

9 August 2011

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED 30 JUNE 2011

### Financial Highlights

For the fiscal year ended 30 June 2011 (1Q FY2011)

	1Q FY2011		1Q FY2010
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	69,726	863,694	76,200
Operating income	641	7,940	2,766
Ordinary income	(870)	(10,777)	1,307
Net income	(1,770)	(21,925)	1,000
Earnings per share (yen)	(9.70)	\$(0.12)	5.78
	30 June 2011		31 March 2011
Total assets	400,100	4,956,026	400,457
Net assets	44,950	556,794	46,270

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 80.73 yen/dollar.

### Business Results

#### 1. Overview

For the three-month period ending 30 June 2011, SEIKO HOLDINGS CORPORATION reported consolidated net sales of 69.7 billion yen, a decline of 6.4 billion yen from the same quarter last year. On a per-segment basis, the watch business demonstrated steady growth in sales in newly-developing countries despite a worsening in the foreign exchange environment. The electronic components business registered a significant decline in sales mainly due to a late start in the beginning of the quarter precipitated by disorder in the supply chain. This represents a stark contrast to the same quarter last year, which was characterized by brisk sales brought upon by a recovery in demand. Although sales in the clock business exceeded those posted in the same quarter last year, sales in the optical products business and other businesses declined. From an income perspective, mainly due to the decline in sales, operating

income halted at 0.6 billion yen, a decline of 2.1 billion yen from the same quarter last year. Similarly, ordinary income declined by 2.1 billion yen, resulting in an ordinary loss of 0.8 billion yen for the period in question. In addition to 0.2 billion yen in gains from the sale of noncurrent assets posted under extraordinary income and 0.1 billion yen in losses from the sale of investment securities posted under extraordinary losses, income tax increased on a year-on-year basis. This resulted in 1.7 billion yen in net losses being posted for the quarter in question (relative to 1.0 billion yen in net income for the same quarter last year).

## **2. Results by Segment**

Results for each segment are as follows:

### **a. Watch business**

Net sales in the watch business for the three-month period ending 30 June 2011 came to 24.7 billion yen, representing a year-on-year increase of 2.3 billion yen (or 10.4%). This was principally due to the inclusion of the timepiece retail business in the watch business for the quarter in question. For the same quarter last year, the former business had been included in other businesses. In Japan, sales of the GRAND SEIKO line, particularly those of the SEIKO 130th Anniversary Commemorative model, progressed favorably. Consequently, CREDOR and other premium-priced products demonstrated sales performance that exceeded that for the same quarter last year. Additionally, among medium- to low-priced products, the LUKIA and TISSÉ ladies watch models also demonstrated favorable sales growth. On the overseas front, sales in China and other Asian countries continued to progress satisfactorily, with robust sales also posted in the United States for the quarter. Sales in the watch movement sales business grew principally around high value-added movement.

With regards to income, operating income under this segment decreased by 0.4 billion yen year on year to 1.4 billion yen. This is mainly attributable to the worsening of the foreign exchange environment and rising purchasing costs.

### **b. Electronic components business**

Net sales in the electronic components business came to 36.3 billion yen (a year-on-year decline of 13.1%), with operating income coming to 0.0 billion yen. On a

per-domain basis, electronic devices, specifically semiconductors, were sluggish all around mainly due to the impact of the Great East Japan Earthquake. Additionally, sales of mechatronic devices fell below those of the previous year mainly due to customers adjusting their inventories of hard disk components. Systems applications also demonstrated favorable progression in sales, particularly the likes of mobile telecommunications modules used in security-related products for domestic use.

#### **c. Clock business**

Net sales in the clock business came to 2.2 billion yen (up 5.5% from the same quarter last year). In Japan, products intended for mass merchandisers in particular exhibited steady growth in sales. Meanwhile, overseas, sales of products for the United States market progressed favorably. From an income perspective, despite an improvement over the same quarter last year due to the sale of unprofitable businesses, operating losses came to 0.1 billion yen (relative to 0.2 billion yen in operating losses for the same quarter last year).

