

May 10, 2016

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 2016

Financial Highlights

For the fiscal year ended March 31, 2016 (FY2015)

	FY2015		FY2014
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	296,705	2,632.9	293,472
Operating income	13,307	118.1	11,667
Ordinary income	11,879	105.4	12,373
Profit attributable to owners of parent	12,142	107.7	21,778
Earnings per share (yen/USD)	¥ 58.76	US\$ 0.52	¥ 105.39
Cash dividends per share (yen/USD)	¥ 12.50	US\$ 0.11	¥ 10.00
	March 31, 2016		March 31, 2015
Total assets	329,115	2,920.5	333,701
Net assets	102,692	911.3	92,589

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 112.69 yen/dollar.

Business Results

1. Overview

During the fiscal year ended March 31, 2016, the world economy showed strong signs of stagnation, shaken by the prospect of higher interest rates in the United States and concerns about the slowdown in China. Personal consumption drove economic growth in Europe and the United States. However, growth in China tended to slow and the slump in emerging nations continued to progress due to lower prices for resources including crude oil.

The Japanese economy continues to experience a stall in its recovery, as exports remain slack despite support from an increase in consumption by foreign tourists. Conditions in the department store industry progressed favorably due to consumption by foreign tourists, but this boost is tapering off.

The electronic devices and semiconductor market is seeing continuing growth in demand due to advanced functionality of smartphones and increasing use of electronics in automobile-related products, despite a slump in demand for smartphones, among other factors.

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For the fiscal year ended March 31, 2016, the Company reported consolidated net sales of 296.7 billion yen, a year-on-year increase of 3.2 billion yen, despite a transfer of the wide format printer business to OKI Data Corporation in the third quarter. On a per-segment basis, sales under the Watches Business grew favorably in Japan, and the Electronic Devices Business also continued to perform steadily, mainly in semiconductors. However, sales under the Systems Solutions Business regrettably declined from the previous fiscal year. On an overall consolidated basis, domestic net sales came to 145.8 billion yen (a year-on-year increase of 4.6%), and overseas net sales were 150.8 billion yen (a year-on-year decrease of 2.1%). Overseas net sales comprised 50.8% of net sales overall. In terms of income, the Company posted operating income of 13.3 billion yen (a year-on-year increase of 14.1%), an increase of 1.6 billion yen compared to the previous fiscal year, due to an increase in sales and other factors. However, ordinary income decreased by 0.4 billion yen from the previous fiscal year to become 11.8 billion yen (a year-on-year decrease of 4.0%), as non-operating income and expenses worsened year on year due to factors including the posting of foreign exchange losses in the fourth quarter. Gain on sales of non-current assets of 0.4 billion yen was posted as extraordinary income, and a total of 3.5 billion yen in business structure improvement expenses related to the transfer of the wide format printer business and others was posted as extraordinary losses, resulting in profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests of 12.1 billion yen (a year-on-year decrease of 44.2%). During the fourth quarter, SII Semiconductor Corporation, the Company's subsidiary that operates the semiconductor business, accepted an investment from the Development Bank of Japan Inc., which accounted for 40% of all capital invested.

2. Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business for the fiscal year ended March 31, 2016 came to 164.4 billion yen, a year-on-year increase of 5.3 billion yen, or 3.4%. In Japan, sales of men's watch models were driven by the Grand Seiko, Astron, Mechanical, and Prospex, while sales of ladies' watch models were driven by the Lukia and Tissé. Sales also grew favorably on consumption by foreign tourists. On the overseas front, sales developed in markets including Germany in Europe and Taiwan in Asia, despite harsh economic conditions in some markets, including France, where sales over the Christmas season were stagnant due to the impact of the terrorist attacks. In addition, a Seiko Premium Boutique was opened in the Ginza area of Tokyo, and Seiko Boutiques were opened in Frankfurt, Moscow, and Sydney.

