

August 11, 2015

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2015

Financial Highlights

For the three months ended June 30, 2015 (1Q FY2015)

	1Q FY2015		1Q FY2014
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	70,673	577.4	64,228
Operating income	4,474	36.6	2,851
Ordinary income	5,148	42.1	2,355
Profit attributable to owners of parent	3,731	30.5	939
Earnings per share (yen/USD)	¥ 18.06	US\$ 0.15	¥ 4.55
	June 30, 2015		March 31, 2015
Total assets	331,444	2,707.9	333,701
Net assets	96,060	784.8	92,589

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 122.4 yen/dollar.

Business Results

1. Overview

During the three-month period ended June 30, 2015, in the world economy, personal consumption in the United States was steady, supported by strong employment and low oil prices. In Europe, real GDP growth trended upward, albeit at a low rate, due to improvements in employment and other factors. China's economy is believed to have entered a weak trend, reflecting a slowdown in capital investment, sluggish personal consumption and other factors, despite the implementation of economic-growth boosting measures including monetary easing. The Japanese economy is experiencing a moderate recovery led by personal consumption amid an upward trend in nominal wages. Conditions in the department store industry appear favorable due to inbound demand at some stores in urban centers and recovery in demand from wealthy customers. In the electronic devices and semiconductor market, demand for smartphone and automobile related products is increasing. Further demand is expected in new domains where microfabrication and power-saving are increasingly required. The domestic information services market progressed steadily, due to a

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recovery in demand from manufacturing and other industries following improvements in corporate earnings, reform of systems at financial institutions and other factors.

For the three-month period ended June 30, 2015, the Company reported consolidated net sales of 70.6 billion yen, a year-on-year increase of 6.4 billion yen, or 10.0%. On a per-segment basis, sales under the Watches Business and the Electronic Devices Business grew year on year, while the Systems Solutions Business declined compared to the same period of the previous fiscal year. On an overall consolidated basis, domestic net sales came to 34.6 billion yen (a year-on-year increase of 12.6%), and overseas net sales were 36.0 billion yen (a year-on-year increase of 7.7%). Overseas net sales comprised 51.0% of net sales overall. In terms of income, operating income increased 1.6 billion yen compared to the previous fiscal year to become 4.4 billion yen (a year-on-year increase of 56.9%). Furthermore, ordinary income increased by 2.7 billion yen over the same period of the previous fiscal year to become 5.1 billion yen (a year-on-year increase of 118.5%) due to improvement in non-operating income and expenditures resulting from factors such as the posting of foreign exchange gains and reduction of interest expenses. In addition, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests came to 3.7 billion yen (a year-on-year increase of 297.2%).

2. Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business for the three-month period ended June 30, 2015 came to 38.6 billion yen, a year-on-year increase of 5.5 billion yen, or 16.9%. In Japan, sales of men's watch models were driven by Grand Seiko, ASTRON, Mechanical, and PROSPEX, while sales of ladies' watch models were driven by the LUKIA and TISSÉ. With support from inbound demand as well, overall sales for watch finished goods were up significantly year on year. On the overseas front, sales grew in Europe, mainly in France, Germany and other countries on a local currency basis, and in Asia, mainly in Thailand. Sales were slow in the United States due to inventory adjustment by customers.

With regard to income, the increase in net sales yielded a year-on-year increase of 0.8 billion yen in operating income, bringing it to 3.9 billion yen (a year-on-year increase of 27.9%).

b. Electronic Devices Business

Net sales in the Electronic Devices Business came to 24.1 billion yen (a year-on-year increase of 3.1%), and operating income to 1.0 billion yen (a year-on-year increase of 35.9%). On a per-domain basis, sales of semiconductors performed solidly, particularly for automobiles and smartphones. Sales of quartz crystals increased for GPS, surveillance cameras and others. Printer-related sales were also on a recovery track, although sales of radiation measuring equipment stagnated.

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c. Systems Solutions Business

Net sales in the Systems Solutions Business came to 3.4 billion yen (a year-on-year decrease of 22.7%). Operating losses were 0.2 billion yen (compared to operating losses of 0.3 billion yen for the same period of the previous fiscal year). Sales of payment terminal-related products were steady, but communication modules and other products declined year on year.

d. Others

Net sales in Others amounted to 6.8 billion yen. Among segments included in Others, sales under the Clock Business and the Wako Business grew compared to the same period of the previous fiscal year. Operating income came to 0.1 billion yen (compared to operating losses of 0.2 billion yen for the same period of the previous fiscal year).

