

**FY2014 2nd Quarter
Consolidated Results
(Fiscal year ended March 31, 2015)**

November 12, 2014

1. Overview
2. 1st Half Business Results
3. Financial Forecast for FY2014

1. Overview

Performance Summary for Six months

(Billions of yen)	1H FY2013 Apr.-Sep. 2013	1H FY2014 Forecast announced Aug.	1H FY2014 Actual Apr.-Sep. 2014	Change		
				Ver. Previous year	Ver. Last Forecast	
Net Sales	146.5	140.0	137.9	-8.6	-2.0	
Operating Income	8.6	6.0	7.5	-1.1	+1.5	
%	5.9%	4.2%	5.5%	-0.4%	+1.2%	
Ordinary Income	6.7	4.5	7.7	+0.9	+3.2	
%	4.6%	3.2%	5.6%	+1.0%	+2.4%	
Net Income	9.6	10.0	13.2	+3.6	+3.2	
Exchange Rates (JPY)	USD	98.8	100.0	103.0	+4.2	+3.0
	EUR	129.9	135.0	138.9	+9.0	+3.9

The 1st half of FY2014

◆ Watches Business

- In Japan, sales increased year on year, driven by products including the second-generation model of ASTRON launched in September, as well as Mechanical and LUKIA, despite the impact of the consumption tax hike seen mainly in the high-value range products.



ASTRON SBXB001

- In overseas as well, the second-generation model of ASTRON made a favorable start.
In August, the Seiko Boutique was opened on New York's Madison Avenue .
Looking at sales by area , sales grew particularly in North America, Germany, and Taiwan.

The 1st half of FY2014

◆ Electronic Devices Business

Semiconductors for smartphone products continued their favorable performance from the previous fiscal year, and sales increased together with sales of semiconductors for automobile products.

However, the situation surrounding shutters for cameras and hard disk drive components remains harsh.

◆ Systems Solutions Business

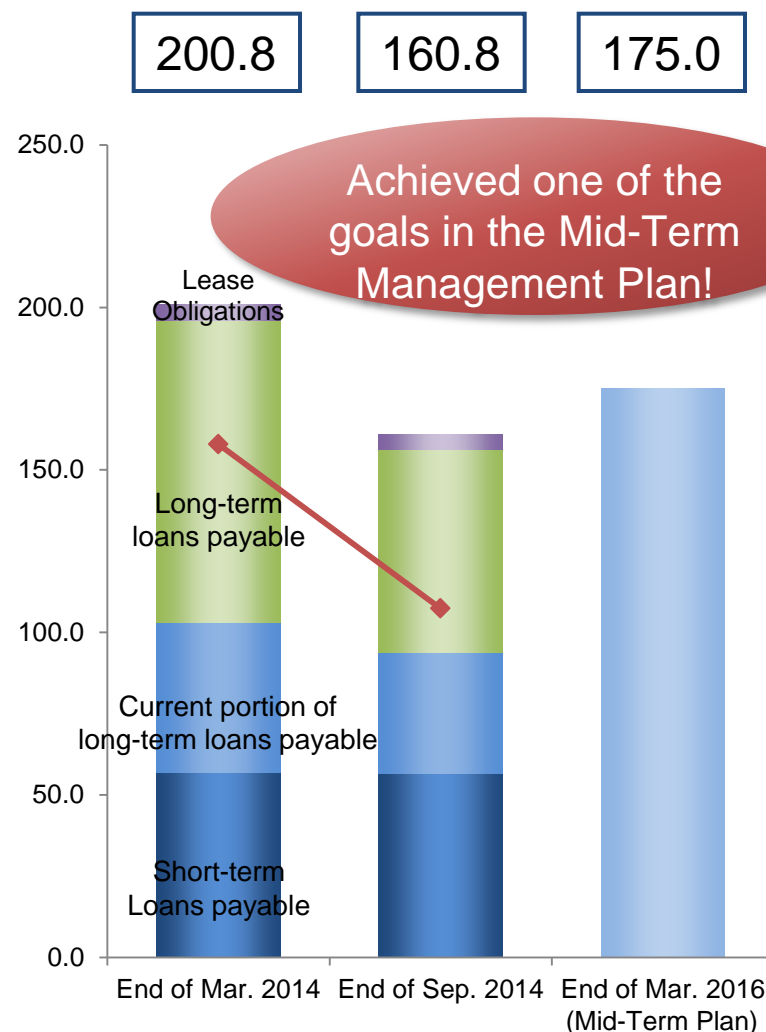
Revenue and profit decreased in the first half of the fiscal year due to inability to make up for the drop in the first quarter amid continuing yen depreciation.

The System Applications Business of SII was incorporated into SEIKO SOLUTIONS INC. in July. A new structure was put in place with a view to strengthening the business.

Improving the Financial Structure

- ◆ Reduction of interest bearing debt
Interest bearing debt was significantly reduced through the sales of non-current assets in September 2014, among other measures.

(Billions of yen)	Mar. 31, 2014	Sep. 30, 2014
Interest Bearing Debt	200.8	160.8
Net Interest Bearing Debt	157.8	107.3
Net Debt Equity Ratio	2.4	1.2



Heading into the 2nd half of fiscal 2014

◆ Watches Business

- Seeking to further expand sales of ASTRON and Grand Seiko both in Japan and overseas.
- Further strengthening the mechanical watch business.

◆ Electronic Devices Business

- Keeping up our robust performance in the semiconductor business for smartphone products.

◆ Systems Solutions Business

- Pressing ahead with efforts to expand overseas business amid forecasts of even greater severity in Japan as the yen continues to weaken.

(Billions of yen)		FY2013 Actual	FY2014 Forecast		
			Previous (Aug. 12)	Latest (Nov. 11)	Change
Net Sales		308.2	290.0	290.0	±0.0
Operating Income		14.0	16.0	16.0	±0.0
%		4.5%	5.5%	5.5%	±0.0%
Ordinary Income		10.1	13.0	14.0	+1.0
%		3.3%	4.5%	4.8%	+0.3%
Net Income		7.4	17.0	18.0	+1.0
Exchange Rates (JPY)	USD	100.2	100.0	100.0	±0.0
	EUR	134.3	135.0	135.0	±0.0

Seiko wins the “Petite Aiguille” prize at the 2014 Grand Prix d’Horlogerie de Genève

On October 31, the Grand Seiko Mechanical Hi-Beat 36000 GMT Limited Edition became the first made-in-Japan mechanical watch to receive the “Petite Aiguille” prize at the Grand Prix d’Horlogerie de Genève (Geneva Watchmaking Grand Prix) .



Awards ceremony at the Grand Theatre



Received 2014 “Award for Remarkably Skilled Workers (Contemporary Master Craftsman)”

Watch designer Nobuhiro Kosugi , who conducts design development mainly for Grand Seiko, became the first product designer engaged in industrial product design to receive the “Award for Remarkably Skilled Workers (Contemporary Master Craftsman).”