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With regard to income, the increase in net sales yielded a year-on-year increase of 0.3 billion yen in operating income, bringing it to 12.7 billion yen (a year-on-year increase of 3.2%).

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 94.9 billion yen (a year-on-year decrease of 1.3%), and operating income to 2.9 billion yen (a year-on-year increase of 56.4%). On a per-domain basis, sales of semiconductors performed steadily mainly for power management ICs for smartphones. Sales also increased for products including industrial inkjet print heads, small thermal printers and quartz crystal products. Net sales declined from the previous fiscal year due to the transfer of the wide format printer business to OKI Data Corporation during the third quarter.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 19.4 billion yen (a year-on-year decrease of 8.0%), and operating income to 0.3 billion yen (a year-on-year increase of 11.2%). Sales of the data services business were steady, but sales of communication modules and other products stagnated.

d. Others

Net sales under Others came to 28.2 billion yen (a year-on-year increase of 6.7%), and operating income to 0.9 billion yen (a year-on-year increase of 43.2%). Among segments included in Others, sales under the Clock Business grew steadily in Japan and sales under the Wako Business were driven by high-priced watches.

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2. Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets at the close of the fiscal year ended March 31, 2016 amounted to 329.1 billion yen, a decrease of 4.5 billion yen from the close of the previous fiscal year. Total current assets came to 159.6 billion yen, a decrease of 5.2 billion yen from the close of the previous fiscal year. This was due to an increase of 1.4 billion yen in raw materials and supplies, and decreases of 2.1 billion yen in cash and deposits, 3.1 billion yen in notes and accounts receivable-trade, and 1.4 billion yen in deferred tax assets. Under non-current assets, property, plant and equipment decreased by 1.6 billion yen mainly due to sale of land, and investment securities decreased by 5.7 billion yen, while investments and other assets increased by 1.8 billion yen mainly due to an increase of 7.2 billion yen in deferred tax assets, resulting in total non-current assets of 169.4 billion yen, an increase of 0.6 billion yen relative to the close of the previous fiscal year.

For liabilities, total loans came to 124.7 billion yen, due to decreases of 4.0 billion yen in short-term loans payable, 0.4 billion yen in the current portion of long-term loans payable, and 4.6 billion yen in long-term loans payable. In addition, notes and accounts payable-trade decreased by 1.7 billion yen. As a result, total liabilities amounted to 226.4 billion yen, a decrease of 14.6 billion yen over the close of the previous fiscal year.

With regard to net assets, the posting of profit attributable to owners of parent for the fiscal year was primarily responsible for the increase of 10.1 billion yen posted over the close of the previous fiscal year, which brought total net assets to 102.6 billion yen.

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Cash Flows in the Current Fiscal Year Are Summarized as Follows:

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2016 came to 38.9 billion yen, a decline of 1.3 billion yen relative to the end of the previous fiscal year. This is primarily due to the following factors:

-Cash flow from operating activities

Net cash flow from operating activities came to 15.0 billion yen. This was the result of the Company posting 8.8 billion yen in profit before income taxes; factoring in depreciation amounting to 10.3 billion yen; performing adjustments consisting largely of 0.7 billion yen in foreign exchange losses; and accounting for the likes of a 5.4 billion-yen increase in inventories (posted as a decrease), a 2.3 billion-yen increase in notes and accounts payable-trade, and payment of income taxes payable of 3.4 billion yen (posted as a decrease).

-Cash flow from investment activities

Net cash flow from investment activities came to negative 8.3 billion yen due mainly to 13.0 billion yen in purchase of property, plant and equipment (posted as a decrease), which was partially offset by 6.7 billion yen in proceeds from sales of property, plant and equipment.

-Cash flow from financing activities

Net cash flow from financing activities came to negative 6.6 billion yen due mainly to the repayments of long-and short-term loans payable and borrowings that combined for a net amount of negative 8.7 billion yen.

