

May 14, 2019

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 2019

Financial Highlights

For the fiscal year ended March 31, 2019 (FY2018)

	FY2018		FY2017
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	247,293	2,227.7	268,529
Operating profit	9,394	84.6	10,836
Ordinary profit	11,410	102.8	10,911
Profit attributable to owners of parent	9,249	83.3	11,541
Earnings per share (yen/USD)	JPY 224.42	USD 2.02	JPY 280.01
Cash dividends per share (yen/USD)	JPY 75.00	USD 0.68	JPY 75.00
	March 31, 2019		March 31, 2018
Total assets	303,036	2,729.8	305,297
Net assets	110,415	994.6	105,170

Note1: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 111.01 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 and Cash dividends per share represent figures on the presumption that said share consolidation is performed at the beginning of the previous consolidated fiscal year (FY2017).

Business Results

1. Overview

During the fiscal year ended March 31, 2019, in the world economy, the U.S. economy expanded gradually, supported by steady growth in employment and personal consumption. In the second half of the fiscal year, exports were stagnant in Europe, due to growing destabilizing factors on the political and economic fronts. In addition, uncertainty intensified in the global economy, due to various factors including signs of a slowdown in the Chinese economy, which had seen continued stable growth, stemming from increasingly serious trade friction with the U.S.

The Japanese economy continued on a gradual recovery track backed by improvement in the employment environment and growth in personal consumption. However, uncertainty in the economic outlook is increasing due to the impact of changes in the global economy since roughly

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 2/17

December 2018.

For the fiscal year ended March 31, 2019, the Company reported consolidated net sales of 247.2 billion yen, a year-on-year decrease of only 21.2 billion yen, or 7.9%, despite a decline in sales under the Electronic Devices Business of approximately 25.0 billion yen, due to the impact of the exclusion of the semiconductor business from the scope of consolidation. On a per-segment basis, sales under the Watches Business, the Systems Solutions Business and Others grew compared to the previous fiscal year. On an overall consolidated basis, domestic net sales came to 139.9 billion yen (a year-on-year decrease of 2.1%), and overseas net sales were 107.2 billion yen (a year-on-year decrease of 14.5%). Overseas net sales comprised 43.4% of net sales overall.

In terms of income as well, operating profit decreased only 1.4 billion yen compared to the previous fiscal year to 9.3 billion yen (a year-on-year decrease of 13.3%), despite a decline in operating profit under the Electronic Devices Business of approximately 5.0 billion yen due to the impact of the exclusion of the semiconductor business from the scope of consolidation. In addition, ordinary profit increased by 0.4 billion yen compared to the previous fiscal year to become 11.4 billion yen (a year-on-year increase of 4.6%), as a result of improvement in non-operating income and expenses mainly owing to an improved share of profit and loss of entities accounted for using equity method and a decrease in interest expenses. Extraordinary income of 0.3 billion yen was posted, and, as a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests was 9.2 billion yen (a year-on-year decrease of 19.9%).

Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business came to 141.7 billion yen, a year-on-year increase of 1.6 billion yen, or 1.2%. Net sales of watches in Japan grew steadily for Grand Seiko. The Grand Seiko Boutique GINZA was opened, which was the first Grand Seiko Boutique in Japan, and a women's model featuring a new movement was released, strengthening the lineup of watches for women. The Prospex also continued to perform favorably, mainly in diver's watches. On a distribution channel basis, sales to department stores, independent stores and outlets rose compared to the previous fiscal year. On the overseas front, in the U.S., Grand Seiko grew significantly, and Prospex also performed favorably. Meanwhile, net sales remained at the same level as the previous year, due to a decline in sales of watches in the affordable price range. In Europe, although sales of watches in the affordable price range were stagnant in the U.K., sales grew in Germany and other countries, mainly for Prospex. Sales of Prospex expanded steadily in Asia, as well. Net sales of watch movements declined year on year owing to stagnation in the market for watches in the affordable price range. Operating profit was 10.3 billion yen, an increase of 31.5%, due to an increase in net sales of watches as well as the effects of cost-reduction efforts carried out since the previous year.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 3/17

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 55.5 billion yen, a year-on-year decrease of 26.3 billion yen, or 32.1%. Operating profit was 1.4 billion yen, a year-on-year decrease of 4.3 billion yen, or 75.6%. Net sales and operating profit declined due to the exclusion of the semiconductor business from the scope of consolidation in January 2018. However, excluding that impact, earnings were up due to the favorable performance of products including thermal mini printer mechanisms and precision components.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 30.8 billion yen, a year-on-year increase of 12.4%. Operating profit was 2.4 billion yen, a year-on-year increase of 49.6%, marking significant growth in both net sales and profit. Results were favorable due to factors including growth in demand for development of new systems for the financial industry.

d. Others

Net sales under Others amounted to 28.3 billion yen, a year-on-year increase of 1.8%. Operating profit was 0.6 billion yen, a year-on-year increase of 26.6%. Among segments included in Others, net sales grew year-on-year for the Wako Business and the Time Systems Business, while those for the Clock Business were down from the previous fiscal year.

