.2 | +1.2% | |
| Operating Income | -0.3 | 1.8 | +2.1 | — | |
| % | -0.5% | 2.8% | +3.3p | — | |
| Ordinary Income | -2.2 | 1.2 | +3.4 | — | |
| % | -3.3% | 1.9% | +5.1p | — | |
| Income before income taxes | -3.8 | 1.2 | +5.1 | — | |
| Profit attributable to owners of parent | -0.5 | 4.7 | +5.2 | — | |
| % | -0.8% | 7.2% | +8.0p | — | |
| Exchange Rates(JPY) | USD | 115.3 | 113.6 | -1.7 | -1.5% |
| | EUR | 127.1 | 121.0 | -6.0 | -4.8% |

| | |
|----------------------------|-------------|
| Net Sales : | -1.6 |
| Exchange rate fluctuations | -0.7 |

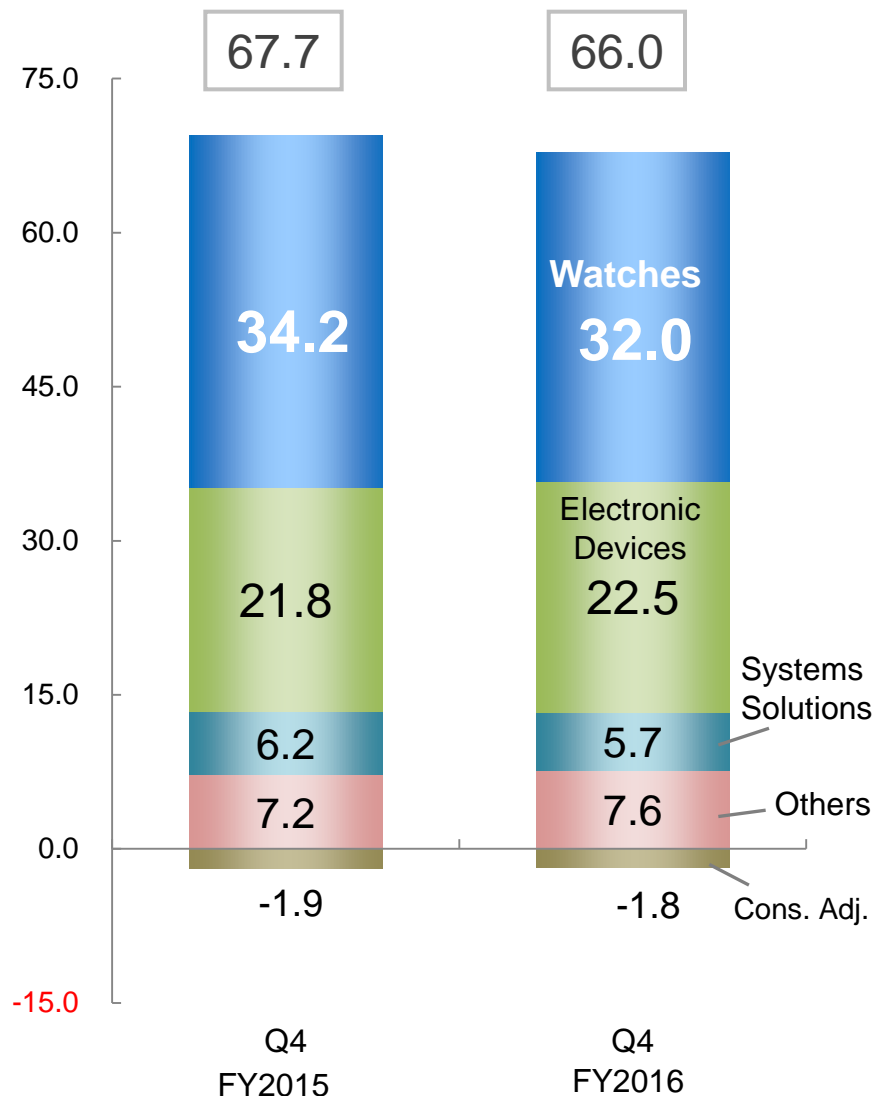
| | |
|---------------------------|-------------|
| Operating Income : | +2.1 |
| Increase in GP | +0.2 |
| Decrease in SGA | +1.8 |

| | |
|-------------------------------------|-------------|
| Ordinary Income | +3.4 |
| Increase in Operating income | +2.1 |
| Decrease in Foreign exchange losses | +0.8 |
| Decrease in Interest expenses | +0.1 |
| Increase in Equity method income | +0.3 |
| Others | -0.1 |

