

February 10, 2015

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014

### Financial Highlights

For the nine months ended December 31, 2014 (3Q FY2014)

	3Q FY2014		3Q FY2013
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	<b>217,376</b>	1,804.0	225,606
Operating income	<b>11,334</b>	94.1	13,370
Ordinary income	<b>12,626</b>	104.8	11,213
Net income	<b>23,991</b>	199.1	11,976
Earnings per share (yen/USD)	<b>¥ 116.09</b>	US\$ 0.96	¥ 57.95
Cash dividends per share (yen/USD)	<b>¥ 2.50</b>	US\$ 0.02	¥ 0.00
	<b>December 31, 2014</b>		March 31, 2014
Total assets	<b>357,248</b>	2,964.7	366,753
Net assets	<b>96,879</b>	804.0	64,766

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 120.5 yen/dollar.

### Business Results

#### 1. Overview

During the nine-month period ended December 31, 2014, recovery in the world economy slowed down as a result of factors including weak growth throughout the eurozone in Europe, which offset continued strength of the United States economy that was backed by personal consumption and capital investment. Although economic growth also continued in China, it slowed down and growth rate targets for 2015 onward have been lowered. The Japanese economy saw a temporary drop resulting from the impact of the consumption tax hike, but an increase in winter bonuses, a decline in oil prices and other factors put a brake on a deterioration of business confidence and consumer sentiment. The department store industry experienced a sales decline in reaction to the last minute demand at the end of the previous fiscal year, mainly for high-priced items such as high-end brands and jewelry. Even so, the industry is on a recovery track mainly due to an increase in the number of travelers from other countries visiting Japan. In the electronic devices and semiconductor market,

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demand for smartphone- and automobile-related products is increasing, but sales related to flat-screen TVs, digital cameras and other areas continue to be sluggish. Performance was strong in the domestic information services market, due to factors including a recovery in demand from manufacturing and other industries following improvement in corporate earnings.

For the nine-month period ended December 31, 2014, the Company reported consolidated net sales of 217.3 billion yen, a year-on-year decrease of 8.2 billion yen. This was largely impacted by the exclusion of the Optical Products Business from consolidation at the close of the previous fiscal year. On a per-segment basis, sales under the Watches Business grew both within Japan and overseas, and the Electronic Devices Business also continued to perform steadily, mainly in semiconductors. Sales in the Systems Solutions Business rose slightly year on year as well. On an overall consolidated basis, domestic net sales came to 100.9 billion yen (a year-on-year decrease of 3.6%), and overseas net sales were 116.4 billion yen (a year-on-year decrease of 3.7%). Overseas net sales comprised 53.6% of net sales overall. In terms of income, operating income decreased 2.0 billion yen compared to the same period of the previous fiscal year to become 11.3 billion yen (a year-on-year decrease of 15.2%), reflecting factors such as increases in advertising and personnel expenses compared to the same period of the previous fiscal year. However, ordinary income increased by 1.4 billion yen over the same period of the previous fiscal year to become 12.6 billion yen (a year-on-year increase of 12.6%), due to a year-on-year improvement in non-operating income and expenses. Meanwhile, quarterly net income minus income taxes and minority interests in income came to 23.9 billion yen (a year-on-year increase of 100.3%), due primarily to gain on sales of non-current assets of 8.4 billion yen and gain on sales of investment securities of 7.7 billion yen posted as extraordinary income, and loss on business withdrawal of 0.5 billion yen posted as extraordinary losses as a result of withdrawal from electronic dictionaries and other businesses in the Electronic Devices Business.

## 2. Results by Segment

Results for each segment are as follows:

### a. Watches Business

Net sales under the Watches Business for the nine-month period ended December 31, 2014 came to 119.2 billion yen, a year-on-year increase of 7.8 billion yen, or 7.0%. In Japan, sales were underpinned by factors including an increase in tourists from other countries despite the impact of the consumption tax hike seen mainly for high-value range products during the first half of the current fiscal year. Sales of men's watch models were driven by the launch in September of the second-generation model of ASTRON, which is the world's first GPS solar watch, as well as the BRIGHTZ, and the Mechanical, while the LUKIA and TISSÉ ladies watch models saw sales growth. As a result, overall sales for watch finished goods were up year on year. On the overseas front, ASTRON sales were favorable, as they were in Japan. In addition, the PROSPEX sports watch for serious sports enthusiasts commenced global sales from the current fiscal year, and in August, the

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Seiko Boutique was opened on New York's Madison Avenue in order to promote the brand's high-quality image in retail shops. As a result of these efforts, sales grew steadily in Europe and America, including the United States, France, and Germany. Meanwhile, in Asia, sales were down year on year in Thailand mainly due to political unrest, but Taiwan and other markets saw favorable growth in sales.