2. Financial Condition

-Assets

Total assets at the close of the fiscal year ended March 31, 2019 amounted to 303.0 billion yen, a decrease of 2.2 billion yen from the close of the previous fiscal year. Total current assets came to 138.9 billion yen, an increase of 0.7 billion yen from the close of the previous fiscal year. This was due to increases of 0.7 billion yen in work in process and 0.8 billion yen in raw materials and supplies, offsetting a decrease of 0.6 billion yen in notes and accounts receivable - trade. Under non-current assets, decreases of 0.8 billion yen in property, plant and equipment, 0.7 billion yen in intangible assets and 0.8 billion yen in investment securities under investments and other assets resulted in total non-current assets of 164.0 billion yen, a decrease of 2.9 billion yen relative to the close of the previous fiscal year.

-Liabilities

For liabilities, total loans came to 104.4 billion yen, due to decreases of 0.3 billion yen in short-term loans payable, 1.7 billion yen in current portion of long-term loans payable and 4.9 billion yen in long-term loans payable. As a result, total liabilities amounted to 192.6 billion yen, a decrease of 7.5 billion yen from the close of the previous fiscal year.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 4/17

-Net assets

With regard to net assets, total net assets increased by 5.2 billion yen over the close of the previous fiscal year to become 110.4 billion yen, owing to a decrease of 1.5 billion yen in valuation difference on available-for-sale securities, offsetting an increase of 6.1 billion yen in retained earnings.

3. Overview of Cash Flows for the Year Ended March 31, 2019

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2019 came to 33.8 billion yen, a decline of 67 million 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 17.5 billion yen (compared to a positive cash flow of 27.8 billion yen for the previous fiscal year), a decrease of 10.3 billion yen year on year. This was the result of the Company posting 11.7 billion yen in income before income taxes, factoring in depreciation amounting to 8.9 billion yen, as well as a 1.1 billion-yen decrease in notes and accounts receivable - trade, a 0.9 billion-yen increase in inventories (posted as a decrease), a 0.5 billion-yen decrease in notes and accounts payable - trade (posted as a decrease), and 2.4 billion yen in income taxes payable (posted as a decrease).

-Cash flows from investing activities

Net cash used in investing activities came to negative 7.0 billion yen (compared to a negative cash flow of 17.4 billion yen for the previous fiscal year) due to cash flows consisting mainly of 6.3 billion yen in purchase of property, plant and equipment (posted as a decrease) and 1.0 billion yen in proceeds from sales of property, plant and equipment.

-Cash flows from financing activities

Net cash used in financing activities came to negative 10.6 billion yen (compared to a negative cash flow of 11.7 billion yen for the previous fiscal year) due mainly to repayments of long- and short-term loans payable and borrowings that combined for a net amount of 7.1 billion yen (posted as a decrease), as well as 3.1 billion yen in cash dividends paid (posted as a decrease).

4. Outlook for the Future

The world economy is recovering gradually, supported by measures and policies of various countries. However, growth is expected to slow down due to uncertainty about the outlook, including trade friction between the U.S. and China, the Chinese economy and geopolitical risks. In the Japanese economy as well, there are concerns about stagnation in exports and capital investment in response to growing uncertainty in the world economy.

Amid such a business environment, the Company will continue seeking to expand the Watches

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 5/17

Business in the global market with a focus on mid- to high-priced watches. The Company will also continue investments from a long-term perspective aimed at enhancement of the Seiko brand value and further growth.