[Trend of Cash Flow Indicators]

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio (%)	6.2	11.0	17.1	27.1	28.7
Equity ratio based on fair value (%)	9.4	24.5	23.2	37.5	28.0
Ratio of interest-bearing debt to cash flows (years)	21.4	9.3	12.6	8.1	8.3
Interest coverage ratio (times)	2.1	4.5	3.8	5.2	6.9

Notes: 1 Calculating formula of each indicator

-Equity ratio:

Shareholders' equity / Total assets

-Equity ratio based on fair value:

Total market value of shares (the share price at year-end multiplied by the number of shares outstanding at year-end) / Total assets

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-Ratio of interest-bearing liabilities to cash flows: Interest-bearing debt (long- and short-term loans payable) / Operating cash flow

-Interest coverage ratio: Operating cash flow / Interest paid

2. Figures used for calculating indicators

The indicators were calculated using consolidated financial figures.

-Interest paid: "Interest expenses paid" shown in the Statements of Cash Flows

3. Basic Policy Relating to Profit Distribution and Dividends in the Current and Next Term

The Company's basic policy on distributing profits is to make a continued payment of stable dividends, being duly mindful of capital efficiency and stable distribution of profit to shareholders while enhancing equity capital. Furthermore, the Company's main means for returning profits to shareholders is through dividends. The Company plans on declaring an annual dividend of 12.5 yen per share (the interim dividend: 5.0 yen per share, the year-end dividend: 7.5 yen per share) for the current fiscal year. For the next fiscal year, the Company forecasts that it will declare an annual dividend of 15.0 yen per share (the interim dividend: 7.5 yen per share, the year-end dividend: 7.5 yen per share).

Outlook for the Next Fiscal Year

The Japanese economy has made steady progress since the start of Abenomics. However, there are growing risks of an economic downturn, including stagnant real income, rising concerns about yen appreciation and shifts in consumption by foreign tourists. In the world economy, Europe is expected to continue on a recovery track as its employment situation improves, particularly in Germany and the U.K. The U.S. economy is experiencing a growing sense of uncertainty with the presidential election coming up in the fall and a wavering over the timing of additional interest rate hikes. In Asia, dependence on monetary policy continues, due to concerns about China's excess production capacity and other factors.

Amid such a business environment, the Company will continue striving to increase brand value while working to grow sales in the Watches Business in all markets, particularly for high-priced products, and to stabilize earnings in the Electronic Devices Business and others. Note that assumed exchange rates for the next fiscal year are as follows: 1 US dollar = 110 yen; 1 euro = 125 yen.

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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, 2017 (FY2016)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	290.0	102.3
Operating income	12.0	90.2
Ordinary income	12.0	101.0
Profit attributable to owners of parent	10.0	82.4
Earnings per share (yen)	JPY 48.39	

■ Forecasted results by segments for the year ending March 31, 2017 (FY2016)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watches Business	160.0	12.0
Electronic Devices Business	90.0	3.0
Systems Solutions Business	20.0	1.0
Total for all business segments	270.0	16.0
Others	29.0	1.0
Consolidated total	290.0	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

March 31, 2016

	Millions of yen	
	March 31, 2016	March 31, 2015
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	39,131	41,292
Notes and accounts receivable - trade	41,623	44,755
Merchandise and finished goods	42,081	42,012
Work in process	13,315	12,501
Raw materials and supplies	9,799	8,395
Accounts receivable - other	3,753	4,244
Deferred tax assets	4,966	6,423
Other	6,466	7,038
Allowance for doubtful accounts	(1,488)	(1,763)
Total current assets	159,649	164,901
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	70,424	73,412
Machinery, equipment and vehicles	80,454	102,894
Tools, furniture and fixtures	30,654	34,943
Other	2,983	4,244
Accumulated depreciation	(140,016)	(170,229)
Land	48,674	50,447
Construction in progress	1,758	917
Total property, plant and equipment	94,934	96,630
Intangible assets:		
Goodwill	7,663	8,236
Other	8,262	7,157
Total intangible assets	15,925	15,393
Investments and other assets:		
Investment securities	42,407	48,116
Net defined benefit asset	479	634
Deferred tax assets	8,966	1,737
Other	6,952	6,467
Allowance for doubtful accounts	(199)	(179)
Total investments and other assets	58,606	56,776
Total non-current assets	169,466	168,799
Total assets	329,115	333,701

