

November 14, 2017

CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

Financial Highlights

For the six months ended September 30, 2017 (2Q FY2017)

| | 2Q FY2017 | | 2Q FY2016 |
|---|---------------------------|------------------------|-----------------|
| | Millions of yen | Millions of US dollars | Millions of yen |
| Net sales | 133,027 | 1,179.9 | 122,398 |
| Operating profit | 6,895 | 61.2 | 3,123 |
| Ordinary profit | 6,926 | 61.4 | 1,666 |
| Profit attributable to owners of parent | 2,447 | 21.7 | (1,514) |
| Earnings per share (yen/USD) | ¥ 59.39 | US\$ 0.53 | ¥ (36.68) |
| | September 30, 2017 | | March 31, 2017 |
| Total assets | 348,346 | 3,089.8 | 328,857 |
| Net assets | 114,080 | 1,011.9 | 107,161 |

Note1: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 112.74 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 for the consolidated business results represents 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 six-month period ended September 30, 2017, in the world economy, the U.S. and European economies continued to see gradual expansion and the Chinese economy was steady due to the effect of government measures. The Japanese economy is picking up due to factors including steady expansion in corporate earnings and a moderate recovery in personal consumption, and domestic demand focused on capital investment is expected to drive growth in the Japanese economy. However, there are concerns about the risk of a downturn in overseas demand mainly due to the slowdown in the Chinese economy following the Party Congress and the increasingly tense situation in North Korea.

For the six-month period ended September 30, 2017, the Company reported consolidated net sales of

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133.0 billion yen, a year-on-year increase of 10.6 billion yen, or 8.7%. On a per-segment basis, sales under the Watches Business, the Electronic Devices Business, the Systems Solutions Business and Others all grew compared to the same period of the previous fiscal year. On an overall consolidated basis, domestic net sales came to 68.4 billion yen (a year-on-year increase of 6.7%), and overseas net sales were 64.5 billion yen (a year-on-year increase of 10.9%). Overseas net sales comprised 48.5% of net sales overall.

In terms of income, operating profit increased 3.7 billion yen compared to the same period of the previous fiscal year to 6.8 billion yen (a year-on-year increase of 120.7%), due to an increase in net sales and other factors. Ordinary profit increased by 5.2 billion yen from the same period of the previous fiscal year to become 6.9 billion yen, due to improvement in non-operating income and expenses mainly due to decrease of foreign exchange losses. Business structure improvement expenses of 0.9 billion yen and loss on liquidation of subsidiaries and associates of 0.1 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 came to 2.4 billion yen (compared to loss attributable to owners of parent of 1.5 billion yen in the same period of the previous fiscal year).

2. Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business came to 67.9 billion yen, a year-on-year increase of 3.2 billion yen, or 5.0%. 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, outlets and via the Internet rose compared to the same period of the previous fiscal year. On the overseas front, sales were strong for Asia and Europe, with the effects of foreign exchange rates being one of the factors. Sales of watch movements were up year on year as market conditions began to recover for a part of products.

With regard to income, the increase in net sales resulted in 4.3 billion yen in operating profit (a year-on-year increase of 21.0%).

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 44.1 billion yen (a year-on-year increase of 9.3%). Operating profit grew significantly from the same period of the previous fiscal year to 3.9 billion yen (a year-on-year increase of 220.3%), due to the strong performance of semiconductors mainly for smartphone components, as well as of other products such as high performance metal products for semiconductor manufacturing facilities and thermal printers for POS terminals.

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c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 12.7 billion yen (a year-on-year increase of 32.5%), and operating profit to 0.6 billion yen (a year-on-year increase of 22.8%). Sales were favorable for some businesses such as mobile solutions for home security and for automobiles and network solutions for telecommunications carriers.

d. Others

Net sales under Others amounted to 12.8 billion yen (a year-on-year increase of 1.4%), and operating profit to 30 million yen (compared to operating losses of 0.2 billion yen for the same period of the previous fiscal year). 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.