Note that assumed exchange rates for the next fiscal year are as follows: 1 US dollar = 110 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, 2020 (FY2019)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	255.0	103.1
Operating profit	9.5	101.1
Ordinary profit	11.5	100.8
Profit attributable to owners of parent	9.5	102.7
Earnings per share (yen)	JPY 230.50	

■ Forecasted results by segment for the year ending March 31, 2020 (FY2019)

	Net Sales (Billions of yen)	Operating Profit (Billions of yen)
Watches Business	148.0	11.5
Electronic Devices Business	55.0	2.5
Systems Solutions Business	32.0	2.5
Total for all business segments	235.0	16.5
Others	29.0	0.8
Consolidated total	255.0	9.5

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, 2019

Page 6/17

Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	33,844	34,229
Notes and accounts receivable - trade	37,456	38,109
Merchandise and finished goods	38,119	38,381
Work in process	11,448	10,701
Raw materials and supplies	8,737	7,928
Accounts receivable - other	3,116	3,537
Other	7,419	6,589
Allowance for doubtful accounts	(1,153)	(1,206)
Total current assets	138,989	138,271
Non-current assets		
Property, plant and equipment		
Buildings and structures	71,913	72,303
Machinery, equipment and vehicles	81,388	80,147
Tools, furniture and fixtures	31,772	30,419
Other	1,820	1,766
Accumulated depreciation	(148,177)	(145,116)
Land	48,998	49,199
Construction in progress	924	779
Total property, plant and equipment	88,640	89,498
Intangible assets		
Goodwill	8,289	9,149
Other	8,957	8,887
Total intangible assets	17,247	18,036
Investments and other assets		
Investment securities	45,913	46,774
Deferred tax assets	4,243	4,015
Other	8,165	8,908
Allowance for doubtful accounts	(163)	(208)
Total investments and other assets	58,159	59,490
Total non-current assets	164,047	167,025
Total assets	303,036	305,297

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 7/17

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,449	24,921
Electronically recorded obligations - operating	6,438	7,956
Short-term loans payable	49,610	49,916
Current portion of long-term loans payable	19,698	21,476
Accounts payable - other	12,402	12,598
Income taxes payable	1,281	1,275
Provision for bonuses	3,644	3,534
Provision for goods warranties	440	445
Provision for loss on lease contracts	348	348
Other provision	444	350
Asset retirement obligations	-	51
Other	12,213	11,589
Total current liabilities	132,972	134,467
Non-current liabilities		
Long-term loans payable	35,106	40,075
Deferred tax liabilities	2,451	2,521
Deferred tax liabilities for land revaluation	3,614	3,614
Provision for loss on lease contracts	1,483	1,832
Provision for environmental measures	349	351
Provision for gift certificate exchange losses	155	157
Provision for long-term goods warranties	82	77
Provision for retirement benefits for directors (and other officers)	36	36
Provision for loss on business withdrawal	32	57
Other provision	97	38
Retirement benefit liability	10,602	10,810
Asset retirement obligations	888	676
Other	4,748	5,410
Total non-current liabilities	59,647	65,660
Total liabilities	192,620	200,127

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 8/17

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	74,124	67,975
Treasury shares	(335)	(334)
Total shareholders' equity	91,034	84,886
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,099	11,639
Deferred gains or losses on hedges	(104)	(294)
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	878	468
Remeasurements of defined benefit plans	(876)	(879)
Total accumulated other comprehensive income	18,186	19,123
Non-controlling interests	1,194	1,159
Total net assets	110,415	105,170
Total liabilities and net assets	303,036	305,297

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 9/17

Statements of Income

(Millions of yen)

	FY2018	FY2017
Net sales	247,293	268,529
Cost of sales	150,955	166,231
Gross profit	96,338	102,297
Selling, general and administrative expenses	86,943	91,461
Operating profit	9,394	10,836
Non-operating income		
Interest income	188	152
Dividend income	774	735
Share of profit of entities accounted for using equity method	1,941	734
Other	1,889	1,634
Total non-operating income	4,794	3,255
Non-operating expenses		
Interest expenses	985	1,293
Other	1,791	1,886
Total non-operating expenses	2,777	3,180
Ordinary profit	11,410	10,911
Extraordinary income		
Gain on sales of non-current assets	257	-
Gain on sales of memberships	106	-
Gain on sale of businesses	-	9,373
Total extraordinary income	363	9,373
Extraordinary losses		
Provision of reserve for loss on lease contracts	-	2,181
Business structure improvement expenses	-	1,955
Impairment loss	-	177
Loss on liquidation of subsidiaries and associates	-	142
Total extraordinary losses	-	4,456
Profit before income taxes	11,774	15,828
Income taxes - current	2,409	2,338
Income taxes - deferred	35	470
Total income taxes	2,445	2,809
Profit	9,329	13,019
Profit attributable to non-controlling interests	79	1,477
Profit attributable to owners of parent	9,249	11,541

