

August 9, 2016

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2016

Financial Highlights

For the three months ended June 30, 2016 (1Q FY2016)

	1Q FY2016		1Q FY2015
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	59,433	577.2	70,673
Operating income	886	8.6	4,474
Ordinary income	139	1.4	5,148
Profit attributable to owners of parent	(1,268)	(12.3)	3,731
Earnings per share (yen/USD)	¥(6.14)	US\$(0.06)	¥ 18.06
	June 30, 2016		March 31, 2016
Total assets	316,449	3,073.5	329,115
Net assets	93,906	912.1	102,692

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 102.96 yen/dollar.

Business Results

1. Overview

During the three-month period ended June 30, 2016, in the world economy, the U.S. economy was sluggish despite signs of recovery from a slowing trend that carried over from the previous year. Europe had been on a moderate recovery track but was thrown into confusion by the Brexit vote at the end of June. China's economy also continued to slow down, although the pace of deceleration remained gradual. The Japanese economy experienced a prolonged stall due to a worsening environment, including the impact of yen appreciation, shifts in consumption by foreign tourists, and a significant drop in stock prices.

For the three-month period ended June 30, 2016, the Company reported consolidated net sales of 59.4 billion yen, a year-on-year decrease of 11.2 billion yen, or 15.9%. On a per-segment basis, sales under the Watches Business and the Electronic Devices Business declined year on year due to the impact of yen appreciation and other factors, while the Systems Solutions Business grew compared

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to the same period of the previous fiscal year. On an overall consolidated basis, domestic net sales came to 33.0 billion yen (a year-on-year decrease of 4.7%), and overseas net sales were 26.4 billion yen (a year-on-year decrease of 26.7%). Overseas net sales comprised 44.5% of net sales overall. In terms of income, operating income decreased 3.5 billion yen compared to the same period of the previous fiscal year to 0.8 billion yen (a year-on-year decrease of 80.2%). Furthermore, ordinary income amounted to 0.1 billion yen (a year-on-year decrease of 97.3%), as non-operating income and expenses worsened due to factors including the posting of foreign exchange losses. Income taxes were at the same level as the same period of the previous fiscal year, resulting in a loss attributable to owners of parent minus income taxes and profit attributable to non-controlling interests of 1.2 billion yen (compared to profit attributable to owners of parent of 3.7 billion yen in the same period of the previous fiscal year).

2. Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business for the three-month period ended June 30, 2016, came to 30.7 billion yen, a year-on-year decrease of 7.9 billion yen, or 20.5%. In Japan, the Lukia, Astron, Presage, and other models performed steadily, but sales of high-priced products such as the Grand Seiko were sluggish, reflecting the impact of stagnant stock prices and other factors. On a distribution channel basis, sales to mass retailers declined substantially from the same period of the previous fiscal year, due to shifts in consumption by foreign tourists. On the overseas front, overall sales were mostly flat year on year on a local currency basis despite some fluctuations from country to country. However, net sales decreased on a yen basis from the impact of yen appreciation. Sales of watch movements worsened due to the impact of a reduction in products handled, as well as the slump in the watch markets of the United States and China.

With regard to income, the decrease in net sales resulted in a year-on-year decrease of 2.5 billion yen in operating income, bringing it to 1.3 billion yen (a year-on-year decrease of 65.0%).

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 19.8 billion yen (a year-on-year decrease of 18.0%), and operating income to 0.3 billion yen (a year-on-year decrease of 62.3%). Although semiconductors, mainly those for automobiles and for smartphones, performed strongly on a volume basis, sales declined sharply due to the impact of yen appreciation, which also had a wide-ranging impact on other domains.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 4.6 billion yen (a year-on-year increase of 34.1%), and operating income to 0.2 billion yen (compared to operating losses of 0.2 billion yen for the same period of the previous fiscal year). Sales were favorable in the data services business,

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including payment terminals, and in the mobile solutions business for home security.

d. Others

Net sales under Others amounted to 6.0 billion yen. Among segments included in Others, sales under the Wako Business fell due to shifts in consumption by foreign tourists, and sales under the Clock Business were down from the same period of the previous fiscal year owing to factors such as month-long delays of shipments for overseas. Operating losses came to 60 million yen (compared to operating income of 0.1 billion yen for the same period of the previous fiscal year).

