

February 14, 2018

CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

Financial Highlights

For the nine months ended December 31, 2017 (3Q FY2017)

	3Q FY2017		3Q FY2016
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	208,491	1,844.2	191,058
Operating profit	11,434	101.1	5,630
Ordinary profit	11,923	105.5	5,446
Profit attributable to owners of parent	4,470	39.5	632
Earnings per share (yen/USD)	¥ 108.45	US\$ 0.96	¥ 15.33
Cash dividends per share (yen/USD)	¥ 37.5	US\$ 0.33	¥ 37.5
	December 31, 2017		March 31, 2017
Total assets	348,036	3,078.6	328,857
Net assets	115,215	1,019.2	107,161

Note1: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 113.05 yen/dollar.

Note2: The Company has conducted share consolidation by which five common shares have been consolidated into one share on October 1, 2017. Cash dividends per share and 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 nine-month period ended December 31, 2017, 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 and accelerated growth in Asian economies.

The Japanese economy is picking up gradually in response to a recovery in export and production activities, followed by an improvement in personal consumption and the employment and income situation. Exports are expected to continue growing amid a recovery in overseas economies, and domestic demand is also expected to remain firm due to factors such as an increase in capital

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investment supported by the Tokyo Olympics and the introduction of automation and labor-saving measures, and a pickup in personal consumption backed by the steadily improving employment situation and robust consumption by foreign tourists. However, there are grounds for concern regarding both future trends in an unstable stock market and foreign exchange rates, and the impact of geopolitical risks such as the situation in North Korea.

For the nine-month period ended December 31, 2017, the Company reported consolidated net sales of 208.4 billion yen, a year-on-year increase of 17.4 billion yen, or 9.1%. 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 107.6 billion yen (a year-on-year increase of 8.6%), and overseas net sales were 100.8 billion yen (a year-on-year increase of 9.7%). Overseas net sales comprised 48.4% of net sales overall.

In terms of income, operating profit increased 5.8 billion yen compared to the same period of the previous fiscal year to 11.4 billion yen (a year-on-year increase of 103.1%), due to an increase in net sales and other factors. Ordinary profit increased by 6.4 billion yen from the same period of the previous fiscal year to become 11.9 billion yen, due to improvement in non-operating income and expenses mainly due to decrease of interest expenses. Business structure improvement expenses of 1.2 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 increased by 3.8 billion yen from the same period of the previous fiscal year to become 4.4 billion yen.

2. Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business came to 108.1 billion yen, a year-on-year increase of 5.5 billion yen, or 5.4%. 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 8.1 billion yen in operating profit (a year-on-year increase of 29.4%).

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b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 67.0 billion yen, a year-on-year increase of 5.5 billion yen, or 9.0%. Operating profit grew significantly from the same period of the previous fiscal year to 5.5 billion yen (a year-on-year increase of 172.7%), 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.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 19.7 billion yen (a year-on-year increase of 35.9%), and operating profit to 1.1 billion yen (a year-on-year increase of 32.2%). 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 20.4 billion yen (a year-on-year increase of 5.2%), and operating profit to 0.4 billion yen (compared to operating losses of 80 million 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 nine-month period ended December 31, 2017 amounted to 348.0 billion yen, an increase of 19.1 billion yen from the close of the previous fiscal year. Total current assets came to 167.9 billion yen, an increase of 14.0 billion yen from the close of the previous fiscal year. This was due to increases of 8.1 billion yen in cash and deposits, 1.3 billion yen in inventories, and 4.8 billion yen in notes and accounts receivable - trade. Under non-current assets, property, plant and equipment decreased by 1.3 billion yen, which was offset by increases of 2.3 billion yen in intangible assets and 4.0 billion yen of investments and other assets, resulting in total non-current assets of 180.0 billion yen, an increase of 5.1 billion yen relative to the close of the previous fiscal year.

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-Liabilities

For liabilities, total loans came to 133.4 billion yen, due to a decrease of 4.9 billion yen in the current portion of long-term loans payable, and increases of 3.8 billion yen in short-term loans payable and 1.0 billion yen in long-term loans payable. In addition, notes and accounts payable - trade increased by 8.5 billion yen. As a result, total liabilities amounted to 232.8 billion yen, an increase of 11.1 billion yen over the close of the previous fiscal year.

-Net assets

With regard to net assets, total net assets increased by 8.0 billion yen over the close of the previous fiscal year to become 115.2 billion yen, due to increases of 1.3 billion yen in shareholders' equity and 5.2 billion yen in total accumulated other comprehensive income mainly resulting from an increase in valuation difference on available-for-sale securities.

4. Outlook for the Year Ending March 31, 2018

While the Company's consolidated business results have progressed steadily up to the third quarter, the consolidated business results forecast for the year ending March 31, 2018 (FY2017) remains unchanged owing to uncertainty in the current economic environment and other areas, including sharp fluctuations in stock prices in the Japanese and U.S. markets and others. If any changes are made to the consolidated business results forecast for the year ending March 31, 2018 (FY2017), released on November 14, 2017, notification will be made immediately.