#### **d. Optical products business**

Net sales in the optical products business came to 5.7 billion yen (a year-on-year decline of 4.5%). Although Europe and the United States demonstrated steady progression in sales, unit prices in Japan continued to trend downwards. From an income perspective, operating income amounted to 63 million yen, a slight decline from the same quarter last year.

#### **e. Other businesses**

In other businesses, net sales came to 3.2 billion yen (a year-on-year decline of 51.6%) and operating losses came to 0.2 billion yen (relative to operating losses of 0.2 billion yen for the same quarter last year). For the quarter in question, the timepiece retail business, which had been accounted for under other businesses during the same quarter last year, was included in the watch business. The withdrawal of the Company from its golf business was another key factor contributing to the decline in sales. However, going forward, the Company will endeavor to recuperate its sales through the June opening of a Seiko Salon on the 1st floor of the Main Building of the Wako department store, which has simultaneously been positioned as the Company's flagship store.

## Financial Condition

### Status of Assets, Liabilities, and Net Assets

Total assets for the three-month period ending 30 June 2011 amounted to 400.1 billion yen, a decline of 0.3 billion yen relative to the end of the fiscal year ending 2011 March 31. Cash and deposits decreased by 1.8 billion yen, and notes and accounts receivable-trade declined by 5.2 billion yen. At the same time, inventories increased by 6.6 billion yen. Coupled with an increase of 2.3 billion yen in other current assets, total current assets grew by 2.6 billion yen. In non-current assets, mainly due to replacement investment, machinery, equipment and vehicles increased by 1.3 billion yen. Simultaneously, land decreased by 2.1 billion yen mainly due to sales of land, and depreciation also progressed. These collectively caused a decline of 3.0 billion yen in total noncurrent assets. With regards to liabilities, the increase in inventories caused notes and accounts payable-trade to increase by 1.7 billion yen. Additionally, although borrowings also grew by 1.6 billion yen, accounts payable-other declined by 2.4 billion yen. This caused total liabilities to come to 355.1 billion yen, representing an increase of 0.9 billion yen from the end of the fiscal year ending 2011 March 31. Lastly, relative to the end of the fiscal year ending 2011 March 31, net assets decreased by 1.3 billion yen to 44.9 billion yen. This was mainly due to the posting of dividends payable and net losses for the quarter by the Company.

### Outlook for the Year Ending 31 March 2012

The second quarter of this fiscal year and beyond is laced with uncertainty chiefly revolving around concerns that the foreign exchange environment will further worsen due to the United States debt crisis. However, the watch business is anticipated to continue its favorable performance, particularly in newly-developing countries. Additionally, orders in the electronic components business have been taking a turn for the better in the immediate term. As such, the Company is expecting a steady recovery in its results. Please note that there is no revision in the previously-announced consolidated results forecast for the fiscal year ending March 31, 2012.

Moreover, the results forecasts for each segment also remain unchanged.

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## ■ Forecast for the consolidated business results for the year ending 31 March 2012 (FY2011)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	315.0	100.4
Operating income	12.0	102.9
Ordinary income	8.0	121.5
Net income	4.0	183.3

## ■ Forecasted results by segment for the year ending 31 March 2012 (FY2011)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watch Business	110.0	8.0
Electronic Components Business	165.0	5.0
Clock Business	10.0	0.0
Optical Products Business	23.0	0.2
Other Businesses	15.0	0.0
Total for all business segments	323.0	13.2
Consolidated total	315.0	12.0

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

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## Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

