

February 9, 2016

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

### Financial Highlights

For the nine months ended December 31, 2015 (3Q FY2015)

	3Q FY2015		3Q FY2014
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	<b>228,963</b>	1,900.1	217,376
Operating income	<b>13,634</b>	113.1	11,334
Ordinary income	<b>14,102</b>	117.0	12,626
Profit attributable to owners of parent	<b>12,678</b>	105.2	23,991
Earnings per share (yen/USD)	<b>¥ 61.36</b>	US\$ 0.51	¥ 116.09
Cash dividends per share (yen/USD)	<b>¥ 5.00</b>	US\$ 0.04	¥ 2.50
	December 31, 2015		March 31, 2015
Total assets	<b>336,367</b>	2,791.4	333,701
Net assets	<b>98,941</b>	821.1	92,589

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, 2015, in the world economy, the U.S. economy saw a continued phase of economic expansion led by domestic demand. Europe's economy was also on a moderate recovery track on growing retail sales and other factors. Meanwhile, China has seen a weak trend in economic growth due to sluggish personal consumption, despite the anticipated effects of government measures to prop up the economy. The Japanese economy continues to experience a stall in its recovery, as exports remain slack due to weakened economic growth in China and emerging nations. Conditions in the department store industry progressed favorably due to inbound demand, but future sales growth is expected to hit a ceiling as this boost tapers off. The electronic devices and semiconductor market is seeing a trend toward growing demand due to advanced functionality of smartphones and increasing use of electronics in automobile-related products, despite a slump in demand for smartphones,

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among other factors. The domestic information services market saw continued growth due to factors including responses to the “My Number System” (Social Security and Tax Number System) , but profit levels appear to be flat as labor costs soar on the one hand while unit prices for services trend downward.

For the nine-month period ended December 31, 2015, the Company reported consolidated net sales of 228.9 billion yen, a year-on-year increase of 11.5 billion yen, or 5.3%. 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 108.8 billion yen (a year-on-year increase of 7.8%), and overseas net sales were 120.1 billion yen (a year-on-year increase of 3.2%). Overseas net sales comprised 52.5% of net sales overall. In terms of income, operating income increased 2.2 billion yen compared to the previous fiscal year to become 13.6 billion yen (a year-on-year increase of 20.3%). Ordinary income increased by 1.4 billion yen over the same period of the previous fiscal year to become 14.1 billion yen (a year-on-year increase of 11.7%), although non-operating income and expenses worsened slightly compared to the same period of the previous fiscal year. Furthermore, 0.3 billion yen in gain on sales of non-current assets was posted as extraordinary income, and 1.7 billion yen in business structure improvement expenses associated with the transfer of the wide format printer business and others was posted as extraordinary losses. As a result of these factors, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests came to 12.6 billion yen (a year-on-year decrease of 47.2%).

## 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, 2015 came to 130.1 billion yen, a year-on-year increase of 10.9 billion yen, or 9.1%. 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. With support from inbound demand as well, sales performed steadily. On the overseas front, sales grew in the United States, Germany, Taiwan and other countries, despite harsh economic conditions in some markets, including France, where sales over the Christmas season were stagnant. Overall sales for watch finished goods in Japan and overseas were up significantly year on year. During the six-month period ended September 30, 2015, a Seiko Premium Boutique was opened in the Ginza area of Tokyo, and Seiko Boutiques were opened in Frankfurt and Moscow.

With regard to income, the increase in net sales yielded a year-on-year increase of 0.9 billion yen in

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operating income, bringing it to 13.1 billion yen (a year-on-year increase of 7.5%).

## **b. Electronic Devices Business**

Net sales in the Electronic Devices Business came to 73.0 billion yen (a year-on-year increase of 2.1%), and operating income to 2.3 billion yen (a year-on-year increase of 43.6%). On a per-domain basis, sales of semiconductors for automobiles and other items grew steadily but stagnated for smartphones. Sales of quartz crystal products increased for GPS, surveillance cameras and others. Printer-related sales also grew for thermal printers and industrial inkjet heads, although sales of radiation measuring equipment were weak. The wide format printer business was transferred during the nine-month period under review.

## **c. Systems Solutions Business**

Net sales in the Systems Solutions Business came to 13.1 billion yen (a year-on-year decrease of 12.5%). Operating losses were 0.2 billion yen (compared to operating losses of 65 million 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 20.9 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 0.5 billion yen (a year-on-year increase of 491.6%).