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	Millions of yen	
	March 31, 2016	March 31, 2015
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	24,267	26,019
Electronically recorded obligations - operating	7,766	7,358
Short-term loans payable	39,565	43,585
Current portion of long-term loans payable	35,342	35,771
Accounts payable - other	15,442	14,603
Income taxes payable	1,851	1,584
Deferred tax liabilities	19	26
Provision for bonuses	4,054	4,346
Provision for goods warranties	468	482
Provision for loss on lease contracts	-	194
Provision for environmental measures	-	104
Provision of loss on restructuring of manufacturing base and other losses	-	94
Other provision	297	296
Asset retirement obligations	16	12
Other	10,696	10,637
Total current liabilities	139,789	145,118
Non-current liabilities:		
Long-term loans payable	49,811	54,498
Deferred tax liabilities	9,232	11,091
Deferred tax liabilities for land revaluation	3,614	3,812
Provision for environmental measures	244	269
Provision for gift certificate exchange losses	98	114
Provision for loss on business withdrawal	87	149
Provision for long-term goods warranties	84	76
Provision for directors' retirement benefits	72	200
Other provision	17	86
Net defined benefit liability	17,011	18,441
Asset retirement obligations	459	522
Other	5,898	6,729
Total non-current liabilities	86,633	95,993
Total liabilities	226,423	241,112

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	Millions of yen	
	March 31, 2016	March 31, 2015
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,246	7,414
Retained earnings	57,323	47,765
Treasury shares	(158)	(151)
Total shareholders' equity	74,411	65,027
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	10,719	13,007
Deferred gains or losses on hedges	(28)	39
Revaluation reserve for land	8,190	7,991
Foreign currency translation adjustment	1,647	4,796
Remeasurements of defined benefit plans	(417)	(452)
Total accumulated other comprehensive income	20,110	25,383
Non-controlling interests	8,170	2,178
Total net assets	102,692	92,589
Total liabilities and net assets	329,115	333,701

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For Year Ended March 31, 2016

	Millions of yen	
	FY 2015	FY 2014
	Amount	Amount
Net sales	296,705	293,472
Cost of sales	188,164	189,206
Gross profit	108,540	104,266
Selling, general and administrative expenses	95,233	92,599
Operating income	13,307	11,667
Non-operating income:		
Interest income	184	230
Dividend income	855	587
Foreign exchange gains	-	1,724
House rent and other rental revenues	381	301
Other	2,190	1,972
Total non-operating income	3,612	4,816
Non-operating expenses:		
Interest expenses	2,144	3,090
Foreign exchange losses	1,009	-
Other	1,887	1,020
Total non-operating expenses	5,041	4,110
Ordinary income	11,879	12,373
Extraordinary income:		
Gain on sales of non-current assets	499	9,161
Gain on sales of investment securities	-	7,740
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	-	127
Total extraordinary income	499	17,029
Extraordinary losses:		
Business structure improvement expenses	2,384	-
Restructuring expenses	473	-
Impairment loss	410	3,538
Loss on sales of non-current assets	147	-
Loss on retirement of non-current assets	116	551
Loss on business withdrawal	-	615
Total extraordinary losses	3,532	4,706

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	Millions of yen	
	FY 2015	FY 2014
	Amount	Amount
Profit before income taxes	8,846	24,697
Income taxes - current	3,779	2,831
Income taxes - deferred	(7,014)	(47)
Total income taxes	(3,234)	2,783
Profit	12,081	21,913
Profit attributable to non-controlling interests	(60)	134
Profit attributable to owners of parent	12,142	21,778