30 June 2011

	Millions of yen	
	30 June 2011	31 March 2011
	Amount	Amount
<b>Assets</b>		
Current assets:		
Cash and deposits	50,151	51,958
Notes and accounts receivable-trade	45,599	50,897
Inventories	67,598	60,974
Accounts receivable-other	3,312	2,837
Deferred tax assets	4,785	4,489
Other	7,211	4,849
Allowance for doubtful accounts	(1,336)	(1,352)
<b>Total current assets</b>	<b>177,322</b>	<b>174,654</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	107,103	107,510
Machinery, equipment and vehicles	101,637	100,248
Tools, furniture and fixtures	35,803	35,410
Other	3,654	3,191
Accumulated depreciation	(171,073)	(168,054)
Land	81,380	83,505
Construction in progress	1,599	1,054
Subtotal	160,104	162,866
Intangible assets:		
Goodwill	10,947	11,172
Other	10,212	10,373
Subtotal	21,159	21,545
Investments and other assets:		
Investment securities	32,588	31,989
Deferred tax assets	2,295	2,600
Other	10,075	10,229
Allowance for doubtful accounts	(3,445)	(3,428)
Subtotal	41,514	41,390
<b>Total noncurrent assets</b>	<b>222,778</b>	<b>225,802</b>
<b>Total assets</b>	<b>400,100</b>	<b>400,457</b>

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	Millions of yen	
	30 June 2011	31 March 2011
	Amount	Amount
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable-trade	46,912	45,175
Short-term loans payable	77,973	75,306
Current portion of long-term loans payable	57,935	58,606
Accounts payable-other	8,686	11,182
Income taxes payable	1,206	1,691
Deferred tax liabilities	149	127
Provision for bonuses	1,733	1,520
Other provision	1,091	1,466
Asset retirement obligations	41	39
Other	11,040	11,045
<b>Total current liabilities</b>	<b>206,771</b>	<b>206,163</b>
Noncurrent liabilities:		
Long-term loans payable	103,580	103,952
Deferred tax liabilities	5,129	4,632
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	25,297	25,241
Other provision	976	1,083
Asset retirement obligations	352	351
Negative goodwill	852	946
Other	6,698	6,325
<b>Total noncurrent liabilities</b>	<b>148,378</b>	<b>148,023</b>
<b>Total liabilities</b>	<b>355,150</b>	<b>354,187</b>

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	Millions of yen	
	30 June 2011	31 March 2011
	Amount	Amount
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,547	7,521
Retained earnings	20,985	23,140
Treasury stock	(889)	(1,010)
Subtotal	37,643	39,650
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,076	740
Deferred gains or losses on hedges	111	99
Revaluation reserve for land	7,154	7,154
Foreign currency translation adjustment	(10,420)	(10,455)
Subtotal	(2,077)	(2,461)
Minority interests	9,384	9,080
<b>Total net assets</b>	<b>44,950</b>	<b>46,270</b>
<b>Total liabilities and net assets</b>	<b>400,100</b>	<b>400,457</b>



# SEIKO HOLDINGS CORPORATION

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## Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended 30 June 2011

	Millions of yen	
	1Q FY 2011	1Q FY 2010
	Amount	Amount
<b>Net sales</b>	69,726	76,200
Cost of sales	48,881	52,193
Gross profit	20,844	24,007
Selling, general and administrative expenses	20,203	21,240
<b>Operating income</b>	<b>641</b>	<b>2,766</b>
<b>Non-operating income:</b>		
Interest income	82	41
Dividends income	91	89
Other	481	681
Subtotal	654	812
<b>Non-operating expenses:</b>		
Interest expenses	1,374	1,353
Foreign exchange losses	471	811
Other	320	106
Subtotal	2,166	2,271
<b>Ordinary income (loss)</b>	<b>(870)</b>	<b>1,307</b>
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	252	–
Reversal of provision for directors' retirement benefits	–	225
Subtotal	252	225
<b>Extraordinary loss:</b>		
Loss on sales of investment securities	136	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	332
Provision of allowance for investment loss of subsidiaries and affiliates	–	227
Subtotal	136	560
<b>Income (loss) before income taxes and minority interests</b>	<b>(754)</b>	<b>972</b>
Income taxes	835	(152)
Income (loss) before minority interests	(1,590)	1,124
Minority interests in income	179	124
<b>Net income (loss)</b>	<b>(1,770)</b>	<b>1,000</b>