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2. Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets at the close of the three-month period ended June 30, 2015 amounted to 331.4 billion yen, a decrease of 2.2 billion yen from the close of the previous fiscal year. Current assets amounted to 161.7 billion yen, a decline of 3.1 billion yen. This was mainly due to decreases of 2.6 billion yen in cash and deposits and 5.2 billion in notes and accounts receivable-trade, offsetting a 6.5 billion-yen increase in inventories. Under non-current assets, investments and other assets increased by 1.1 billion yen, resulting in total non-current assets of 169.6 billion yen, a rise of 0.8 billion yen.

For liabilities, the Company posted 235.3 billion yen in total liabilities, a decrease of 5.7 billion yen over the close of the previous fiscal year. This was mainly attributable to decreases of 3.7 billion yen in long- and short-term loans payable, 4.8 billion yen in accounts payable-other and 1.8 billion yen in provision for bonuses, which offset increases of 3.5 billion yen in notes and accounts payable-trade and 1.8 billion yen in other under current liabilities.

Additionally, total net assets increased by 3.4 billion yen over the close of the previous fiscal year to become 96.0 billion yen, due to an increase of 2.1 billion yen in shareholders' equity mainly due to the recording of profit attributable to owners of parent and an increase of 1.6 billion yen in total accumulated other comprehensive income.

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Outlook for the Year Ending March 31, 2016

Business performance had a smooth start for the three-month period ended June 30, 2015, mainly in the Watches Business in Japan. As a result, the Company has revised its forecast for the consolidated business results on net sales, operating income, ordinary income, and profit attributable to owners of parent for the six-month period ending September 30, 2015, as follows.

However, for the year ending March 31, 2016, the Company has not revised the previous forecast for the consolidated business results since economic trends in each market are currently uncertain. For the forecasted results by segment for the year ending March 31, 2016, the Company has revised both net sales and operating income, based on progress and other factors for the three-month period ended June 30, 2015 as follows.

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

■ Forecast for the consolidated business results for the six-month period ending September 30, 2015

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	150.0	108.7
Operating income	9.5	125.9
Ordinary income	9.5	123.3
Profit attributable to owners of parent	7.0	52.8

■ Forecast for the consolidated business results for the year ending March 31, 2016 (FY2015)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	320.0	109.0
Operating income	16.0	137.1
Ordinary income	16.0	129.3
Profit attributable to owners of parent	12.0	55.1

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■ Forecasted results by segment for the year ending March 31, 2016 (FY2015)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watches Business	175.0	13.5
Electronic Devices Business	100.0	4.0
Systems Solutions Business	24.0	1.0
Total for all business segments	299.0	18.5
Others	30.0	1.0
Consolidated total	320.0	16.0

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

June 30, 2015

	Millions of yen	
	June 30, 2015	March 31, 2015
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	38,594	41,292
Notes and accounts receivable - trade	39,548	44,755
Inventories	69,431	62,910
Accounts receivable - other	2,955	4,244
Deferred tax assets	5,299	6,423
Other	7,826	7,038
Allowance for doubtful accounts	(1,886)	(1,763)
Total current assets	161,768	164,901
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	73,771	73,412
Machinery, equipment and vehicles	103,492	102,894
Tools, furniture and fixtures	35,522	34,943
Other	4,249	4,244
Accumulated depreciation	(172,294)	(170,229)
Land	50,574	50,447
Construction in progress	1,191	917
Total property, plant and equipment	96,507	96,630
Intangible assets:		
Goodwill	8,092	8,236
Other	7,185	7,157
Total intangible assets	15,278	15,393
Investments and other assets:		
Investment securities	48,904	48,116
Deferred tax assets	2,073	1,737
Other	7,136	7,101
Allowance for doubtful accounts	(225)	(179)
Total investments and other assets	57,889	56,776
Total non-current assets	169,675	168,799
Total assets	331,444	333,701