## **2. Financial Condition**

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## Status of Assets, Liabilities, and Net Assets

Total assets at the close of the nine-month period ended December 31, 2015 amounted to 336.3 billion yen, an increase of 2.6 billion yen from the close of the previous fiscal year. Current assets amounted to 171.6 billion yen, an increase of 6.7 billion yen. This was mainly due to increases of 7.6 billion yen in inventories and 1.2 billion yen in deferred tax assets, offsetting a 1.7 billion-yen decrease in accounts receivable-other. Under non-current assets, investments and other assets decreased by 3.8 billion yen, resulting in total non-current assets of 164.7 billion yen, a decline of 4.0 billion yen.

For liabilities, the Company posted 237.4 billion yen in total liabilities, a decrease of 3.6 billion yen over the close of the previous fiscal year. This was mainly attributable to decreases of 9.1 billion yen in long- and short-term loans payable, 1.7 billion yen in accounts payable-other, 1.4 billion yen in provision for bonuses and 1.4 billion yen in deferred tax liabilities, which offset increases of 8.7 billion yen in notes and accounts payable-trade and 1.8 billion yen in electronically recorded obligations - operating.

Additionally, total net assets increased by 6.3 billion yen over the close of the previous year to become 98.9 billion yen, due to an increase of 9.9 billion yen in shareholders' equity mainly due to the recording of profit attributable to owners of parent, despite certain factors such as a decrease of 2.4 billion yen in total accumulated other comprehensive income.

## Outlook for the Year Ending March 31, 2016

Business performance was steady during the nine-month period ended December 31, 2015, mainly in the Watches Business in Japan. But as for the future outlook, the possibility is growing that more destabilizing factors may impact orders for devices. The factors include the slowdown in economic growth in China, monetary tightening in the United States and heightened geopolitical risks in Europe. Consequently, the Company has revised its forecast for the consolidated business results and forecasted results by segment for the year ending March 31, 2016 (FY2015), as follows. The exchange rate assumed in preparing the revised business results forecast was 110 yen/USD, and 130 yen/EUR.

The Company sets out a basic policy on dividends to make stable payments. The year-end dividend is scheduled to be increased by 2.5 yen per share from the previous forecast of 5 yen to 7.5 yen per share, as profit attributable to owners of parent is trending favorably as expected for the period under review. As a result, the annual dividend shall be 12.5 yen per share including a 5.0 yen per share interim dividend already paid.

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

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

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	305.0	103.9
Operating income	14.0	120.0
Ordinary income	13.0	105.1
Profit attributable to owners of parent	12.0	55.1

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

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watches Business	170.0	13.5
Electronic Devices Business	96.0	3.0
Systems Solutions Business	20.0	0.3
Total for all business segments	286.0	16.8
Others	29.0	0.7
Consolidated total	305.0	14.0

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.*

## Balance Sheets

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Seiko Holdings Corporation and Consolidated Subsidiaries

December 31, 2015

	Millions of yen	
	December 31, 2015	March 31, 2015
	Amount	Amount
<b>Assets</b>		
Current assets:		
Cash and deposits	40,384	41,292
Notes and accounts receivable - trade	45,465	44,755
Inventories	70,554	62,910
Accounts receivable - other	2,521	4,244
Deferred tax assets	7,712	6,423
Other	6,662	7,038
Allowance for doubtful accounts	(1,687)	(1,763)
<b>Total current assets</b>	<b>171,613</b>	<b>164,901</b>
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	73,532	73,412
Machinery, equipment and vehicles	102,953	102,894
Tools, furniture and fixtures	33,847	34,943
Other	4,212	4,244
Accumulated depreciation	(169,481)	(170,229)
Land	49,658	50,447
Construction in progress	1,748	917
<b>Total property, plant and equipment</b>	<b>96,473</b>	<b>96,630</b>
Intangible assets:		
Goodwill	7,806	8,236
Other	7,588	7,157
<b>Total intangible assets</b>	<b>15,395</b>	<b>15,393</b>
Investments and other assets:		
Investment securities	43,862	48,116
Deferred tax assets	2,128	1,737
Other	7,097	7,101
Allowance for doubtful accounts	(203)	(179)
<b>Total investments and other assets</b>	<b>52,885</b>	<b>56,776</b>
<b>Total non-current assets</b>	<b>164,753</b>	<b>168,799</b>
<b>Total assets</b>	<b>336,367</b>	<b>333,701</b>