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For Year Ended March 31, 2016

	Millions of yen	
	FY 2015	FY 2014
	Amount	Amount
Profit	12,081	21,913
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,319)	2,248
Deferred gains or losses on hedges	(68)	225
Revaluation reserve for land	198	394
Foreign currency translation adjustment	(3,528)	5,371
Remeasurements of defined benefit plans, net of tax	25	(85)
Share of other comprehensive income of entities accounted for using equity method	332	734
Total other comprehensive income	(5,360)	8,888
Comprehensive income	6,721	30,801
Comprehensive income attributable to		
owners of parent	6,869	30,415
non-controlling interests	(147)	385

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Statements of Changes in Equity

Seiko Holdings Corporation and Consolidated Subsidiaries

For Year Ended March 31, 2015

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,414	28,837	(146)	46,104
Cumulative effects of changes in accounting policies			(1,269)		(1,269)
Restated balance	10,000	7,414	27,567	(146)	44,835
Changes of items during period					
Dividends of surplus			(1,550)		(1,550)
Profit attributable to owners of parent			21,778		21,778
Purchase of treasury shares				(5)	(5)
Reversal of revaluation reserve for land			20		20
Change of scope of consolidation			(136)		(136)
Effect of changes in accounting period of consolidated subsidiaries			(0)		(0)
Other			85	(0)	85
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	20,197	(5)	20,192
Balance at end of current period	10,000	7,414	47,765	(151)	65,027

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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	10,601	(185)	7,617	(992)	(273)	16,766	1,895	64,766
Cumulative effects of changes in accounting policies								(1,269)
Restated balance	10,601	(185)	7,617	(992)	(273)	16,766	1,895	63,497
Changes of items during period								
Dividends of surplus								(1,550)
Profit attributable to owners of parent								21,778
Purchase of treasury shares								(5)
Reversal of revaluation reserve for land			(20)			(20)		-
Change of scope of consolidation								(136)
Effect of changes in accounting period of consolidated subsidiaries								(0)
Other								85
Net changes of items other than shareholders' equity	2,406	225	394	5,789	(178)	8,636	283	8,920
Total changes of items during period	2,406	225	373	5,789	(178)	8,616	283	29,092
Balance at end of current period	13,007	39	7,991	4,796	(452)	25,383	2,178	92,589

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For Year Ended March 31, 2016

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,000	7,414	47,765	(151)	65,027
Changes of items during period					
Dividends of surplus			(2,584)		(2,584)
Profit attributable to owners of parent			12,142		12,142
Purchase of treasury shares				(6)	(6)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(167)			(167)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(167)	9,558	(6)	9,383
Balance at end of current period	10,000	7,246	57,323	(158)	74,411

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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	13,007	39	7,991	4,796	(452)	25,383	2,178	92,589
Changes of items during period								
Dividends of surplus								(2,584)
Profit attributable to owners of parent								12,142
Purchase of treasury shares								(6)
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(167)
Net changes of items other than shareholders' equity	(2,288)	(68)	198	(3,149)	34	(5,272)	5,991	719
Total changes of items during period	(2,288)	(68)	198	(3,149)	34	(5,272)	5,991	10,102
Balance at end of current period	10,719	(28)	8,190	1,647	(417)	20,110	8,170	102,692