Grand Seiko (SBGR051), winner of the “Good Design Long Life Design Award ”

Enhancing PR activities and continuing brand investment

- ◆ Pursuing active investment in advertising and sales promotion aimed at increasing SEIKO brand value



Outdoor sign for Grand Seiko and ASTRON (Ginza 4-chome)



Sponsor for a sports event (SEIKO GOLDEN GRAND PRIX)

2. Business Results

FY2014 Statement of Income (Apr.2014 - Sep.2014)

(Billions of yen)	FY2013 1 st Half	FY2014 1 st half	Change		
			Amt.	%	
Net Sales	146.5	137.9	-8.6	-5.9%	
Gross Profit	49.9	49.1	-0.7	-1.5%	
Operating Income	8.6	7.5	-1.1	-12.8%	
%	5.9%	5.5%	-0.4%	-	
Ordinary Income	6.7	7.7	+0.9	+14.1%	
%	4.6%	5.6%	+1.0%	-	
Before Income Taxes & Minority interests	11.7	15.5	+3.8	+32.4%	
Net Income	9.6	13.2	+3.6	+37.9%	
%	6.6%	9.6%	+3.0%	-	
Exchange Rates(JPY)	USD	98.8	103.0	+4.2	+4.3%
	EUR	129.9	138.9	+9.0	+6.9%

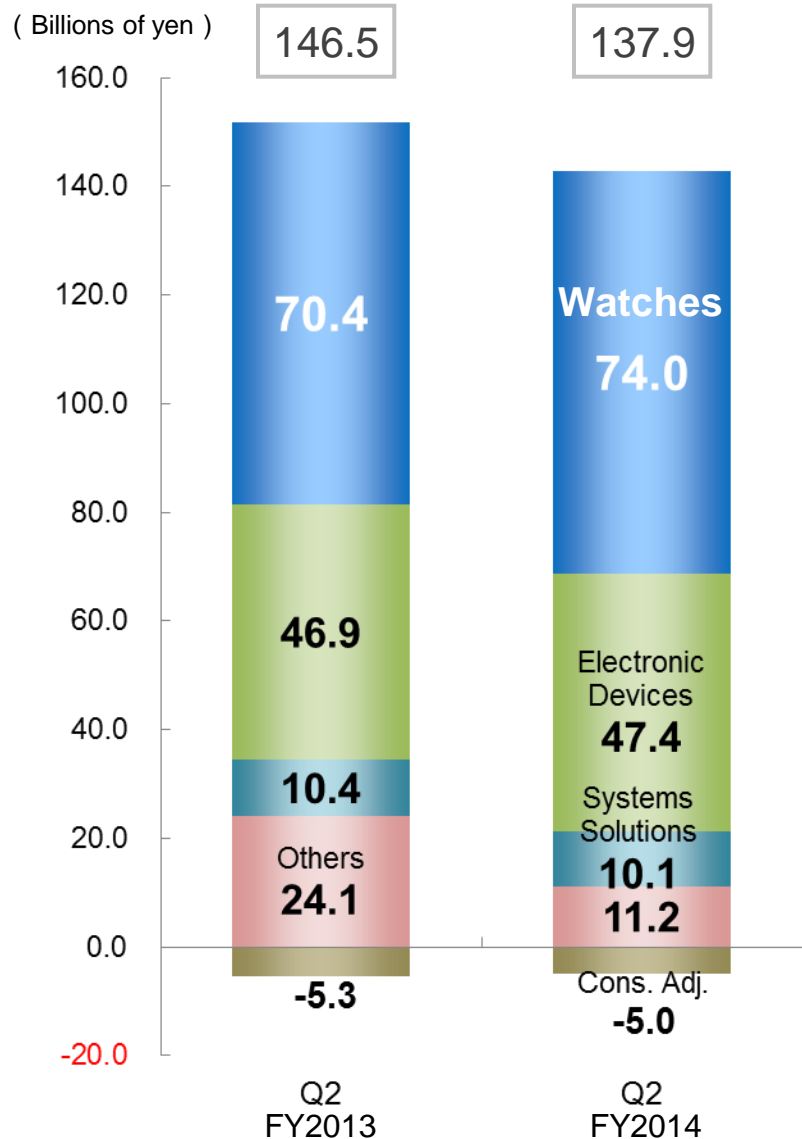
Net Sales :	-8.6
Exchange rate fluctuations	+3.0
Impact due to the exclusion of the Optical Products Business from consolidation	-12.2

Operating Income :	-1.1
Decrease in GP	-0.7
Increase in General and Administrative expenses	-0.3

Ordinary Income :	+0.9
Decrease in Operating Income	-1.1
Decrease in Interest expenses	+0.3
Increase in Foreign exchange gains	+0.4
Equity in income of affiliates	+0.6
Others	+0.5

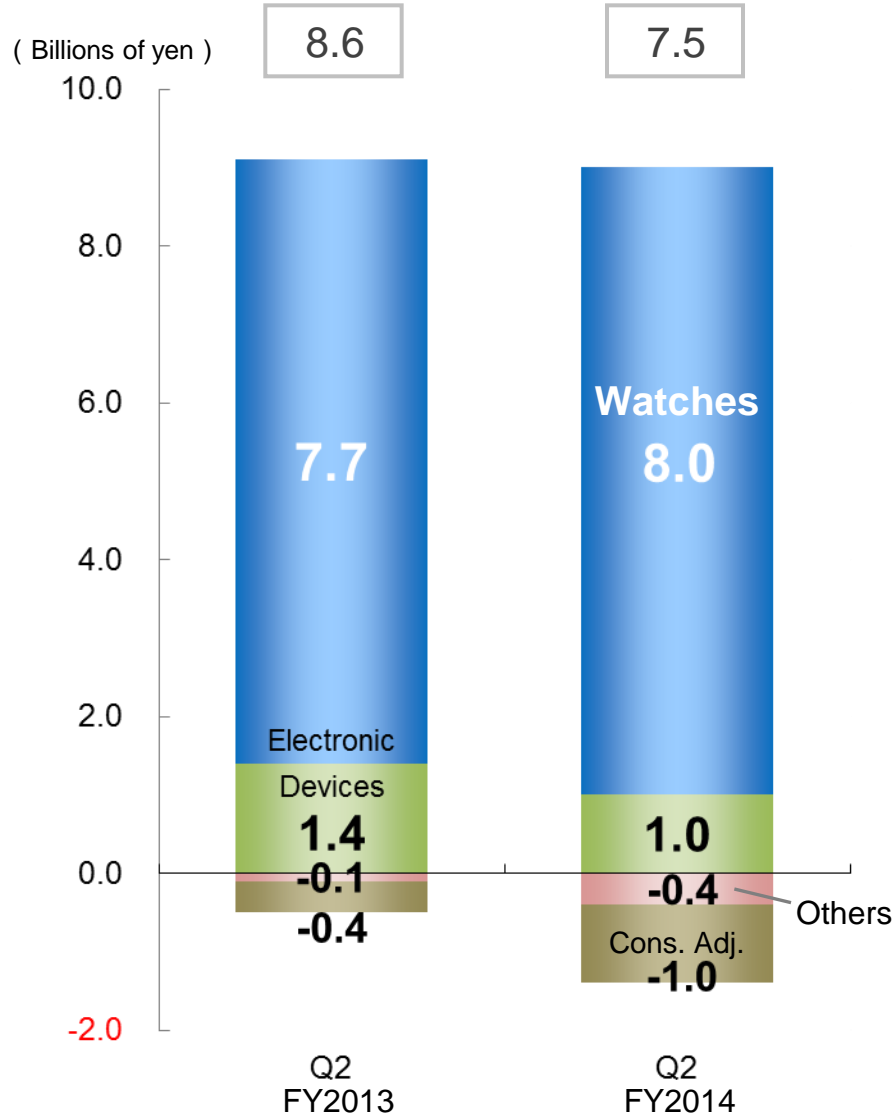
Extraordinary Income:	+7.8
<u>Extraordinary Income</u>	<u>8.4</u>
Gain on sales of non-current assets	8.4
<u>Extraordinary Loss</u>	<u>-0.5</u>
Loss on business withdrawal	-0.5