3. Financial Condition

a. Status of Assets, Liabilities, and Net Assets

-Assets

Total assets at the close of the six-month period ended September 30, 2017 amounted to 348.3 billion yen, an increase of 19.4 billion yen from the close of the previous fiscal year. Total current assets came to 167.2 billion yen, an increase of 13.3 billion yen from the close of the previous fiscal year. This was due to increases of 7.9 billion yen in cash and deposits, 3.5 billion yen in inventories, and 2.2 billion yen in notes and accounts receivable - trade. Under non-current assets, property, plant and equipment decreased by 1.2 billion yen, which was offset by increases of 2.6 billion yen in intangible assets and 4.6 billion yen of investments and other assets, resulting in total non-current assets of 181.0 billion yen, an increase of 6.1 billion yen relative to the close of the previous fiscal year.

-Liabilities

For liabilities, total loans came to 133.7 billion yen, due to a decrease of 5.6 billion yen in the current portion of long-term loans payable, and increases of 1.0 billion yen in short-term loans payable and 4.6 billion yen in long-term loans payable. In addition, notes and accounts payable - trade increased by 8.1 billion yen. As a result, total liabilities amounted to 234.2 billion yen, an increase of 12.5 billion yen over the close of the previous fiscal year.

-Net assets

With regard to net assets, total net assets increased by 6.9 billion yen over the close of the previous

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fiscal year to become 114.0 billion yen, due to increases of 0.8 billion yen in shareholders' equity and 5.1 billion yen in total accumulated other comprehensive income mainly resulting from an increase in valuation difference on available-for-sale securities.

b. Cash Flows in the Current Fiscal Year Are Summarized as Follows:

The balance of cash and cash equivalents at the end of the six-month period ended September 30, 2017 came to 43.0 billion yen, an increase of 7.6 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 provided by operating activities came to positive 16.3 billion yen (compared to a negative cash flow of 3.2 billion yen for the same period of the previous fiscal year). This was the result of the Company posting 5.8 billion yen in income before income taxes; factoring mainly in depreciation amounting to 5.2 billion yen, a 9.9 billion-yen increase in notes and accounts payable - trade that were added to cash flow, as well as a 1.5 billionyen increase in notes and accounts receivable - trade, a 3.2 billion-yen increase in inventories, and a 3.9 billion-yen decrease in accounts payable - other that were deducted from cash flow.

-Cash flows from investing activities

Net cash used in investing activities came to negative 6.6 billion yen (compared to a negative cash flow of 5.4 billion yen for the same period of the previous fiscal year) due to cash outflows consisting mainly of 3.8 billion yen in purchase of property, plant and equipment and 1.0 billion yen in purchase of shares of subsidiaries resulting in change in scope of consolidation .

-Cash flows from financing activities

Net cash used in financing activities came to negative 2.3 billion yen (compared to a positive cash flow of 4.8 billion for the same period of the previous fiscal year) due mainly to cash dividends paid.

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4. Outlook for the Year Ending March 31, 2018

Regarding the outlook for the future, it will be necessary to carefully watch future changes in the Group's environment including concerns about the world economy due to geopolitical risks and foreign exchange-rate trends. However, business performance has been robust during the six-month period ended September 30, 2017, mainly in the Electronic Devices Business, and the Company expects to post new extraordinary income as a result of the transfer of additional shares in the Company's consolidated subsidiary SII Semiconductor Corporation, a semiconductor business company. Considering this among other factors, the Group revised the forecasts for net sales, operating profit, ordinary profit, and profit attributable to owners of parent in the consolidated business results forecast for the year ending March 31, 2018 (FY2017), as well as the forecasts for net sales and operating profit in the forecasted results by segment for the year ending March 31, 2018 (FY2017), as follows.