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	Millions of yen	
	June 30, 2015	March 31, 2015
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	29,612	26,019
Electronically recorded obligations - operating	7,861	7,358
Short-term loans payable	47,694	43,585
Current portion of long-term loans payable	33,706	35,771
Accounts payable - other	9,753	14,603
Income taxes payable	1,182	1,584
Deferred tax liabilities	32	26
Provision for bonuses	2,501	4,346
Other provision	1,059	1,172
Asset retirement obligations	97	12
Other	12,486	10,637
Total current liabilities	145,988	145,118
Non-current liabilities:		
Long-term loans payable	48,675	54,498
Deferred tax liabilities	10,802	11,091
Deferred tax liabilities for land revaluation	3,808	3,812
Other provision	731	897
Net defined benefit liability	18,416	18,441
Asset retirement obligations	437	522
Other	6,523	6,729
Total non-current liabilities	89,394	95,993
Total liabilities	235,383	241,112

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	Millions of yen	
	June 30, 2015	March 31, 2015
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,416	7,414
Retained earnings	49,945	47,765
Treasury shares	(153)	(151)
Total shareholders' equity	67,209	65,027
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	13,392	13,007
Deferred gains or losses on hedges	22	39
Revaluation reserve for land	7,996	7,991
Foreign currency translation adjustment	6,115	4,796
Remeasurements of defined benefit plans	(446)	(452)
Total accumulated other comprehensive income	27,079	25,383
Non-controlling interests	1,771	2,178
Total net assets	96,060	92,589
Total liabilities and net assets	331,444	333,701

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2015

	Millions of yen	
	1Q FY 2015	1Q FY 2014
	Amount	Amount
Net sales	70,673	64,228
Cost of sales	44,510	41,550
Gross profit	26,163	22,678
Selling, general and administrative expenses	21,689	19,826
Operating income	4,474	2,851
Non-operating income:		
Interest income	49	54
Dividend income	490	304
Foreign exchange gains	348	-
Other	593	498
Total non-operating income	1,482	857
Non-operating expenses:		
Interest expenses	555	912
Other	252	441
Total non-operating expenses	807	1,353
Ordinary income	5,148	2,355
Income before income taxes	5,148	2,355
Income taxes	1,321	1,284
Profit	3,827	1,071
Profit attributable to non-controlling interests	96	132
Profit attributable to owners of parent	3,731	939

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2015

	Millions of yen	
	1Q FY 2015	1Q FY 2014
	Amount	Amount
Profit	3,827	1,071
Other comprehensive income		
Valuation difference on available-for-sale securities	340	5,639
Deferred gains or losses on hedges	(17)	(9)
Revaluation reserve for land	4	-
Foreign currency translation adjustment	952	(134)
Remeasurements of defined benefit plans, net of tax	14	8
Share of other comprehensive income of entities accounted for using equity method	412	214
Total other comprehensive income	1,708	5,717
Comprehensive income	5,535	6,789
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,427	6,675
Comprehensive income attributable to non- controlling interests	107	113

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Segment Information

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

(For the Three Months Ended June 30, 2014)

	Millions of yen	
	Sales 1Q FY 2014	Operating Income 1Q FY 2014
Watches Business	33,075	3,120
Electronic Devices Business	23,425	778
Systems Solutions Business	4,525	(320)
Total for reported segments	61,025	3,579
Others	5,391	(268)
Total for all business segments	66,417	3,310
Adjustments	(2,188)	(458)
Total	64,228	2,851

- Notes:
1. The “Others” category denotes business segments not included among reported segments, such as the Clock Business.
 2. Adjustments to segment income in the amount of -458 million yen include -173 million yen in the amortization of goodwill, 154 million yen that mainly consists of the elimination of intra-segment transactions, and -439 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 income on the consolidated quarterly statements of income.

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

(For the Three Months Ended June 30, 2015)

	Millions of yen	
	Sales 1Q FY 2015	Operating Income 1Q FY 2015
Watches Business	38,663	3,990
Electronic Devices Business	24,152	1,058
Systems Solutions Business	3,498	(295)
Total for reported segments	66,314	4,754
Others	6,830	140
Total for all business segments	73,145	4,894
Adjustments	(2,471)	(420)
Total	70,673	4,474

- Notes:
1. The “Others” category denotes business segments not included among reported segments, such as the Clock Business.
 2. Adjustments to segment income in the amount of -420 million yen include -141 million yen in the amortization of goodwill, 44 million yen that mainly consists of the elimination of intra-segment transactions, and -323 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 income on the consolidated quarterly statements of income.

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