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

December 31, 2017

	Millions of yen	
	December 31, 2017	March 31, 2017
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	43,520	35,355
Notes and accounts receivable - trade	44,574	39,730
Inventories	67,493	66,177
Accounts receivable - other	2,840	3,679
Deferred tax assets	3,647	3,992
Other	7,362	6,250
Allowance for doubtful accounts	(1,492)	(1,260)
Total current assets	167,946	153,925
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	73,277	72,678
Machinery, equipment and vehicles	85,135	83,501
Tools, furniture and fixtures	31,794	31,297
Other	2,698	2,908
Accumulated depreciation	(148,149)	(144,359)
Land	49,265	48,945
Construction in progress	670	1,026
Total property, plant and equipment	94,693	95,998
Intangible assets:		
Goodwill	9,554	7,298
Other	9,161	9,038
Total intangible assets	18,715	16,336
Investments and other assets:		
Investment securities	52,574	48,131
Deferred tax assets	6,708	8,060
Other	7,606	6,583
Allowance for doubtful accounts	(208)	(178)
Total investments and other assets	66,680	62,596
Total non-current assets	180,089	174,931
Total assets	348,036	328,857

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	Millions of yen	
	December 31, 2017	March 31, 2017
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	29,702	21,196
Electronically recorded obligations - operating	8,366	7,021
Short-term loans payable	53,311	49,468
Current portion of long-term loans payable	25,079	30,038
Accounts payable - other	12,247	13,311
Income taxes payable	1,637	936
Deferred tax liabilities	3	20
Provision for bonuses	2,908	3,995
Other provision	861	646
Asset retirement obligations	1	0
Other	13,317	10,131
Total current liabilities	147,437	136,767
Non-current liabilities:		
Long-term loans payable	55,063	54,055
Deferred tax liabilities	8,581	7,381
Deferred tax liabilities for land revaluation	3,614	3,614
Other provision	690	567
Net defined benefit liability	11,474	12,428
Asset retirement obligations	710	702
Other	5,248	6,177
Total non-current liabilities	85,382	84,928
Total liabilities	232,820	221,696

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	Millions of yen	
	December 31, 2017	March 31, 2017
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	60,904	59,535
Treasury shares	(333)	(329)
Total shareholders' equity	77,816	76,451
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	17,920	14,962
Deferred gains or losses on hedges	36	39
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	1,803	(402)
Remeasurements of defined benefit plans	(986)	(1,121)
Total accumulated other comprehensive income	26,965	21,668
Subscription rights to shares	6	—
Non-controlling interests	10,427	9,042
Total net assets	115,215	107,161
Total liabilities and net assets	348,036	328,857

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended December 31, 2017

	Millions of yen	
	3Q FY 2017	3Q FY 2016
	Amount	Amount
Net sales	208,491	191,058
Cost of sales	128,956	119,517
Gross profit	79,534	71,541
Selling, general and administrative expenses	68,100	65,910
Operating profit	11,434	5,630
Non-operating income:		
Interest income	108	102
Dividend income	734	733
Other	1,529	1,308
Total non-operating income	2,372	2,143
Non-operating expenses:		
Interest expenses	1,013	1,391
Other	869	935
Total non-operating expenses	1,883	2,327
Ordinary profit	11,923	5,446
Extraordinary income		
Gain on sales of non-current assets	-	490
Total extraordinary income	-	490
Extraordinary losses		
Business structure improvement expenses	1,260	112
Loss on liquidation of subsidiaries and associates	142	-
Settlement payment related to patent contracts	-	530
Restructuring expenses	-	403
Total extraordinary losses	1,403	1,046
Income before income taxes	10,520	4,891
Income taxes	4,667	3,594
Profit (loss)	5,852	1,296
Profit attributable to non-controlling interests	1,382	664
Profit (loss) attributable to owners of parent	4,470	632

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended December 31, 2017

	Millions of yen	
	3Q FY 2017	3Q FY 2016
	Amount	Amount
Profit (loss)	5,852	1,296
Other comprehensive income		
Valuation difference on available-for-sale securities	2,701	5,488
Deferred gains or losses on hedges	6	(14)
Foreign currency translation adjustment	1,669	(716)
Remeasurements of defined benefit plans, net of tax	104	459
Share of other comprehensive income of entities accounted for using equity method	862	(1,184)
Total other comprehensive income	5,345	4,032
Comprehensive income	11,197	5,329
Comprehensive income attributable to		
owners of parent	9,767	4,647
non-controlling interests	1,430	682

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Segment Information

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

(For the Nine Months Ended December 31, 2016)

	Millions of yen	
	Sales 3Q FY 2016	Operating Profit 3Q FY 2016
Watches Business	102,544	6,275
Electronic Devices Business	61,513	2,033
Systems Solutions Business	14,551	832
Total for reported segments	178,609	9,141
Others	19,436	(89)
Total for all business segments	198,046	9,052
Adjustments	(6,987)	(3,422)
Total	191,058	5,630

- 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 -3,422 million yen include -424 million yen in the amortization of goodwill, -19 million yen that mainly consists of the elimination of intra-segment transactions, and -2,978 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 Nine Months Ended December 31, 2017)

	Millions of yen	
	Sales 3Q FY 2017	Operating Profit 3Q FY 2017
Watches Business	108,128	8,123
Electronic Devices Business	67,032	5,544
Systems Solutions Business	19,777	1,100
Total for reported segments	194,939	14,768
Others	20,444	409
Total for all business segments	215,383	15,177
Adjustments	(6,892)	(3,743)
Total	208,491	11,434

- 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 -3,743 million yen include -424 million yen in the amortization of goodwill, 129 million yen that mainly consists of the elimination of intra-segment transactions, and -3,448 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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