Sales by Reported Segments (Apr.2014 – Sep.2014)



(Billions of yen)	Net Sales		
	FY2013 1 st Half	FY2014 1 st Half	Change
Watches	70.4	74.0	+3.5
Electronic Devices	46.9	47.4	+0.5
Systems Solutions	10.4	10.1	-0.2
Sub Total	127.7	131.6	+3.9
Others	24.1	11.2	-12.8
Cons. Adj.	-5.3	-5.0	+0.3
Cons. Total	146.5	137.9	-8.6

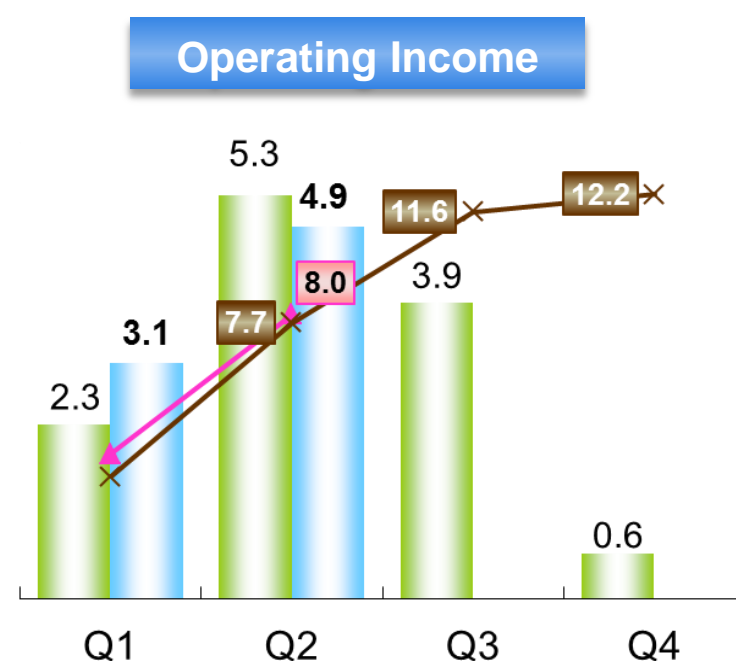
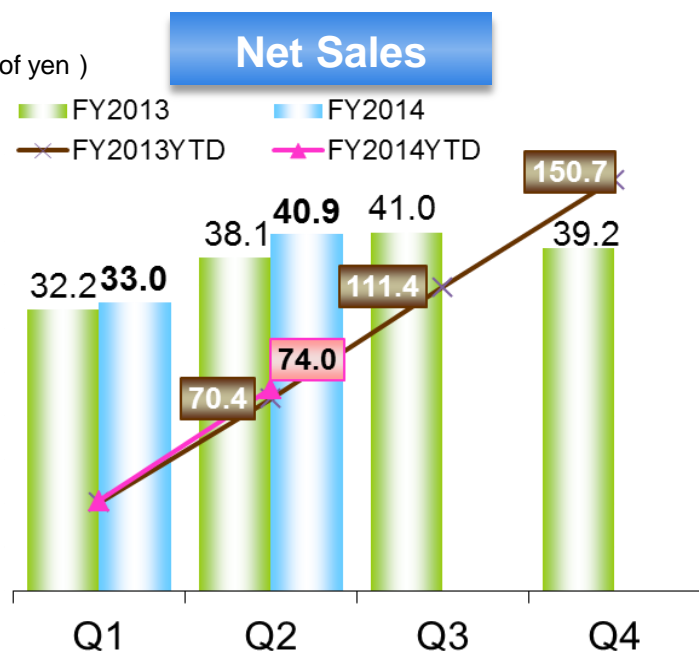
Operating Income by Reported Segments (Apr.2014 -Sep.2014)



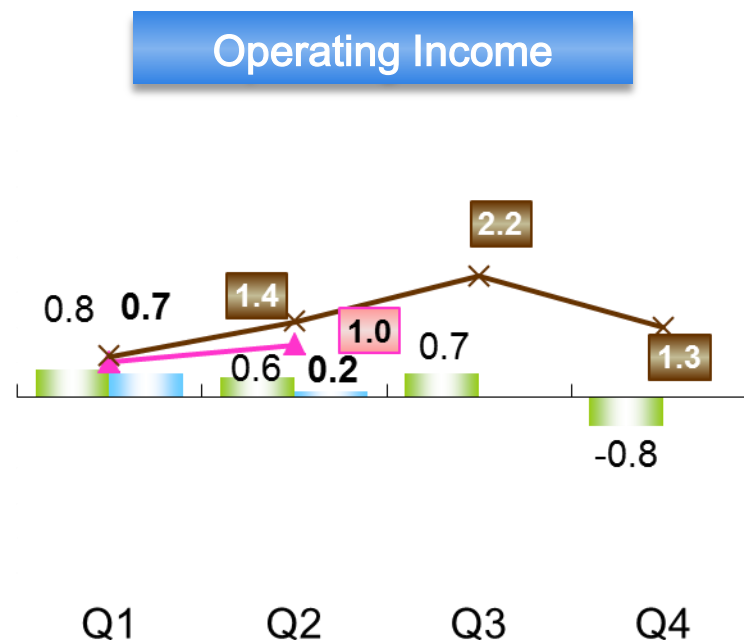
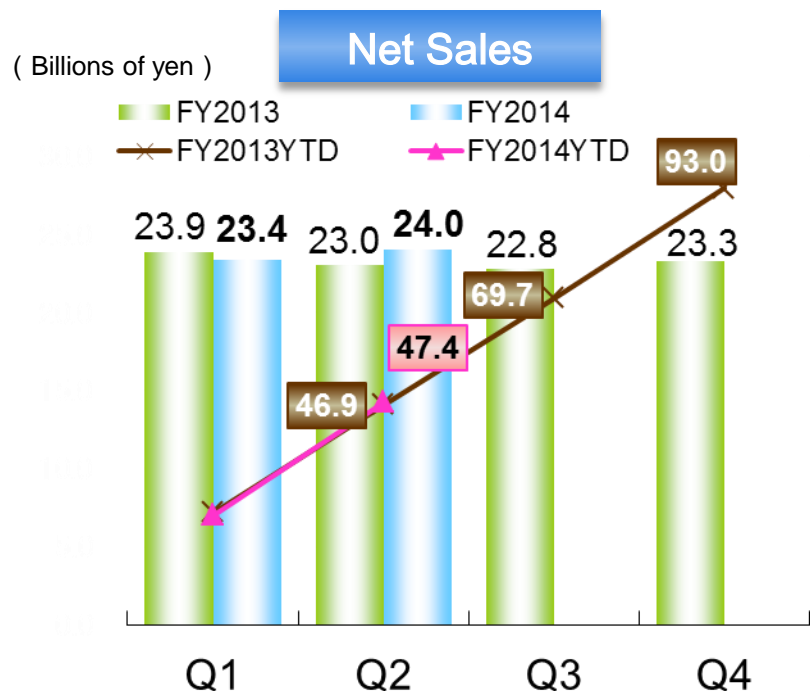
(Billions of yen)	Operating Income		
	FY2013 1st Half	FY2014 1st Half	Change
Watches	7.7	8.0	+0.3
Electronic Devices	1.4	1.0	-0.4
Systems Solutions	0.0	-0.0	-0.1
Sub Total	9.2	8.9	-0.2
Others	-0.1	-0.4	-0.2
Cons. Adj.	-0.4	-1.0	-0.5
Cons. Total	8.6	7.5	-1.1

