

14 February 2012

CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

Financial Highlights

For the nine months ended 31 December 2011 (3Q FY2011)

	3Q FY2011		3Q FY2010
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	225,212	2,898,481	236,591
Operating income	6,031	77,619	9,380
Ordinary income	1,381	17,773	4,913
Net income	(7,186)	(92,484)	4,238
Earnings per share (yen)	(39.32)	\$(0.51)	24.35
	31 December 2011		31 March 2011
Total assets	396,795	5,106,757	400,457
Net assets	35,677	459,163	46,270

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 77.7 yen/dollar.

Business Results

1. Overview

For the nine-month period ended 31 December 2011, SEIKO HOLDINGS CORPORATION reported consolidated net sales of 225.2 billion yen, a year-on-year decline of 11.3 billion yen. On a per-segment basis, despite a worsening in the foreign currency environment, the watch business exhibited a steady increase in sales both in Japan and newly-developing countries. The electronic components business experienced a significant year-on-year depression in sales chiefly due to activities at two production facilities coming to a halt in the aftermath of the floods in Thailand. While sales in the clock business exceeded those of the same nine-month period last year, those in the optical products business remained flat overall; furthermore, sales in other businesses declined on a year-on-year basis. Total consolidated net sales came to 109.9 billion yen for Japan (a year-on-year increase of 3.9%) and 115.2 billion yen for overseas (a

year-on-year decline of 11.9%), with overseas sales representing 51.2% of the total (relative to 55.3% for the same nine-month period last year). In terms of income, despite reductions made in selling, general and administrative expenses over the same period last year, operating income declined year on year by 3.3 billion yen to halt at 6.0 billion yen, with this due mainly to the depression in sales. Additionally, ordinary income came to 1.3 billion yen following a year-on-year decrease of 3.5 billion yen due to a slight deterioration in non-operating cash flow over the same nine-month period last year. Although 0.3 billion in gains on the reversal of a provision for disaster losses as well as other extraordinary income were posted, 3.5 billion yen was posted in extraordinarily losses, with this consisting mostly of 2.7 billion yen in losses on the valuation of inventories. Additionally, following a year-on-year increase of 2.8 billion yen in income taxes due mostly to a reversal of deferred tax assets, net losses for the period came to 7.1 billion yen (relative to 4.2 billion yen in net income for the same period during the previous year).

2. Results by Segment

Results for each segment are as follows:

a. Watch business

Net sales under the watch business for the nine-month period ended 31 December 2011 increased by 2.5 billion yen, or 3.1%, on a year-on-year basis to become 85.9 billion yen. In Japan, sales of the GRAND SEIKO line, particularly those of the SEIKO 130th Anniversary Commemorative model, progressed favorably, and CREDOR and other high-value range products demonstrated sales performance that exceeded that for the same period last year. Additionally, among medium- to low-value range products, the LUKIA ladies' watch model and the BRIGHTZ men's watch model demonstrated significant improvements in sales growth. On the overseas front, sales in China and other Asian countries continued to progress satisfactorily, with robust sales also posted in the United States. Sales in the watch movement sales business grew principally around high value-added movement. With regards to income, factors consisting mainly of the worsening of the foreign exchange environment and rising purchasing costs came into play, resulting in 7.7 billion yen in operating income under this segment, a year-on-year decline of 0.4 billion yen.

b. Electronic components business

Net sales in the electronic components business came to 112.4 billion yen (a year-on-year decline of 9.6%), with operating losses coming to 0.2 billion yen (relative to 3.0 billion yen in operating income for the same nine-month period last year). On a per-domain basis, sales of electronic devices, specifically semiconductors, were sluggish due mainly to decelerated global market conditions and a worsening of the foreign exchange environment. With regards to mechatronic devices, sales of hard disk components fell precipitously due to the impact of the floods in Thailand. Among systems applications, new products for PHS-use demonstrated favorable progression in sales. Sales of Geiger counters also grew in the aftermath of the string of events related to nuclear power plants.

c. Clock business

Net sales in the clock business came to 7.4 billion yen (a year-on-year increase of 9.6%). In Japan, products intended for mass merchandisers exhibited particularly steady sales growth. Overseas-wise, while sales of products for the United States market progressed favorably, sales overseas lost momentum in the latter half of the period due to the damage afflicted by the floods in Thailand. In terms of income, despite an improvement over the same period last year due to the sale of unprofitable businesses, operating losses came to 0.2 billion yen (relative to 0.5 billion yen in operating losses for the same period last year).

d. Optical products business

Net sales in the optical products business came to 17.1 billion yen (a year-on-year decline of 0.5%). Europe and the United States demonstrated steady progression in sales. In Japan, alongside centering efforts under this business on back surface progressive addition lenses, double-sided aspherical single-vision lenses and other high value-added products as well as on single-vision low-priced strategic products, efforts were also made to cultivate new distribution. Through releasing the SEIKO PURSUIT NV, which is intended to establish a new standard for bifocal lenses, in the latter half of the period in question, the Company is in the process of making up for the depression in sales experienced during the first half of the period. In terms of income, operating income improved slightly over the same period last year to become 0.2 billion yen (a year-on-year increase of 106.8%).

e. Other businesses

In other businesses, net sales came to 10.0 billion yen (a year-on-year decline of 12.5%) and operating losses came to 0.5 billion yen (relative to operating losses of 0.7 billion yen for the same period last year). The withdrawal of the Company from its golf business was the key factor contributing to the year-on-year decline in net sales. Additionally, the Company adopted a strategy of aggressively rolling out the SEIKO brand through its newly-positioned flagship shop at the Wako department store, which opened in June following renovations of the Main Building of that establishment. This was the principal driver of the sales growth achieved by this shop on a year-on-year basis.