With regards to income, the increase in net sales and improvement in gross profit ratio yielded a year-on-year increase of 0.6 billion yen in operating income, bringing it to 12.2 billion yen (a year-on-year increase of 5.2%).

## **b. Electronic Devices Business**

Net sales in the Electronic Devices Business came to 71.5 billion yen (a year-on-year increase of 2.7%), and operating income to 1.6 billion yen (a year-on-year decrease of 25.6%). On a per-domain basis, sales of semiconductors, particularly those for automobiles and smartphones, saw strong growth, and printer-related sales also progressed steadily. However, sales of batteries and radiation measuring equipment stagnated.

## **c. Systems Solutions Business**

Net sales in the Systems Solutions Business came to 15.0 billion yen (a year-on-year increase of 0.6%). Although sales of network equipment, communication modules, order entry systems, and other products were robust, sales of payment terminal-related products, etc. fell year on year. In terms of profits, operating losses came to 65 million yen (compared to operating loss of 62 million yen for the same period of the previous fiscal year), due to cost increase resulting from yen depreciation among other factors.

## **d. Others**

Net sales in Others amounted to 18.5 billion yen. Among segments included in Others, sales under the Clock Business were up compared to the same period of the previous fiscal year, despite the impact of the consumption tax hike during the first half of the current fiscal year. Under the Wako Business, sales for the nine-month period ended December 31, 2014 increased year on year as well, despite sluggish sales at the beginning of the period mainly for jewelry and other high-priced products. In addition, the exclusion of the Optical Products Business from consolidation at the close of the previous fiscal year resulted in a substantial decrease in net sales in Others (Net sales in the Optical Products Business came to 18.3 billion yen for the same period of the previous fiscal year). Operating income came to 98 million yen (a year-on-year decrease of 71.2%).

## Financial Condition

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

Total assets at the close of the nine-month period ended December 31, 2014 amounted to 357.2 billion yen, a decrease of 9.5 billion yen from the close of the previous fiscal year. Current assets came to 179.2 billion yen, an increase of 20.8 billion yen. This was mainly due to a 10.9 billion-yen increase in cash and deposits and a 10.3 billion-yen increase in inventories. Under non-current assets, property, plant and equipment decreased by 38.0 billion yen due to factors such as sales of the land and building owned by the Company (located in Minato-ku, Tokyo) and those owned by the Company's subsidiary, Seiko Instruments Inc. (located in Chiba-shi, Chiba). Even so, investments and other assets increased by 7.8 billion yen, resulting in total non-current assets of 178.0 billion yen, a decrease of 30.3 billion yen.

For liabilities, the Company posted 260.3 billion yen in total liabilities, a decrease of 41.6 billion yen over the close of the previous fiscal year. This was mainly attributable to a decrease of 56.2 billion yen in long- and short-term loans payable, which offset an increase of 10.1 billion yen in notes and accounts payable-trade and an increase of 3.8 billion yen in deferred tax liabilities (non-current liabilities). Because of the decrease in long- and short-term loans payable, the reduction target of interest-bearing debt for the final fiscal year under the Fifth Mid-Term Management Plan, of which the current fiscal year corresponds to the second year, was achieved ahead of schedule.

Additionally, thanks to an increase of 21.1 billion yen in shareholders' equity mainly due to the recording of net income and an increase of 10.6 billion yen in total accumulated other comprehensive income, total net assets increased by 32.1 billion yen over the close of the previous fiscal year to become 96.8 billion yen.

### Outlook for the Year Ending March 31, 2015

Although performance was steady overall during the nine-month period under review, mainly in the Watches Business, progress in some parts of the Electronic Devices Business has been weaker than anticipated. In addition, while operating expenses increased due to additional investments carried out amid the effects of yen depreciation, the currency exchange effects in part were recorded in non-operating income. As a result, the Company has revised the forecast for operating income as follows. There is no change, however, to consolidated totals for net sales, ordinary income, or net income. Note that assumed exchange rates as a basis for preparation of business outlook are as follows: U.S. 1 dollar = 115 yen; 1 euro = 130 yen.