Information by Reported Segments

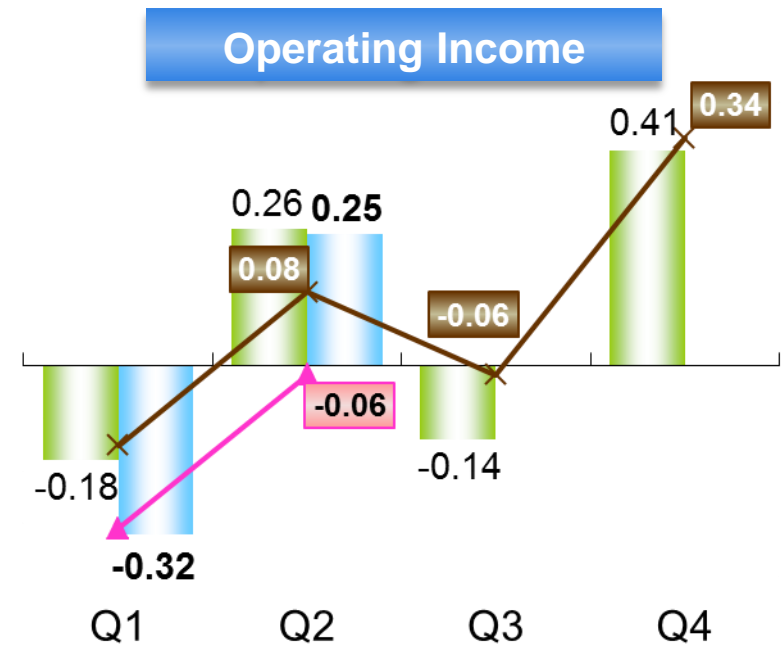
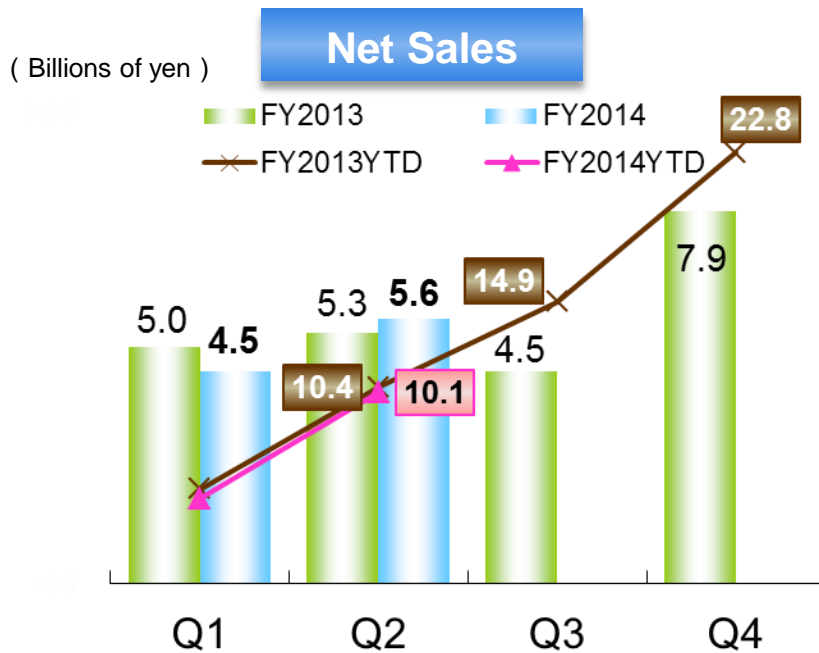
(Billions of yen)



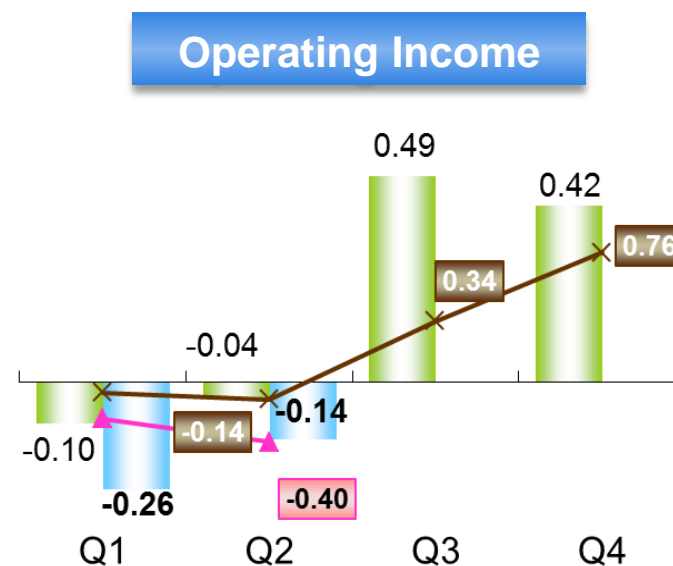
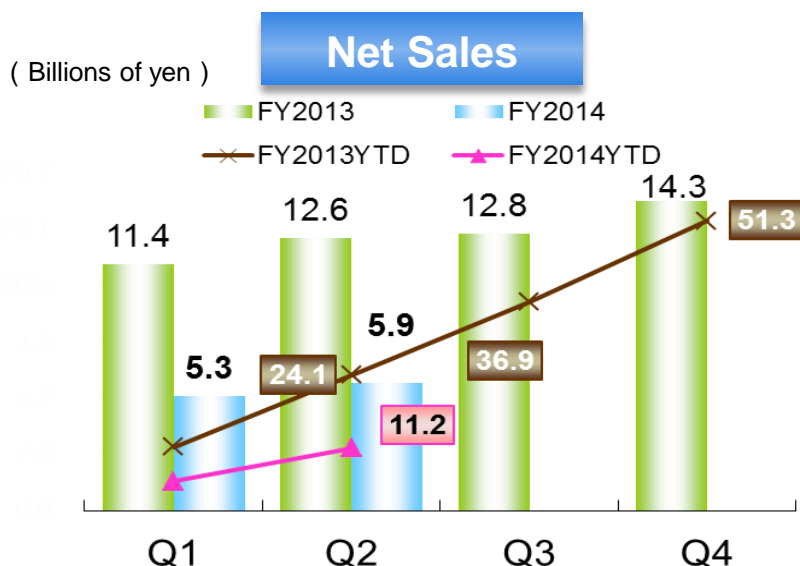
- Finished watches:** (In Japan) Results improved year on year due to sales growth in men's watches for the second-generation of ASTRON launched in September and for the Mechanical, and growth in the LUKIA and TISSÉ in ladies' watches.
- Finished watches:** (In Overseas) In overseas as well, the second-generation of ASTRON made a favorable start. In the United States, sales grew, backed by the opening of the Seiko Boutique in August. In Europe, performance was strong, particularly in Germany and France. In Asia, Taiwan continued to see steady sales growth.
- Movements:** Sales of standard movements were sluggish, but high value-added movements performed briskly.