Extraordinary Income/Losses: 0.0

Sales by Reported Segments (Jan.2017 –Mar.2017)

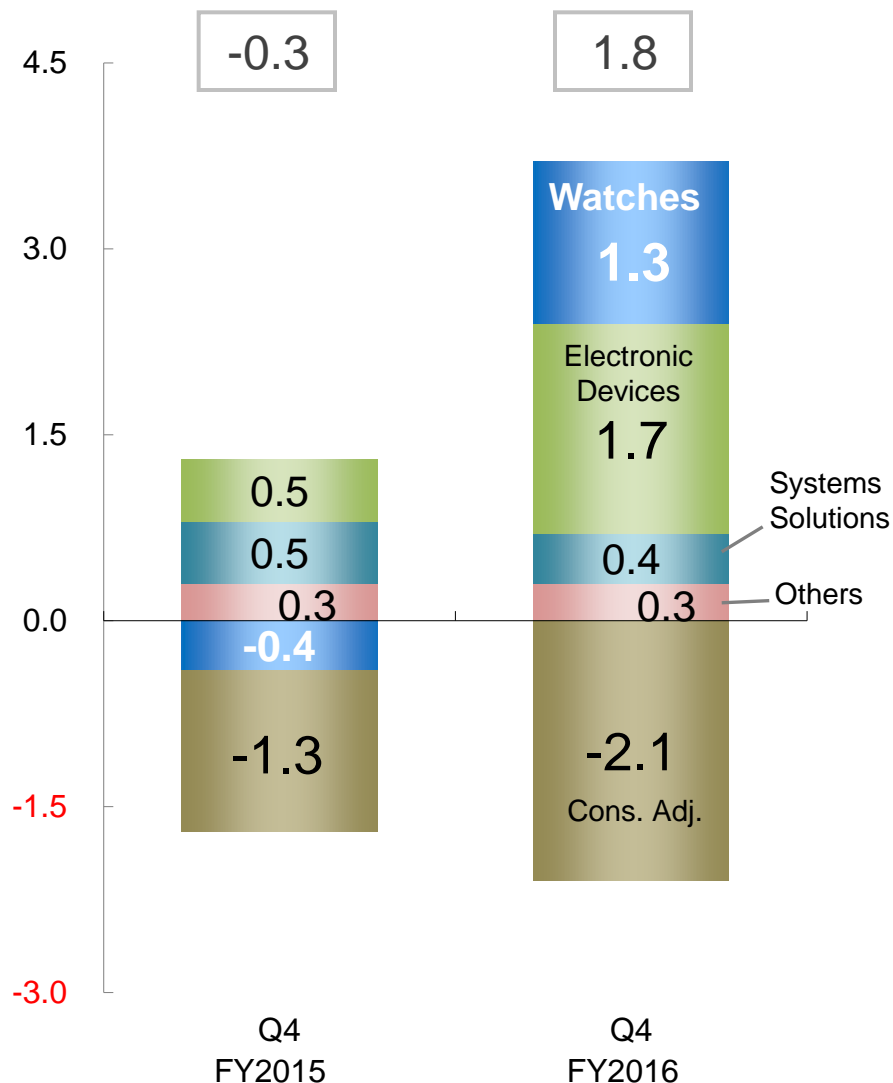
(Billions of yen)



| (Billions of yen) | Net Sales | | |
|---------------------|-------------|-------------|-------------|
| | FY2015 Q4 | FY2016 Q4 | Variance |
| Watches | 34.2 | 32.0 | -2.2 |
| Electronic Devices | 21.8 | 22.5 | +0.7 |
| Systems Solutions | 6.2 | 5.7 | -0.5 |
| Sub Total | 62.3 | 60.3 | -2.0 |
| Others | 7.2 | 7.6 | +0.3 |
| Cons. Adj. | -1.9 | -1.8 | +0.0 |
| Cons. Total | 67.7 | 66.0 | -1.6 |

Operating Income by Reported Segments (Jan.2017 -Mar.2017)

(Billions of yen)



| (Billions of yen) | Operating Income | | |
|---------------------|------------------|------------|-------------|
| | FY2015 Q4 | FY2016 Q4 | Variance |
| Watches | -0.4 | 1.3 | +1.7 |
| Electronic Devices | 0.5 | 1.7 | +1.2 |
| Systems Solutions | 0.5 | 0.4 | -0.1 |
| Sub Total | 0.7 | 3.5 | +2.8 |
| Others | 0.3 | 0.3 | +0.0 |
| Cons. Adj. | -1.3 | -2.1 | -0.7 |
| Cons. Total | -0.3 | 1.8 | +2.1 |

End