The Company's basic policy is to continue paying consistent dividends. The Company plans to increase its year-end dividend by 2.5 yen per share to 7.5 yen per share from the 5 yen per share of the previous forecast, given its steady performance during the current fiscal year and continuing improvement in its financial position. Together with the interim dividend of 2.5 yen already paid, this will bring the annual dividend to 10 yen.

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

## ■ Forecast for the consolidated business results for the year ending March 31, 2015 (FY2014)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	290.0	94.1
Operating income	13.0	92.8
Ordinary income	14.0	137.7
Net income	25.0	336.8
Earnings per share (yen)	JPY 120.98	

## ■ Forecasted results by segment for the year ending March 31, 2015 (FY2014)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watches Business	155.0	12.5
Electronic Devices Business	98.0	2.5
Systems Solutions Business	22.0	0.5
Total for all business segments	275.0	15.5
Others	25.0	0.5
Consolidated total	290.0	13.0

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

December 31, 2014

	Millions of yen	
	December 31, 2014	March 31, 2014
	Amount	Amount
<b>Assets</b>		
Current assets:		
Cash and deposits	53,970	43,002
Notes and accounts receivable - trade	45,095	44,462
Inventories	67,385	57,022
Accounts receivable - other	2,296	3,016
Deferred tax assets	5,080	5,131
Other	6,963	7,152
Allowance for doubtful accounts	(1,591)	(1,418)
<b>Total current assets</b>	<b>179,200</b>	<b>158,369</b>
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	74,498	103,833
Machinery, equipment and vehicles	103,823	100,575
Tools, furniture and fixtures	35,286	33,526
Other	4,538	4,313
Accumulated depreciation	(169,512)	(180,292)
Land	50,771	75,965
Construction in progress	1,042	559
<b>Total property, plant and equipment</b>	<b>100,449</b>	<b>138,481</b>
Intangible assets:		
Goodwill	8,379	8,872
Other	7,103	6,768
<b>Total intangible assets</b>	<b>15,482</b>	<b>15,641</b>
Investments and other assets:		
Investment securities	53,008	46,866
Deferred tax assets	1,977	1,709
Other	7,313	8,391
Allowance for doubtful accounts	(182)	(2,707)
<b>Total investments and other assets</b>	<b>62,116</b>	<b>54,261</b>
<b>Total non-current assets</b>	<b>178,047</b>	<b>208,384</b>
<b>Total assets</b>	<b>357,248</b>	<b>366,753</b>

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	Millions of yen	
	December 31, 2014	March 31, 2014
	Amount	Amount
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	34,861	24,752
Electronically recorded obligations - operating	8,104	7,153
Short-term loans payable	47,749	56,750
Current portion of long-term loans payable	35,993	46,180
Accounts payable - other	12,894	13,934
Income taxes payable	2,066	1,744
Deferred tax liabilities	36	203
Provision for bonuses	2,929	3,938
Other provision	1,129	1,506
Asset retirement obligations	9	16
Other	12,215	10,094
<b>Total current liabilities</b>	<b>157,991</b>	<b>166,275</b>
Non-current liabilities:		
Long-term loans payable	55,966	93,040
Deferred tax liabilities	13,461	9,597
Deferred tax liabilities for land revaluation	4,218	4,218
Other provision	1,020	1,070
Net defined benefit liability	19,085	18,628
Asset retirement obligations	526	345
Other	8,099	8,811
<b>Total non-current liabilities</b>	<b>102,377</b>	<b>135,711</b>
<b>Total liabilities</b>	<b>260,368</b>	<b>301,987</b>

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	Millions of yen	
	December 31, 2014	March 31, 2014
	Amount	Amount
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,414	7,414
Retained earnings	50,008	28,837
Treasury shares	(150)	(146)
Total shareholders' equity	67,272	46,104
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	15,567	10,601
Deferred gains or losses on hedges	(50)	(185)
Revaluation reserve for land	7,617	7,617
Foreign currency translation adjustment	4,508	(992)
Remeasurements of defined benefit plans	(249)	(273)
Total accumulated other comprehensive income	27,394	16,766
Minority interests	2,213	1,895
<b>Total net assets</b>	<b>96,879</b>	<b>64,766</b>
<b>Total liabilities and net assets</b>	<b>357,248</b>	<b>366,753</b>