- **Devices** : Sales of semiconductors increased as those for automobile and smartphone products continued their favorable performance.
- **Mechatronics**: Although hard disk drive components recovered gradually from the second quarter, full-fledged improvement was not seen, and sales continued to stagnate along with sales of shutters for cameras.
- **Others** : In printer-related products, although the situation was challenging for large-scale digital printers, other products performed solidly.



- In mobile-related products, the body composition scale launched in the fourth quarter of the previous fiscal year continued to show strong sales growth during the current fiscal year as well.
- In network devices, order entry systems progressed on a firm note.
- In payment terminal-related products, factors such as the recording of sales being partially shifted to the second half of the current fiscal year resulted in sluggish net sales in the first half.



- Clock : Although net sales were roughly on a level with the previous fiscal year, earnings continue to improve.
- Others : Although sales were sluggish in the Wako Business mainly for jewelry and other high-priced products during the first quarter due to the impact of the consumption tax hike, sales picked up gradually from summer onward, and net sales for the second quarter were up year on year.

*Impact due to the exclusion of the Optical Products Business from consolidation since the end of the previous fiscal year.

	(Billions of yen)			
Net Sales	Q2)	6.3	1 st Half)	12.2
Operating Income	Q2)	0.22	1 st Half)	0.33

Balance Sheet as of Sep. 30, 2014

(Billions of yen)

Interest Bearing Debt

207.9

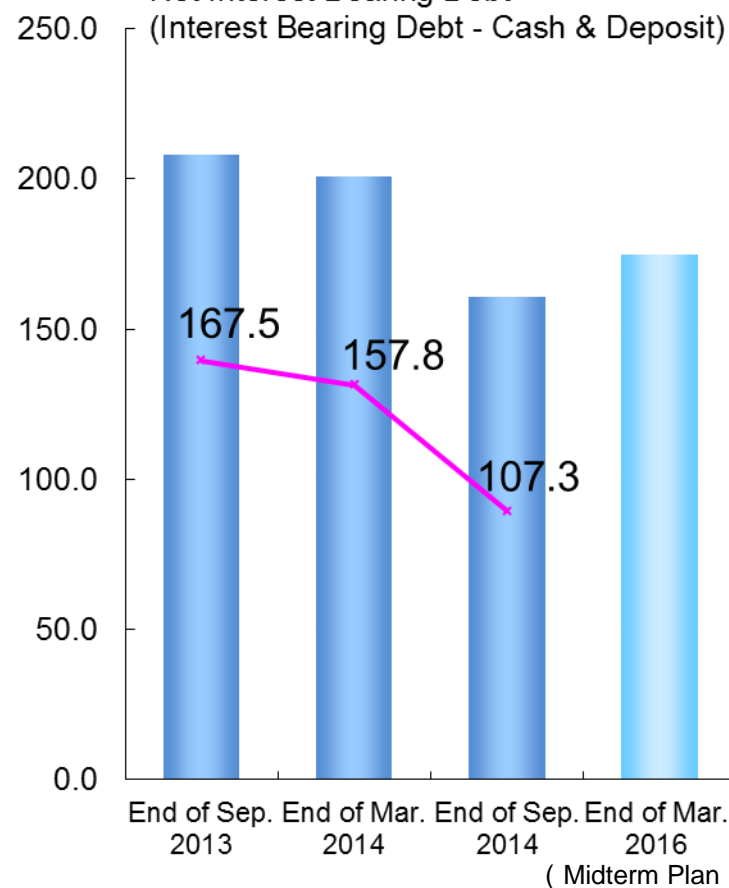
200.8

160.8

175.0

Interest Bearing Debt

Net Interest Bearing Debt
(Interest Bearing Debt - Cash & Deposit)