The Company's consolidated business results forecast following revision is as follows:

■ Forecast for the consolidated business results for the year ending March 31, 2018 (FY2017)

| | Amount (Billions of yen) | Year-on-year change (%) |
|---|-----------------------------|----------------------------|
| Net sales | 270.0 | 105.0 |
| Operating profit | 9.0 | 120.2 |
| Ordinary profit | 10.0 | 149.9 |
| Profit attributable to owners of parent | 10.0 | 185.4 |

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■ Forecasted results by segment for the year ending March 31, 2018 (FY2017)

| | Net Sales (Billions of yen) | Operating Profit (Billions of yen) |
|---------------------------------|--------------------------------|---------------------------------------|
| Watches Business | 140.0 | 7.0 |
| Electronic Devices Business | 82.0 | 5.5 |
| Systems Solutions Business | 26.0 | 1.5 |
| Total for all business segments | 248.0 | 14.0 |
| Others | 29.0 | 0.5 |
| Consolidated total | 270.0 | 9.0 |

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

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.

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Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

September 30, 2017

| | Millions of yen | |
|--|--------------------|----------------|
| | September 30, 2017 | March 31, 2017 |
| | Amount | Amount |
| Assets | | |
| Current assets: | | |
| Cash and deposits | 43,307 | 35,355 |
| Notes and accounts receivable - trade | 42,013 | 39,730 |
| Inventories | 69,688 | 66,177 |
| Accounts receivable - other | 2,017 | 3,679 |
| Deferred tax assets | 4,500 | 3,992 |
| Other | 7,233 | 6,250 |
| Allowance for doubtful accounts | (1,466) | (1,260) |
| Total current assets | 167,295 | 153,925 |
| Non-current assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 73,416 | 72,678 |
| Machinery, equipment and vehicles | 84,662 | 83,501 |
| Tools, furniture and fixtures | 32,300 | 31,297 |
| Other | 2,746 | 2,908 |
| Accumulated depreciation | (148,461) | (144,359) |
| Land | 49,228 | 48,945 |
| Construction in progress | 903 | 1,026 |
| Total property, plant and equipment | 94,797 | 95,998 |
| Intangible assets: | | |
| Goodwill | 9,776 | 7,298 |
| Other | 9,257 | 9,038 |
| Total intangible assets | 19,034 | 16,336 |
| Investments and other assets: | | |
| Investment securities | 53,015 | 48,131 |
| Deferred tax assets | 7,765 | 8,060 |
| Other | 6,644 | 6,583 |
| Allowance for doubtful accounts | (207) | (178) |
| Total investments and other assets | 67,219 | 62,596 |
| Total non-current assets | 181,050 | 174,931 |
| Total assets | 348,346 | 328,857 |

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| | Millions of yen | |
|---|--------------------|----------------|
| | September 30, 2017 | March 31, 2017 |
| | Amount | Amount |
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable - trade | 29,359 | 21,196 |
| Electronically recorded obligations - operating | 8,959 | 7,021 |
| Short-term loans payable | 50,568 | 49,468 |
| Current portion of long-term loans payable | 24,411 | 30,038 |
| Accounts payable - other | 10,464 | 13,311 |
| Income taxes payable | 1,580 | 936 |
| Deferred tax liabilities | 3 | 20 |
| Provision for bonuses | 4,437 | 3,995 |
| Other provision | 833 | 646 |
| Asset retirement obligations | - | 0 |
| Other | 12,663 | 10,131 |
| Total current liabilities | 143,283 | 136,767 |
| Non-current liabilities: | | |
| Long-term loans payable | 58,750 | 54,055 |
| Deferred tax liabilities | 8,899 | 7,381 |
| Deferred tax liabilities for land revaluation | 3,614 | 3,614 |
| Other provision | 564 | 567 |
| Net defined benefit liability | 12,483 | 12,428 |
| Asset retirement obligations | 716 | 702 |
| Other | 5,954 | 6,177 |
| Total non-current liabilities | 90,983 | 84,928 |
| Total liabilities | 234,266 | 221,696 |