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## Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended December 31, 2014

	Millions of yen	
	3Q FY 2014	3Q FY 2013
	Amount	Amount
<b>Net sales</b>	217,376	225,606
Cost of sales	138,840	147,844
Gross profit	78,536	77,762
Selling, general and administrative expenses	67,201	64,391
<b>Operating income</b>	<b>11,334</b>	<b>13,370</b>
<b>Non-operating income:</b>		
Interest income	172	110
Dividend income	587	181
Foreign exchange gains	1,917	1,384
Other	1,830	1,357
Total non-operating income	4,508	3,032
<b>Non-operating expenses:</b>		
Interest expenses	2,504	3,106
Other	711	2,083
Total non-operating expenses	3,215	5,190
<b>Ordinary income</b>	<b>12,626</b>	<b>11,213</b>
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	8,433	-
Gain on sales of investment securities	7,740	843
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	127	119
Insurance income	-	4,628
Total extraordinary income	16,302	5,591
<b>Extraordinary losses:</b>		
Loss on business withdrawal	589	-
Special extra retirement payments	-	646
Provision of reserve for loss on lease contracts	-	631
Total extraordinary losses	589	1,278
<b>Income before income taxes and minority interests</b>	<b>28,340</b>	<b>15,526</b>
Income taxes	4,215	3,239
Income before minority interests	24,124	12,286
Minority interests in income	133	309
<b>Net income</b>	<b>23,991</b>	<b>11,976</b>

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## Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended December 31, 2014

	Millions of yen	
	3Q FY 2014	3Q FY 2013
	Amount	Amount
<b>Income before minority interests</b>	<b>24,124</b>	<b>12,286</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,832	10,962
Deferred gains or losses on hedges	135	86
Foreign currency translation adjustment	5,319	4,096
Remeasurements of defined benefit plans, net of tax	24	-
Share of other comprehensive income of entities accounted for using equity method	553	1,832
Total other comprehensive income	10,865	16,977
<b>Comprehensive income</b>	<b>34,990</b>	<b>29,264</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,618	28,810
Comprehensive income attributable to minority interests	371	453

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## Segment Information

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

(For the Nine Months Ended December 31, 2013)

	Millions of yen	
	Sales 3Q FY 2013	Operating Income 3Q FY 2013
Watches Business	111,480	11,639
Electronic Devices Business	69,711	2,209
Systems Solutions Business	14,962	(62)
Total for reported segments	196,153	13,786
Others	36,990	341
Total for all business segments	233,144	14,128
Eliminations and common	(7,537)	(757)
Total	225,606	13,370

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clock Business and the Optical Products Business.
  - Adjustments to segment income in the amount of -757 million yen include -521 million yen in the amortization of goodwill, 837 million yen that mainly consists of the elimination of intra-segment transactions, and -1,074 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 (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 Nine Months Ended December 31, 2014)

	Millions of yen	
	Sales 3Q FY 2014	Operating Income 3Q FY 2014
Watches Business	119,284	12,243
Electronic Devices Business	71,598	1,643
Systems Solutions Business	15,046	(65)
Total for reported segments	205,928	13,821
Others	18,564	98
Total for all business segments	224,492	13,919
Eliminations and common	(7,115)	(2,585)
Total	217,376	11,334

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clock Business.
  - Adjustments to segment income in the amount of -2,585 million yen include -489 million yen in the amortization of goodwill, 524 million yen that mainly consists of the elimination of intra-segment transactions, and -2,620 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 (loss) has been adjusted for alongside operating income on the consolidated quarterly statements of income.
  - As described in changes in accounting policies, following changes in the calculation methods of retirement benefit obligations and service cost from the three-month period ended June 30, 2014, the calculation methods of retirement benefit obligations and service cost for business segments have been

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changed accordingly.

Following such changes, for the nine-month period ended December 31, 2014, segment income of Watches Business increased by 7 million yen and segment income of Electronic Devices Business increased by 101 million yen, while segment loss of Systems Solutions Business decreased by 17 million yen compared to the previous method.

For further information, please contact:

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