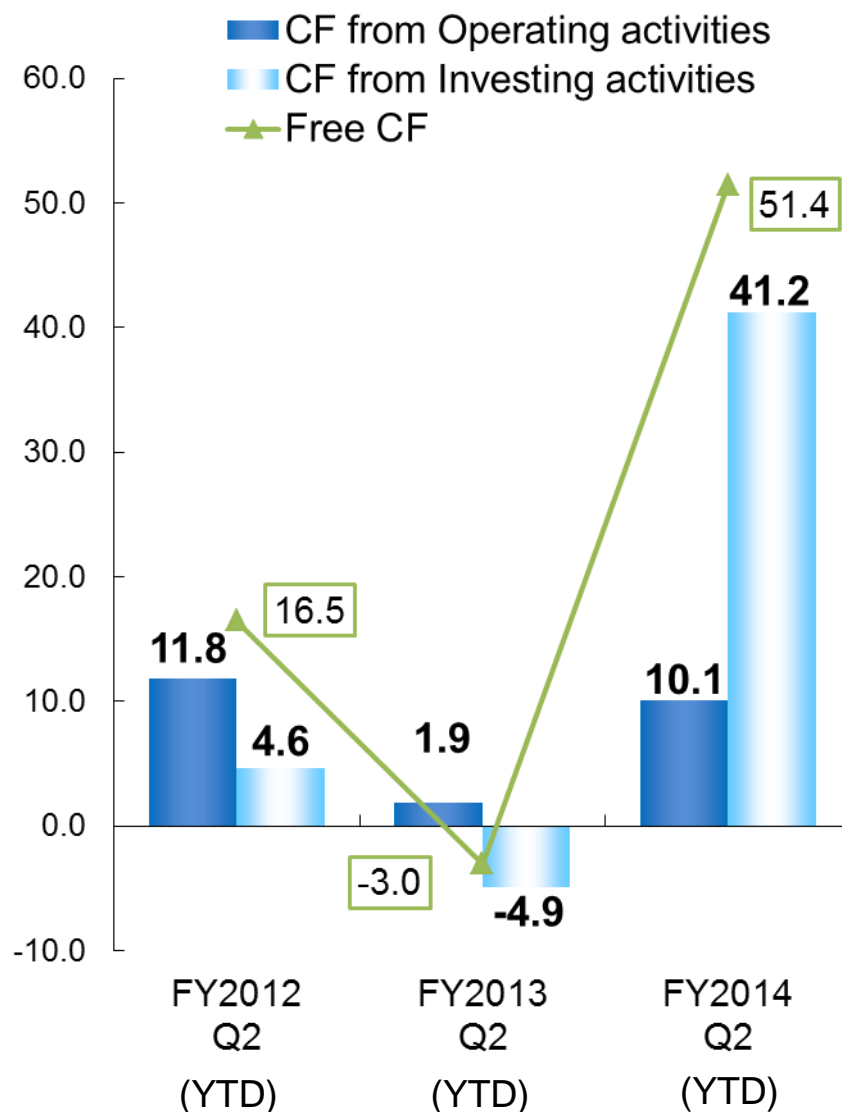


(Billions of yen)	Sep. 30, 2013	Mar. 31, 2014 (a)	Sep. 30, 2014 (b)	Change (b) - (a)
Inventories	65.9	57.0	64.3	+7.3
Interest Bearing Debt	207.9	200.8	160.8	-40.0
Net Assets	57.4	64.7	88.6	+23.9
Total Assets	364.9	366.7	360.5	-6.1
Equity Capital Ratio	15.1%	17.1%	24.0%	+6.9%
Net Debt Equity Ratio	2.9	2.4	1.2	-1.2
Number of Employees	14,349	13,439	13,515	+76

Cash Flow Statement

(Billions of yen)

(Billions of yen)



	FY2012 Q2(YTD)	FY2013 Q2(YTD)	FY2014 Q2(YTD)
Income before income tax and minority interests	1.1	11.7	15.5
Depreciation and amortization	6.2	5.9	5.3
Others	4.4	-15.7	-10.7
Net cash provided by (used in) operating activities	11.8	1.9	10.1
Purchase of property, plant and equipment	-7.7	-6.6	-4.0
Others	12.3	1.6	45.3
Net cash provided by (used in) investing activities	4.6	-4.9	41.2
Net increase (decrease) in loans payable	-15.3	3.3	-40.0
Others	2.1	-0.8	-1.6
Net cash provided by (used in) financing activities	-13.2	2.4	-41.7
Effect of exchange rate change on cash and cash equivalents etc.	-0.5	-1.9	0.8
Cash and cash equivalents	54.0	40.2	53.1
Free cash flow	16.5	-3.0	51.4

3. Financial Forecast for FY2014

Summary of Financial Forecast for FY2014

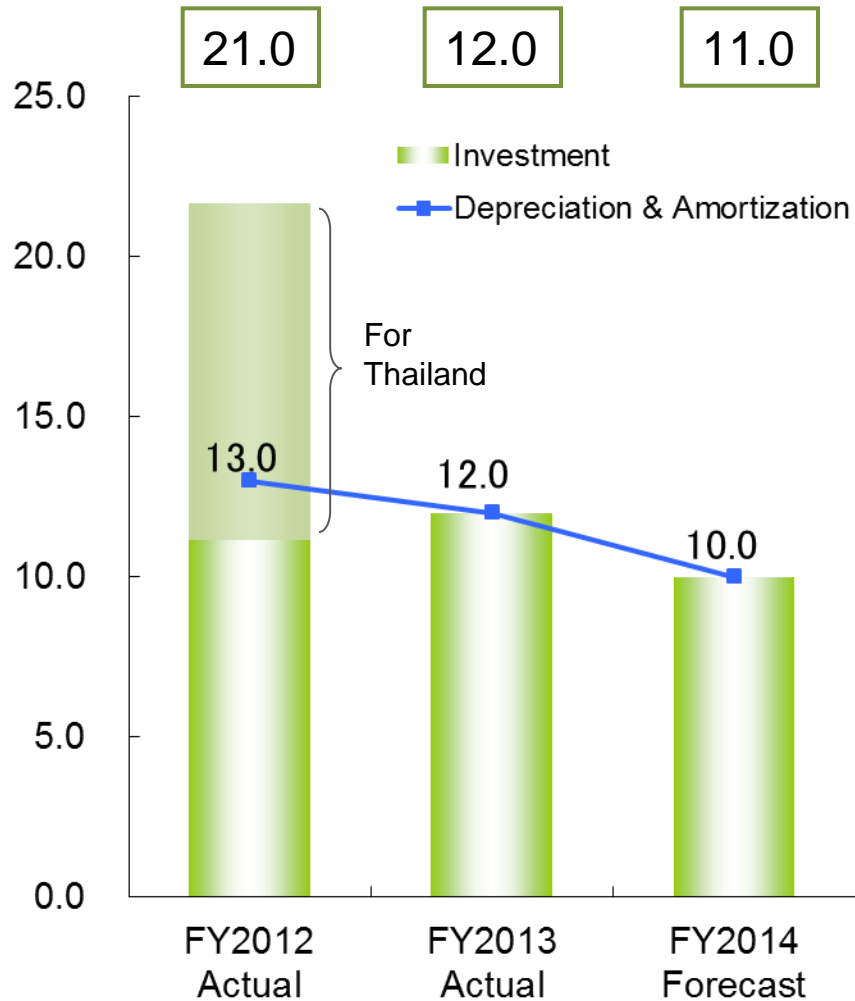
(Billions of yen)	FY2013 Actual	FY2014 Forecast				Change vs. Previous	
		Previous (Aug. 12)		Latest (Nov. 11)		1 st Half (C) – (A)	Full Year (D) – (B)
		1 st Half (A)	Full Year (B)	1 st Half (Actual) (C)	Full Year (D)		
Net Sales	308.2	140.0	290.0	137.9	290.0	-2.0	±0.0
Operating Income	14.0	6.0	16.0	7.5	16.0	+1.5	±0.0
%	4.5%	4.3%	5.5%	5.5%	5.5%	+1.2%	±0.0%
Ordinary Income	10.1	4.5	13.0	7.7	14.0	+3.2	+1.0
%	3.3%	3.2%	4.5%	5.6%	4.8%	+2.4%	+0.3%
Net income	7.4	10.0	17.0	13.2	18.0	+3.2	+1.0
%	2.4%	7.1%	5.9%	9.6%	6.2%	+2.5%	+0.3%

Financial Forecast for FY2014 by Reported Segments

(Billions of yen)	Net Sales				Operating Income			
	FY2013 Actual	FY2014 Forecast		Change vs. Previous	FY2013 Actual	FY2014 Forecast		Change vs. Previous
		Previous	Latest			Previous	Latest	
Watches	150.7	150.0	155.0	+5.0	12.2	12.0	12.5	+0.5
Electronic Devices	93.0	100.0	100.0	±0.0	1.3	4.0	4.0	±0.0
Systems Solutions	22.8	25.0	20.0	-5.0	0.3	1.0	0.5	-0.5
Sub Total	266.6	275.0	275.0	±0.0	13.9	17.0	17.0	±0.0
Others	51.3	25.0	25.0	±0.0	0.7	0.5	0.5	±0.0
Cons. Total	308.2	290.0	290.0	±0.0	14.0	16.0	16.0	±0.0