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 10/17

Statements of Comprehensive Income

(Millions of yen)

	FY2018	FY2017
Profit	9,329	13,019
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,712)	(3,692)
Deferred gains or losses on hedges	187	(320)
Foreign currency translation adjustment	491	202
Remeasurements of defined benefit plans, net of tax	44	93
Share of other comprehensive income of entities accounted for using equity method	56	1,199
Total other comprehensive income	(933)	(2,518)
Comprehensive income	8,396	10,501
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,312	8,996
Comprehensive income attributable to non-controlling interests	83	1,504

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 11/17

Statements of Changes in Equity

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, 2019

Page 12/17

For Year Ended March 31, 2019

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	67,975	(334)	84,886
Changes of items during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			9,249		9,249
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	6,148	(1)	6,147
Balance at end of current period	10,000	7,245	74,124	(335)	91,034

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	11,639	(294)	8,190	468	(879)	19,123	1,159	105,170
Changes of items during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								9,249
Purchase of treasury shares								(1)
Net changes of items other than shareholders' equity	(1,539)	190	-	410	2	(936)	34	(902)
Total changes of items during period	(1,539)	190	-	410	2	(936)	34	5,245
Balance at end of current period	10,099	(104)	8,190	878	(876)	18,186	1,194	110,415

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 13/17

Statements of Cash Flows

(Millions of yen)

	FY2018	FY2017
Cash flows from operating activities		
Profit before income taxes	11,774	15,828
Depreciation	8,980	10,128
Increase (decrease) in allowance for doubtful accounts	(76)	162
Increase (decrease) in retirement benefit liability	(275)	(757)
Interest and dividend income	(962)	(887)
Interest expenses	985	1,293
Foreign exchange losses (gains)	(94)	203
Share of loss (profit) of entities accounted for using equity method	(1,941)	(734)
Impairment loss	-	177
Loss (gain) on sale of businesses	-	(9,373)
Loss (gain) on sales of non-current assets	(257)	-
Loss on retirement of non-current assets	92	276
Decrease (increase) in notes and accounts receivable - trade	1,132	(2,438)
Decrease (increase) in inventories	(976)	1,990
Increase (decrease) in notes and accounts payable - trade	(518)	9,310
Other, net	1,926	6,862
Subtotal	19,788	32,043
Interest and dividend income received	963	887
Proceeds from dividend income from entities accounted for using equity method	327	213
Interest expenses paid	(988)	(1,291)
Extra retirement payments	(170)	(2,299)
Income taxes paid	(2,412)	(1,667)
Net cash provided by (used in) operating activities	17,508	27,885

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 14/17

(Millions of yen)

	FY2018	FY2017
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,341)	(6,954)
Proceeds from sales of property, plant and equipment	1,061	124
Purchase of investment securities	(0)	(966)
Proceeds from sales of investment securities	33	6
Payments of loans receivable	(522)	(725)
Collection of loans receivable	508	646
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	(1,831)	(5,201)
Net cash provided by (used in) investing activities	(7,093)	(17,430)
Cash flows from financing activities		
Increase in short-term loans payable	910,847	943,237
Decrease in short-term loans payable	(911,281)	(942,950)
Proceeds from long-term loans payable	16,300	24,200
Repayments of long-term loans payable	(23,058)	(32,476)
Cash dividends paid	(3,100)	(3,100)
Other, net	(377)	(669)
Net cash provided by (used in) financing activities	(10,670)	(11,759)
Effect of exchange rate change on cash and cash equivalents	229	67
Net increase (decrease) in cash and cash equivalents	(26)	(1,237)
Cash and cash equivalents at beginning of period	33,911	35,333
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(41)	(184)
Cash and cash equivalents at end of period	33,843	33,911

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 15/17

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 and computer performance management software
Others	Clocks / High-end jewelry, apparel and fashion accessories / System clocks etc.

SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: Year ended March 31, 2019

Page 16/17

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

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.

For Year Ended March 31, 2019

	Sales FY 2018	Operating Profit FY 2018
Watches Business	141,788	10,391
Electronic Devices Business	55,548	1,414
Systems Solutions Business	30,809	2,401
Total for reported segments	228,146	14,207
Others	28,363	697
Total for all business segments	256,509	14,905
Adjustments	(9,215)	(5,511)
Total	247,293	9,394

- 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 -5,511 million yen include -566 million yen in the amortization of goodwill, 319 million yen that mainly consists of the elimination of inter-segment transactions, and -5,263 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, 2019

Page 17/17

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