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Statements of Cash Flows

Seiko Holdings Corporation and Consolidated Subsidiaries

For Year Ended March 31, 2016

	Millions of yen	
	FY 2015	FY 2014
Cash flows from operating activities		
Profit before income taxes	8,846	24,697
Depreciation	10,325	10,892
Increase (decrease) in provision for directors' retirement benefits	(127)	(2)
Increase (decrease) in allowance for doubtful accounts	(71)	(97)
Increase (decrease) in net defined benefit liability	(859)	(1,020)
Interest and dividend income	(1,040)	(817)
Interest expenses	2,144	3,090
Foreign exchange losses (gains)	776	(666)
Share of (profit) loss of entities accounted for using equity method	(143)	(324)
Impairment loss	410	3,538
Loss (gain) on sales of investment securities	-	(7,740)
Loss (gain) on sales of non-current assets	(352)	(9,161)
Loss on retirement of non-current assets	360	566
Decrease (increase) in notes and accounts receivable - trade	423	3,910
Decrease (increase) in inventories	(5,413)	(3,023)
Increase (decrease) in notes and accounts payable - trade	2,354	(2,856)
Other, net	3,130	2,232
Subtotal	20,763	23,217
Interest and dividend income received	1,039	817
Proceeds from dividend income from entities accounted for using equity method	164	111
Interest expenses paid	(2,190)	(3,170)
Extra retirement payments	(1,230)	(1,326)
Income taxes paid	(3,448)	(3,087)
Net cash provided by (used in) operating activities	15,096	16,562

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	Millions of yen	
	FY 2015	FY 2014
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,054)	(9,350)
Proceeds from sales of property, plant and equipment	6,742	48,387
Purchase of investment securities	(6)	(11)
Proceeds from sales of investment securities	137	10,201
Payments of loans receivable	(602)	(618)
Collection of loans receivable	899	1,171
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(436)	-
Other, net	(2,013)	(3,525)
Net cash provided by (used in) investing activities	(8,334)	46,254
Cash flows from financing activities		
Increase in short-term loans payable	434,937	444,466
Decrease in short-term loans payable	(438,588)	(458,366)
Proceeds from long-term loans payable	32,000	27,968
Repayments of long-term loans payable	(37,071)	(77,049)
Cash dividends paid	(2,584)	(1,550)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,205)	-
Proceeds from share issuance to non-controlling shareholders	7,400	-
Other, net	(1,533)	(2,284)
Net cash provided by (used in) financing activities	(6,645)	(66,816)
Effect of exchange rate change on cash and cash equivalents	(1,528)	1,808
Net increase (decrease) in cash and cash equivalents	(1,410)	(2,191)
Cash and cash equivalents at beginning of period	40,279	42,568
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(99)
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries	-	2
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	45	-
Cash and cash equivalents at end of period	38,914	40,279

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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	Semiconductors, quartz crystals, micro batteries and materials, printers, hard disk drive components, and shutters for cameras
Systems Solutions Business	Wireless communication equipment, information network systems, data services
Others	Clocks / High-end jewelry, apparel and fashion accessories / System clocks etc.

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2. Information about Sales and Income by Reported Segments

(For Year Ended March 31, 2015)

	Sales FY 2014	Operating Income FY 2014
Watches Business	159,075	12,334
Electronic Devices Business	96,137	1,865
Systems Solutions Business	21,142	327
Total for reported segments	276,354	14,527
Others	26,450	633
Total for all business segments	302,805	15,161
Adjustments	(9,332)	(3,493)
Total	293,472	11,667

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 - Adjustments to segment income in the amount of -3,493 million yen include -630 million yen in the amortization of goodwill, 820 million yen that mainly consists of the elimination of intra-segment transactions, and -3,682 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 statements of income.

2. Information about Sales and Income by Reported Segments

(For Year Ended March 31, 2016)

	Sales FY 2015	Operating Income FY 2015
Watches Business	164,453	12,722
Electronic Devices Business	94,900	2,917
Systems Solutions Business	19,455	364
Total for reported segments	278,810	16,004
Others	28,218	907
Total for all business segments	307,028	16,911
Adjustments	(10,323)	(3,603)
Total	296,705	13,307

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 - Adjustments to segment income in the amount of -3,603 million yen include -566 million yen in the amortization of goodwill, 571 million yen that mainly consists of the elimination of intra-segment transactions, and -3,608 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 statements of income.