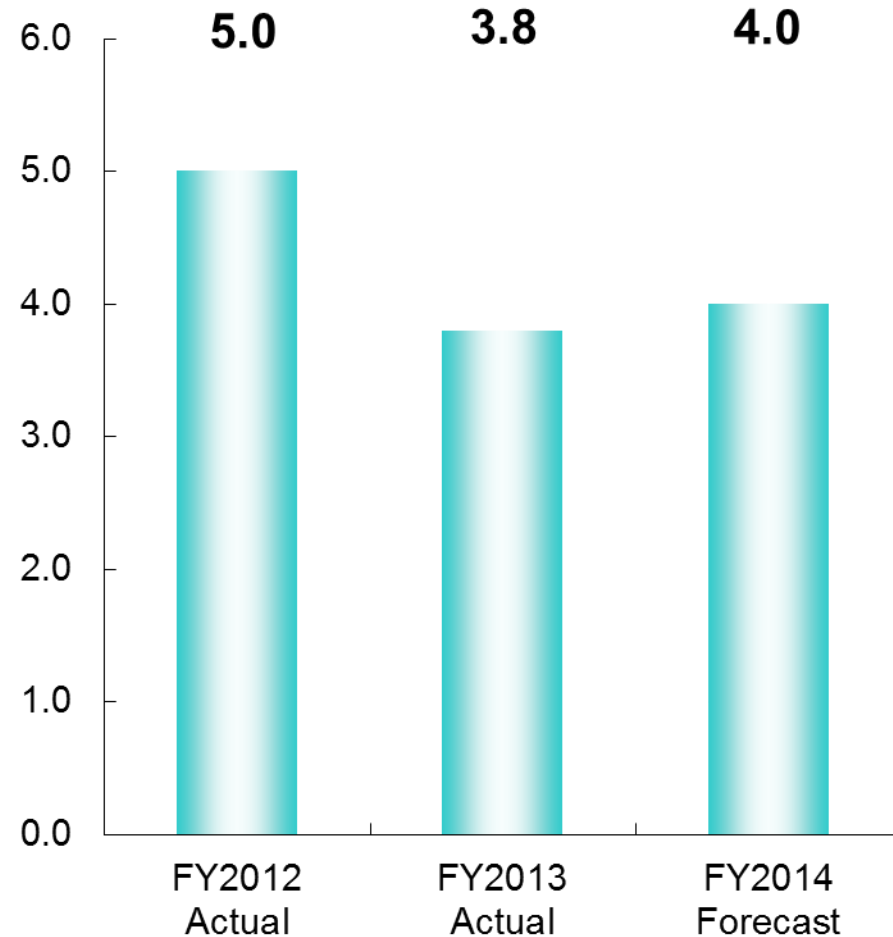
Investment/ Depreciation

(Billions of yen)



Research and Development Cost

(Billions of yen)



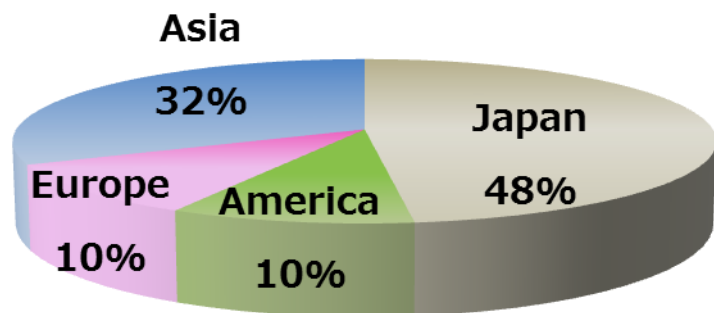
Sensitivity by Exchange Rate (Oct.2014-Mar.2015)

FY2014	USD	EUR
Forecast Exc. Rate	JPY 100.0	JPY 135.0
For Sales (Millions of yen)	800	50
For Income (Millions of yen)	100	30

FY2014

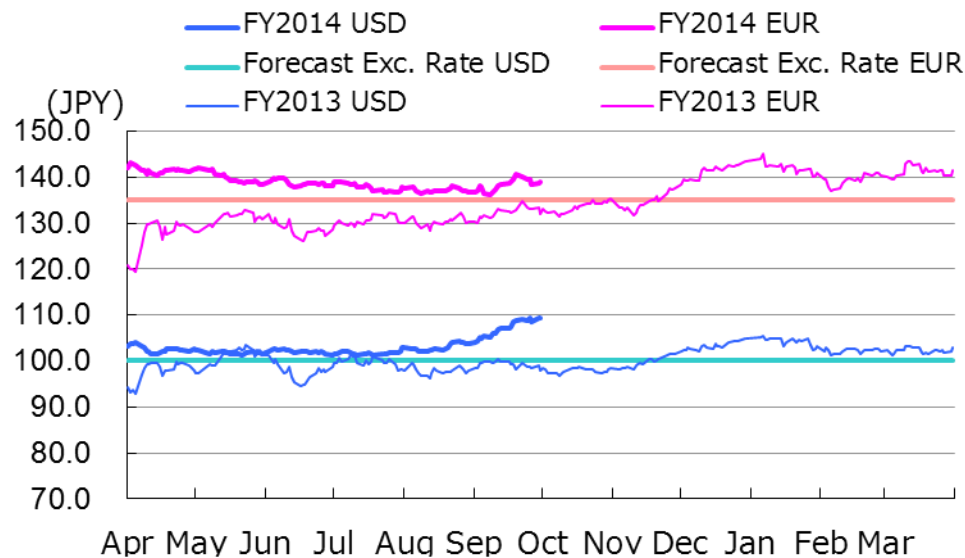
		Q1	Q2	Forecast Exc. Rate
Average	USD	102.1	103.8	100.0
	EUR	140.0	137.7	135.0
Closing Date	USD	101.3	109.4	100.0
	EUR	138.2	138.8	135.0

Sales by Area



* FY2013 Actual data

Trend of Exchange Rate



- ◆ *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.*

Numbers are cut off to the unit indicated, unless otherwise specified.

Reference

(Billions of yen)	FY2013 Q2	FY2014 Q2	Change	
			Amt.	%
Net Sales	76.1	73.7	-2.4	-3.2%
Gross Profit	26.6	26.4	-0.1	-0.6%
Operating Income	5.8	4.6	-1.1	-19.2%
%	7.6%	6.4%	-1.3%	-
Ordinary Income	3.8	5.3	+1.4	+38.9%
%	5.1%	7.3%	+2.2%	-
Before Income Taxes & Minority interests	8.6	13.1	+4.5	+53.4%
Net Income	6.1	12.3	+6.1	+100.0%
%	8.1%	16.7%	+8.6%	-

Exchange Rates(JPY)	USD	98.9	103.8	+4.9	+5.0%
	EUR	131.0	137.7	+6.7	+5.1%

Net Sales : -2.4

Exchange rate fluctuations	+2.0
Impact due to the exclusion of the Optical Products Business from consolidation	-6.3