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| | Millions of yen | |
|---|--------------------|----------------|
| | September 30, 2017 | March 31, 2017 |
| | Amount | Amount |
| Net assets | | |
| Shareholders' equity: | | |
| Capital stock | 10,000 | 10,000 |
| Capital surplus | 7,245 | 7,245 |
| Retained earnings | 60,433 | 59,535 |
| Treasury shares | (331) | (329) |
| Total shareholders' equity | 77,347 | 76,451 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 18,391 | 14,962 |
| Deferred gains or losses on hedges | 7 | 39 |
| Revaluation reserve for land | 8,190 | 8,190 |
| Foreign currency translation adjustment | 1,242 | (402) |
| Remeasurements of defined benefit plans | (1,036) | (1,121) |
| Total accumulated other comprehensive income | 26,793 | 21,668 |
| Subscription rights to shares | 4 | — |
| Non-controlling interests | 9,934 | 9,042 |
| Total net assets | 114,080 | 107,161 |
| Total liabilities and net assets | 348,346 | 328,857 |

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended September 30, 2017

| | Millions of yen | |
|---|-----------------|----------------|
| | 2Q FY 2017 | 2Q FY 2016 |
| | Amount | Amount |
| Net sales | 133,027 | 122,398 |
| Cost of sales | 82,696 | 76,683 |
| Gross profit | 50,331 | 45,715 |
| Selling, general and administrative expenses | 43,436 | 42,591 |
| Operating profit | 6,895 | 3,123 |
| Non-operating income: | | |
| Interest income | 70 | 68 |
| Dividend income | 370 | 369 |
| House rent and other rental revenues | 264 | 180 |
| Other | 550 | 738 |
| Total non-operating income | 1,256 | 1,357 |
| Non-operating expenses: | | |
| Interest expenses | 686 | 919 |
| Other | 537 | 1,894 |
| Total non-operating expenses | 1,224 | 2,814 |
| Ordinary profit | 6,926 | 1,666 |
| Extraordinary losses | | |
| Business structure improvement expenses | 949 | - |
| Loss on liquidation of subsidiaries and associates | 142 | - |
| Restructuring expenses | - | 403 |
| Total extraordinary losses | 1,092 | 403 |
| Income before income taxes | 5,834 | 1,262 |
| Income taxes | 2,462 | 2,305 |
| Profit (loss) | 3,372 | (1,042) |
| Profit attributable to non-controlling interests | 924 | 471 |
| Profit (loss) attributable to owners of parent | 2,447 | (1,514) |

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended September 30, 2017

| | Millions of yen | |
|--|-----------------|----------------|
| | 2Q FY 2017 | 2Q FY 2016 |
| | Amount | Amount |
| Profit (loss) | 3,372 | (1,042) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,232 | 943 |
| Deferred gains or losses on hedges | (34) | (282) |
| Foreign currency translation adjustment | 1,100 | (4,641) |
| Remeasurements of defined benefit plans, net of tax | 69 | 467 |
| Share of other comprehensive income of entities accounted for using equity method | 771 | (763) |
| Total other comprehensive income | 5,139 | (4,276) |
| Comprehensive income | 8,511 | (5,319) |
| Comprehensive income attributable to | | |
| owners of parent | 7,573 | (5,716) |
| non-controlling interests | 938 | 396 |