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	Millions of yen	
	December 31, 2015	March 31, 2015
	Amount	Amount
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	34,761	26,019
Electronically recorded obligations - operating	9,255	7,358
Short-term loans payable	54,806	43,585
Current portion of long-term loans payable	30,989	35,771
Accounts payable - other	12,841	14,603
Income taxes payable	1,631	1,584
Deferred tax liabilities	20	26
Provision for bonuses	2,883	4,346
Other provision	739	1,172
Asset retirement obligations	18	12
Other	11,977	10,637
<b>Total current liabilities</b>	<b>159,925</b>	<b>145,118</b>
Non-current liabilities:		
Long-term loans payable	38,959	54,498
Deferred tax liabilities	9,613	11,091
Deferred tax liabilities for land revaluation	3,808	3,812
Other provision	688	897
Net defined benefit liability	17,884	18,441
Asset retirement obligations	459	522
Other	6,086	6,729
<b>Total non-current liabilities</b>	<b>77,500</b>	<b>95,993</b>
<b>Total liabilities</b>	<b>237,425</b>	<b>241,112</b>

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	Millions of yen	
	December 31, 2015	March 31, 2015
	Amount	Amount
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,251	7,414
Retained earnings	57,859	47,765
Treasury shares	(157)	(151)
Total shareholders' equity	74,954	65,027
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	11,088	13,007
Deferred gains or losses on hedges	73	39
Revaluation reserve for land	7,996	7,991
Foreign currency translation adjustment	4,247	4,796
Remeasurements of defined benefit plans	(427)	(452)
Total accumulated other comprehensive income	22,978	25,383
Non-controlling interests	1,008	2,178
<b>Total net assets</b>	<b>98,941</b>	<b>92,589</b>
<b>Total liabilities and net assets</b>	<b>336,367</b>	<b>333,701</b>



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## Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended December 31, 2015

	Millions of yen	
	3Q FY 2015	3Q FY 2014
	Amount	Amount
<b>Net sales</b>	228,963	217,376
Cost of sales	144,874	138,840
Gross profit	84,088	78,536
Selling, general and administrative expenses	70,454	67,201
<b>Operating income</b>	<b>13,634</b>	<b>11,334</b>
<b>Non-operating income:</b>		
Interest income	141	172
Dividend income	854	587
Other	1,865	3,748
Total non-operating income	2,861	4,508
<b>Non-operating expenses:</b>		
Interest expenses	1,610	2,504
Other	781	711
Total non-operating expenses	2,392	3,215
<b>Ordinary income</b>	<b>14,102</b>	<b>12,626</b>
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	348	8,433
Gain on sales of investment securities	-	7,740
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	-	127
Total extraordinary income	348	16,302
<b>Extraordinary losses:</b>		
Business structure improvement expenses	1,597	-
Loss on retirement of non-current assets	115	-
Loss on business withdrawal	-	589
Total extraordinary losses	1,713	589
<b>Income before income taxes</b>	<b>12,737</b>	<b>28,340</b>
Income taxes	(63)	4,215
Profit	12,801	24,124
Profit attributable to non-controlling interests	122	133
<b>Profit attributable to owners of parent</b>	<b>12,678</b>	<b>23,991</b>

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## Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended December 31, 2015

	Millions of yen	
	3Q FY 2015	3Q FY 2014
	Amount	Amount
<b>Profit</b>	<b>12,801</b>	<b>24,124</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(2,117)	4,832
Deferred gains or losses on hedges	33	135
Revaluation reserve for land	4	-
Foreign currency translation adjustment	(1,169)	5,319
Remeasurements of defined benefit plans, net of tax	44	24
Share of other comprehensive income of entities accounted for using equity method	745	553
Total other comprehensive income	(2,458)	10,865
<b>Comprehensive income</b>	<b>10,342</b>	<b>34,990</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,274	34,618
Comprehensive income attributable to non- controlling interests	68	371

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## Segment Information

### 1. 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
Adjustments	(7,115)	(2,585)
Total	217,376	11,334

- 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 -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.

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

(For the Nine Months Ended December 31, 2015)

	Millions of yen	
	Sales 3Q FY 2015	Operating Income 3Q FY 2015
Watches Business	130,196	13,155
Electronic Devices Business	73,086	2,360
Systems Solutions Business	13,164	(224)
Total for reported segments	216,448	15,291
Others	20,935	583
Total for all business segments	237,384	15,875
Adjustments	(8,420)	(2,240)
Total	228,963	13,634

- 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 -2,240 million yen include -424 million yen in the amortization of goodwill, 445 million yen that mainly consists of the elimination of intra-segment transactions, and -2,261 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.

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