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## Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended 30 June 2011

	Millions of yen	
	1Q FY 2011	1Q FY 2010
	Amount	Amount
<b>Income (loss) before minority interests</b>	<b>(1,590)</b>	<b>1,124</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	253	(1,805)
Deferred gains or losses on hedges	11	(67)
Foreign currency translation adjustment	(23)	(558)
Share of other comprehensive income of associates accounted for using equity method	139	(141)
Subtotal	380	(2,572)
<b>Comprehensive income</b>	<b>(1,209)</b>	<b>(1,447)</b>
Comprehensive income attributable to owners of the parent	(1,387)	(1,489)
Comprehensive income attributable to minority interests	178	42

## Segment Information

### 1. Information about Sales (Loss) by Reported Segment (For the Three Months Ended 30 June 2010)

	Sales 1Q FY 2010	Operating Income 1Q FY 2010
Watch Business	22,409	1,965
Electronic Components Business	41,848	1,022
Clock Business	2,177	(219)
Optical Products Business	5,977	142
Other businesses	6,655	(238)
Total for all business segments	79,067	2,672
Eliminations and common	(2,866)	93
Total	76,200	2,766

### 2. Information about Sales (Loss) by Reported Segment (For the Three Months Ended 30 June 2011)

	Sales 1Q FY 2011	Operating Income 1Q FY 2011
Watch Business	24,737	1,480
Electronic Components Business	36,386	0
Clock Business	2,298	(118)
Optical Products Business	5,710	63
Other businesses	3,222	(284)
Total for all business segments	72,354	1,142
Eliminations and common	(2,628)	(500)
Total	69,726	641

Notes:

- Adjustments to segment income in the amount of -500 million yen include -225 million yen in the amortization of goodwill, 309 million yen that mainly consists of the elimination of intra-segment transactions, and -584 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).
- Segment income has been adjusted for alongside operating income on the consolidated quarterly statements of income.
- Out of property, plant and equipment in the form of "tools, furniture and fixtures" possessed by certain domestic consolidated subsidiaries, molds had originally been subject to depreciation over a two-year period. However, following a comprehensive revision of their service life based on product development cycles and the past record of usage of the molds, the Company elected to apply a service life of six years beginning with the three-month consolidated period ending June 30, 2011.  
The cumulative monetary impact of this change as of the consolidated three-month period in question was an increase of 44 million yen in segment income for the watch business and an increase of 53 million yen in segment income for the electronic components business.

**Matters Concerning Changes, Etc. in Reported Segments**

Following changes made to the consolidated management framework of the Company, disclosure for Cronos Inc. has been included under the watch business starting from the consolidated cumulative three-month period ending December 31, 2010. During the consolidated cumulative three-month period ending June 30, 2010, Cronos Inc. had been included under other businesses.

When this change is reflected in the consolidated cumulative three-month period ending June 30, 2010, net sales to external customers under the watch business increase by 2,588 million yen, internal net sales or transfer amounts between segments decrease by 359 million yen, net sales to external customers under other businesses decrease by 2,588 million yen, and internal net sales or transfer amounts between segments increase by 0 million yen. Additionally, segment income under the watch business increases by 13 million yen, and segment losses under other business increase by 47 million yen.

Reported Segment	Main Products
Watch Business	Watches, watch movements
Electronic Components Business	Hard disk components, semiconductors, quartz crystals, LCD devices, micro batteries and materials, information systems, IC dictionaries, printers, scientific instruments, network systems, and shutters for cameras
Clock Business	Clocks
Optical Products Business	Optical lenses and frames
Other Businesses	Musical accessories, high-end clothing and miscellaneous goods, system clocks, and sports timing equipments

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