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Statements of Cash Flows

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended September 30, 2017

| | Millions of yen | |
|---|-----------------|----------------|
| | 2Q FY 2017 | 2Q FY 2016 |
| Cash flows from operating activities | | |
| Income before income taxes | 5,834 | 1,262 |
| Depreciation | 5,211 | 5,250 |
| Increase (decrease) in provision for directors' retirement benefits | (2) | (31) |
| Increase (decrease) in allowance for doubtful accounts | 218 | (9) |
| Increase (decrease) in net defined benefit liability | 22 | (24) |
| Interest and dividend income | (440) | (438) |
| Interest expenses | 686 | 919 |
| Foreign exchange losses (gains) | (119) | 322 |
| Share of (profit) loss of entities accounted for using equity method | (8) | 172 |
| Loss on retirement of non-current assets | 59 | 50 |
| Decrease (increase) in notes and accounts receivable - trade | (1,570) | 2,830 |
| Decrease (increase) in inventories | (3,298) | (7,556) |
| Decrease (increase) in accounts receivable - other | 1,698 | 653 |
| Increase (decrease) in notes and accounts payable - trade | 9,978 | 2,782 |
| Increase (decrease) in accounts payable - other | (3,915) | (4,749) |
| Other, net | 3,661 | 106 |
| Subtotal | 18,015 | 1,540 |
| Interest and dividend income received | 441 | 438 |
| Proceeds from dividend income from entities accounted for using equity method | 13 | 13 |
| Interest expenses paid | (681) | (897) |
| Extra retirement payments | (322) | (2,816) |
| Income taxes paid | (1,127) | (1,504) |
| Net cash provided by (used in) operating activities | 16,338 | (3,227) |

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| | Millions of yen | |
|--|-----------------|----------------|
| | 2Q FY 2017 | 2Q FY 2016 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,814) | (6,072) |
| Proceeds from sales of property, plant and equipment | 1 | 1,358 |
| Purchase of investment securities | (348) | (0) |
| Proceeds from sales of investment securities | 6 | 15 |
| Payments of loans receivable | (432) | (191) |
| Collection of loans receivable | 217 | 245 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,095) | — |
| Other, net | (1,137) | (799) |
| Net cash provided by (used in) investing activities | (6,601) | (5,444) |
| Cash flows from financing activities | | |
| Increase in short-term loans payable | 400,537 | 205,961 |
| Decrease in short-term loans payable | (399,794) | (204,264) |
| Proceeds from long-term loans payable | 17,500 | 21,100 |
| Repayments of long-term loans payable | (18,691) | (15,906) |
| Cash dividends paid | (1,550) | (1,550) |
| Other, net | (397) | (521) |
| Net cash provided by (used in) financing activities | (2,397) | 4,819 |
| Effect of exchange rate change on cash and cash equivalents | 523 | (1,612) |
| Net increase (decrease) in cash and cash equivalents | 7,861 | (5,465) |
| 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) | — |
| Cash and cash equivalents at end of period | 43,010 | 33,449 |

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Segment Information

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

(For the Six Months Ended September 30, 2016)

| | Millions of yen | |
|---------------------------------|---------------------|--------------------------------|
| | Sales 2Q FY 2016 | Operating Profit 2Q FY 2016 |
| Watches Business | 64,694 | 3,626 |
| Electronic Devices Business | 40,409 | 1,218 |
| Systems Solutions Business | 9,606 | 551 |
| Total for reported segments | 114,710 | 5,397 |
| Others | 12,651 | (249) |
| Total for all business segments | 127,361 | 5,148 |
| Adjustments | (4,962) | (2,024) |
| Total | 122,398 | 3,123 |

- 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 -2,024 million yen include -283 million yen in the amortization of goodwill, -82 million yen that mainly consists of the elimination of intra-segment transactions, and -1,823 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 (loss) has been adjusted for alongside operating profit on the consolidated quarterly statements of income.

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

(For the Six Months Ended September 30, 2017)

| | Millions of yen | |
|---------------------------------|---------------------|--------------------------------|
| | Sales 2Q FY 2017 | Operating Profit 2Q FY 2017 |
| Watches Business | 67,943 | 4,388 |
| Electronic Devices Business | 44,185 | 3,904 |
| Systems Solutions Business | 12,731 | 677 |
| Total for reported segments | 124,860 | 8,970 |
| Others | 12,833 | 37 |
| Total for all business segments | 137,693 | 9,008 |
| Adjustments | (4,665) | (2,113) |
| Total | 133,027 | 6,895 |

- 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 -2,113 million yen include -283 million yen in the amortization of goodwill, 7 million yen that mainly consists of the elimination of intra-segment transactions, and -1,837 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 (loss) has been adjusted for alongside operating profit on the consolidated quarterly statements of income.

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