Operating Income : -1.1

Decrease in GP	-0.1
Increase in General and Administrative expenses	-0.9

Ordinary Income : +1.4

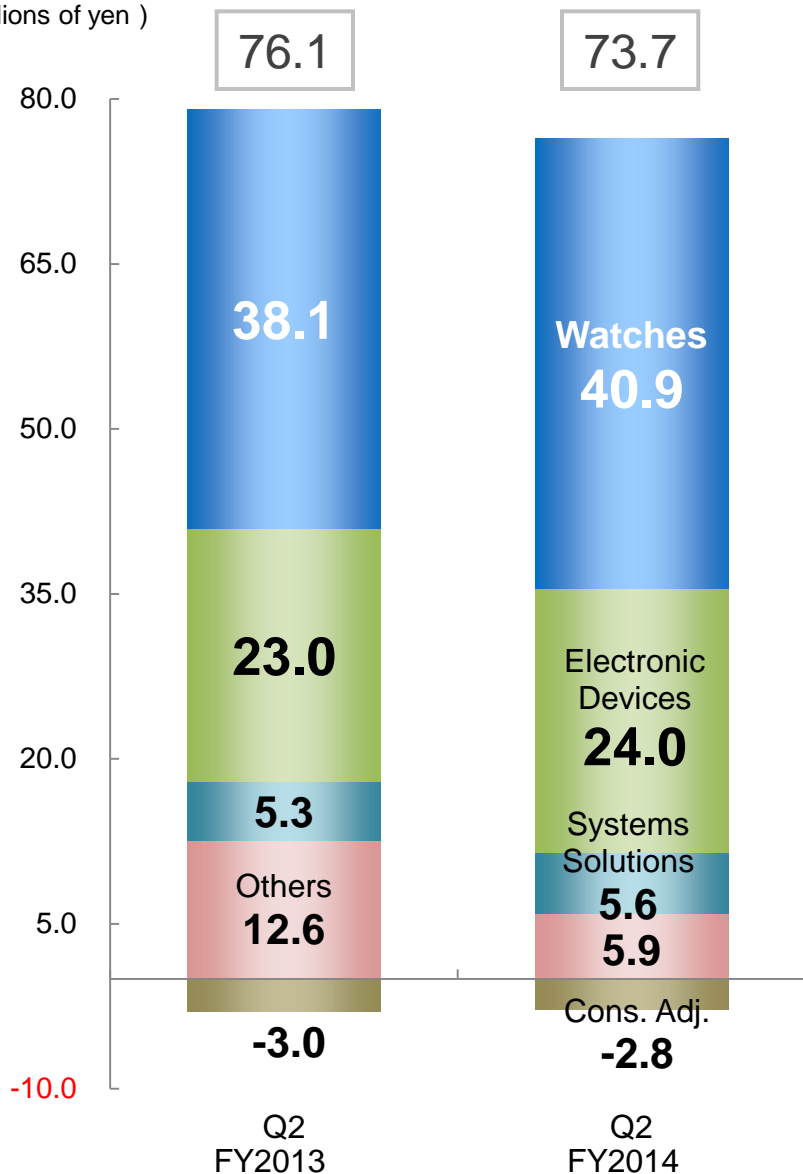
Decrease in Operating Income	-1.1
Decrease in Interest expenses	+0.1
Equity in income of affiliates	+0.7
Increase in Foreign exchange gains	+1.2
Others	+0.4

Extraordinary Income : +7.8

<u>Extraordinary Income</u>	<u>8.4</u>
Gain on sales of non-current assets	8.4
<u>Extraordinary Loss</u>	<u>-0.5</u>
Loss on business withdrawal	-0.5

Sales by Reported Segments (Jul.2014 – Sep.2014)

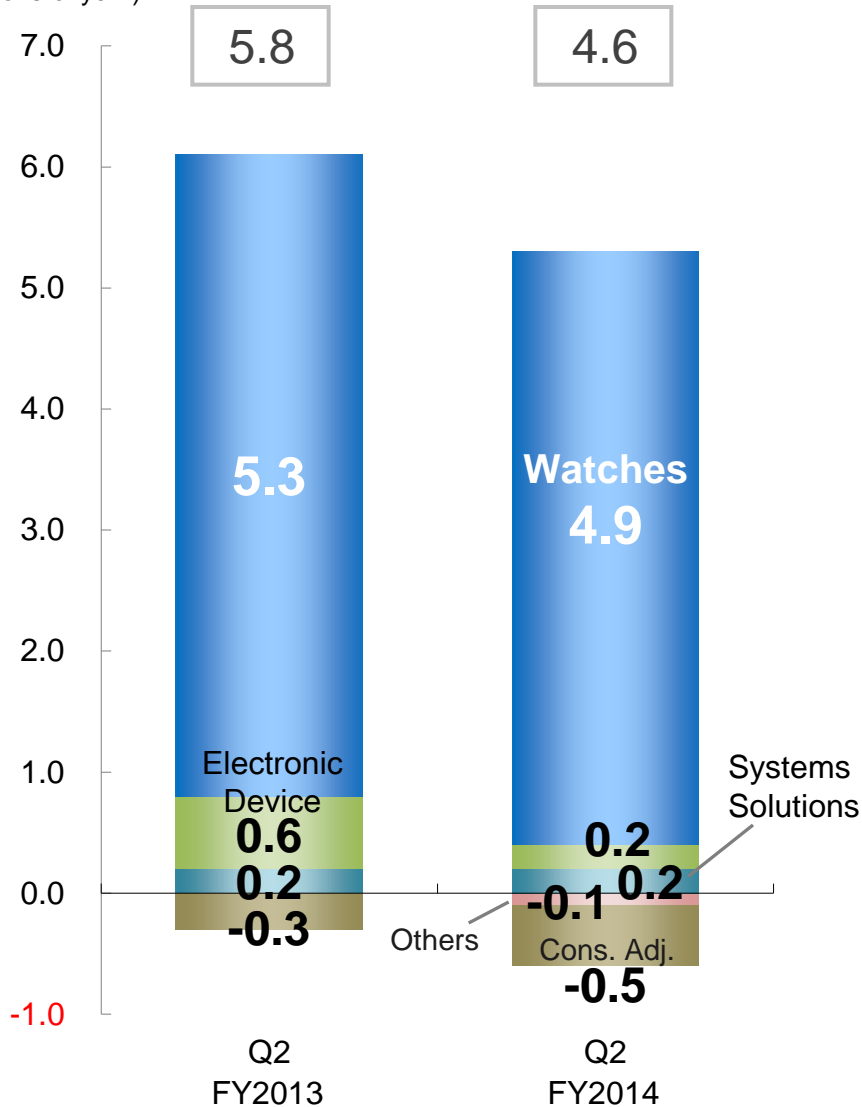
(Billions of yen)



(Billions of yen)	Net Sales		
	FY2013 Q2	FY2014 Q2	Change
Watches	38.1	40.9	+2.7
Electronic Devices	23.0	24.0	+1.0
Systems Solutions	5.3	5.6	+0.2
Sub Total	66.5	70.6	+4.1
Others	12.6	5.9	-6.7
Cons. Adj.	-3.0	-2.8	+0.1
Cons. Total	76.1	73.7	-2.4

Operating Income by Reported Segments (Jul.2014 -Sep.2014)

(Billions of yen)



(Billions of yen)	Operating Income		
	FY2013 Q2	FY2014 Q2	Change
Watches	5.3	4.9	-0.4
Electronic Devices	0.6	0.2	-0.3
Systems Solutions	0.2	0.2	-0.0
Sub Total	6.2	5.3	-0.8
Others	-0.0	-0.1	-0.0
Cons. Adj.	-0.3	-0.5	-0.1
Cons. Total	5.8	4.6	-1.1

End