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2. Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets at the close of the three-month period ended June 30, 2016, amounted to 316.4 billion yen, a decrease of 12.6 billion yen from the close of the previous fiscal year. Current assets amounted to 150.5 billion yen, a decrease of 9.0 billion yen. This was mainly due to decreases of 4.7 billion yen in cash and deposits and 7.7 billion yen in notes and accounts receivable-trade, offsetting an increase of 4.0 billion yen in inventories. Under non-current assets, investments and other assets decreased 3.4 billion yen, resulting in total non-current assets of 165.8 billion yen, a decrease of 3.6 billion yen.

For liabilities, the Company posted 222.5 billion yen in total liabilities, a decrease of 3.8 billion yen over the close of the previous fiscal year. This was mainly attributable to decreases of 5.2 billion yen in accounts payable-other, 0.9 billion yen in income taxes payable, and 1.6 billion yen in provision for bonuses, which offset increases of 2.0 billion yen in notes and accounts payable-trade and 2.7 billion yen in other under current liabilities. Long- and short-term loans payable increased by 0.2 billion yen.

Additionally, total net assets decreased by 8.7 billion yen over the close of the previous year to become 93.9 billion yen, due to a decrease of 2.8 billion yen in shareholders' equity mainly due to the recording of loss attributable to owners of parent and payment of cash dividends, in addition to a decrease of 6.1 billion yen in total accumulated other comprehensive income due to factors such as worsening of the foreign currency translation adjustment from the impact of yen appreciation.

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Outlook for the Year Ending March 31, 2017

As noted above, business performance during the three-month period ended June 30, 2016, worsened from the same period of the previous fiscal year under the impact of changes in the external environment such as yen appreciation, shifts in consumption by foreign tourists, and stagnant stock prices. However, the Company had already taken some of these factors into consideration. It is carefully watching future changes in the environment while working on measures to address the impact of such changes. Consequently, there are no changes at this point to the consolidated business results forecasts for the six-month period ending September 30, 2016, and for the year ending March 31, 2017 (FY2016). If it becomes necessary to change the consolidated business results forecast for the year ending March 31, 2017 (FY2016), released on May 10, 2016, notification will be made immediately.

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Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

June 30, 2016

	Millions of yen	
	June 30, 2016	March 31, 2016
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	34,364	39,131
Notes and accounts receivable - trade	33,899	41,623
Inventories	69,201	65,196
Accounts receivable - other	3,149	3,753
Deferred tax assets	4,184	4,966
Other	7,205	6,466
Allowance for doubtful accounts	(1,408)	(1,488)
Total current assets	150,595	159,649
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	70,307	70,424
Machinery, equipment and vehicles	79,910	80,454
Tools, furniture and fixtures	30,114	30,654
Other	2,981	2,983
Accumulated depreciation	(137,741)	(140,016)
Land	48,359	48,674
Construction in progress	624	1,758
Total property, plant and equipment	94,557	94,934
Intangible assets:		
Goodwill	7,520	7,663
Other	8,641	8,262
Total intangible assets	16,161	15,925
Investments and other assets:		
Investment securities	39,495	42,407
Deferred tax assets	8,676	8,966
Other	7,143	7,432
Allowance for doubtful accounts	(181)	(199)
Total investments and other assets	55,134	58,606
Total non-current assets	165,853	169,466
Total assets	316,449	329,115

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	Millions of yen	
	June 30, 2016	March 31, 2016
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	26,320	24,267
Electronically recorded obligations - operating	7,887	7,766
Short-term loans payable	47,553	39,565
Current portion of long-term loans payable	34,119	35,342
Accounts payable - other	10,192	15,442
Income taxes payable	867	1,851
Deferred tax liabilities	19	19
Provision for bonuses	2,362	4,054
Other provision	574	766
Asset retirement obligations	—	16
Other	13,418	10,696
Total current liabilities	143,317	139,789
Non-current liabilities:		
Long-term loans payable	43,344	49,811
Deferred tax liabilities	8,385	9,232
Deferred tax liabilities for land revaluation	3,614	3,614
Other provision	552	605
Net defined benefit liability	16,956	17,011
Asset retirement obligations	649	459
Other	5,722	5,898
Total non-current liabilities	79,225	86,633
Total liabilities	222,542	226,423

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	Millions of yen	
	June 30, 2016	March 31, 2016
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,245	7,246
Retained earnings	54,504	57,323
Treasury shares	(158)	(158)
Total shareholders' equity	71,591	74,411
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	9,063	10,719
Deferred gains or losses on hedges	(434)	(28)
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	(2,416)	1,647
Remeasurements of defined benefit plans	(395)	(417)
Total accumulated other comprehensive income	14,007	20,110
Non-controlling interests	8,306	8,170
Total net assets	93,906	102,692
Total liabilities and net assets	316,449	329,115

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2016

	Millions of yen	
	1Q FY 2016	1Q FY 2015
	Amount	Amount
Net sales	59,433	70,673
Cost of sales	36,653	44,510
Gross profit	22,780	26,163
Selling, general and administrative expenses	21,894	21,689
Operating income	886	4,474
Non-operating income:		
Interest income	36	49
Dividend income	369	490
Foreign exchange gains	—	348
Other	649	593
Total non-operating income	1,054	1,482
Non-operating expenses:		
Interest expenses	458	555
Foreign exchange losses	970	—
Other	371	252
Total non-operating expenses	1,801	807
Ordinary income	139	5,148
Income before income taxes	139	5,148
Income taxes	1,214	1,321
Profit (loss)	(1,075)	3,827
Profit attributable to non-controlling interests	192	96
Profit (loss) attributable to owners of parent	(1,268)	3,731

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2016

	Millions of yen	
	1Q FY 2016	1Q FY 2015
	Amount	Amount
Profit (loss)	(1,075)	3,827
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,567)	340
Deferred gains or losses on hedges	(406)	(17)
Revaluation reserve for land	—	4
Foreign currency translation adjustment	(3,727)	952
Remeasurements of defined benefit plans, net of tax	16	14
Share of other comprehensive income of entities accounted for using equity method	(492)	412
Total other comprehensive income	(6,177)	1,708
Comprehensive income	(7,252)	5,535
Comprehensive income attributable to		
owners of parent	(7,370)	5,427
non-controlling interests	117	107

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Segment Information

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

(For the Three Months Ended June 30, 2015)

	Millions of yen	
	Sales 1Q FY 2015	Operating Income 1Q FY 2015
Watches Business	38,663	3,990
Electronic Devices Business	24,152	1,058
Systems Solutions Business	3,498	(295)
Total for reported segments	66,314	4,754
Others	6,830	140
Total for all business segments	73,145	4,894
Adjustments	(2,471)	(420)
Total	70,673	4,474

- Notes:
1. The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 2. Adjustments to segment income in the amount of -420 million yen include -141 million yen in the amortization of goodwill, 44 million yen that mainly consists of the elimination of intra-segment transactions, and -323 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).
 3. 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 Three Months Ended June 30, 2016)

	Millions of yen	
	Sales 1Q FY 2016	Operating Income 1Q FY 2016
Watches Business	30,750	1,396
Electronic Devices Business	19,811	398
Systems Solutions Business	4,690	263
Total for reported segments	55,253	2,059
Others	6,092	(68)
Total for all business segments	61,346	1,991
Adjustments	(1,912)	(1,105)
Total	59,433	886

- Notes:
1. The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 2. Adjustments to segment income in the amount of -1,105 million yen include -141 million yen in the amortization of goodwill, -63 million yen that mainly consists of the elimination of intra-segment transactions, and -900 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).
 3. Segment income (loss) has been adjusted for alongside operating income on the consolidated quarterly statements of income.

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