Financial Condition**Status of Assets, Liabilities, and Net Assets**

Total assets for the nine-month period ended 31 December 2011 amounted to 396.7 billion yen, a decline of 3.6 billion yen relative to the end of the year ended 31 March 2011. Total current assets increased by 5.6 billion yen due mainly to a 2.5 billion yen increase in cash and deposits and a 6.8 billion yen-increase in inventories, which offset a 1.7 billion yen-decrease in notes and accounts receivable-trade. In non-current assets, machinery, equipment and vehicles increased by 1.3 billion yen due mainly to replacement investment. Conversely, in addition to depreciation, sales of land in particular yielded a decrease of 2.3 billion yen, and investment securities fell by 2.2 billion yen due to the diminished market value of shares held by the Company. These were the main factors behind a 9.2 billion yen decline in total noncurrent assets. Additionally, notes and accounts payable-trade increased by 5.7 billion yen and long-term and short-term loans payable increased by 1.0 billion yen, which caused total liabilities to come to 361.1 billion yen, an increase of 6.9 billion yen from the end of the year ended 31 March 2011. Lastly, relative to the end of the year ended 31 March 2011, net assets decreased by 10.5 billion yen to 35.6 billion yen. This was mainly due to the posting of net losses for the period in question.

Outlook for the Year Ending 31 March 2012

The fourth quarter of this year will be characterized by an ongoing sense of uncertainty regarding the future of the global economy. Additionally, it is also believed that time will be necessary in order to recover from the damage wrought by the floods in Thailand. While the watch business is anticipated to progress favorably, particularly in Japan and newly-developing countries, consolidated net sales as a whole are expected to slightly fall below the previously-issued forecast due to the impact of the floods in Thailand continuing to linger on production activities under the electronic components business. In line with this sales forecast revision, operating income and ordinary income are also predicted to slightly fall below the previously-issued forecast. Moreover, in line with restructuring efforts enacted by the Company as represented by its withdrawal from the display business, approximately 4.0 billion yen in restructuring charges are expected to be posted in the fourth quarter in addition to the 1.1 billion yen posted in extraordinary losses for the third quarter. These deteriorations in business earnings have formed the basis for a revision of the recoverability of deferred tax assets, which in turn has yielded a reversal of deferred tax assets and other accounting totaling approximately 2.8 billion yen for the third quarter. Consequently, the Company revises its consolidated business results forecast for the year ending March 31, 2012 in the following manner.

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■ Forecast for the consolidated business results for the year ending 31 March 2012 (FY2011)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	295.0	-6.0
Operating income	5.5	-52.8
Ordinary income	0.5	-92.4
Net income	(9.5)	-

■ Forecasted results by segment for the year ending 31 March 2012 (FY2011)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watch Business	110.0	8.0
Electronic Components Business	147.0	(0.5)
Clock Business	9.5	(0.2)
Optical Products Business	23.0	0.3
Other Businesses	14.0	(0.5)
Total for all business segments	303.5	7.1
Consolidated total	295.0	5.5

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

31 December 2011

	Millions of yen	
	31 December 2011	31 March 2011
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	54,468	51,958
Notes and accounts receivable-trade	49,116	50,897
Inventories	67,818	60,974
Accounts receivable-other	2,058	2,837
Deferred tax assets	2,791	4,489
Other	5,348	4,849
Allowance for doubtful accounts	(1,326)	(1,352)
Total current assets	180,275	174,654
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	107,192	107,510
Machinery, equipment and vehicles	101,641	100,248
Tools, furniture and fixtures	35,175	35,410
Other	4,704	3,191
Accumulated depreciation	(173,465)	(168,054)
Land	81,174	83,505
Construction in progress	1,542	1,054
Subtotal	157,965	162,866
Intangible assets:		
Goodwill	10,495	11,172
Other	10,086	10,373
Subtotal	20,582	21,545
Investments and other assets:		
Investment securities	29,744	31,989
Deferred tax assets	1,892	2,600
Other	9,770	10,229
Allowance for doubtful accounts	(3,434)	(3,428)
Subtotal	37,972	41,390
Total noncurrent assets	216,520	225,802
Total assets	396,795	400,457

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	Millions of yen	
	31 December 2011	31 March 2011
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	50,967	45,175
Short-term loans payable	72,423	75,306
Current portion of long-term loans payable	69,832	58,606
Accounts payable-other	10,263	11,182
Income taxes payable	1,581	1,691
Deferred tax liabilities	145	127
Provision for bonuses	2,833	1,520
Other provision	625	1,466
Asset retirement obligations	35	39
Other	11,106	11,045
Total current liabilities	219,816	206,163
Noncurrent liabilities:		
Long-term loans payable	96,673	103,952
Deferred tax liabilities	4,530	4,632
Deferred tax liabilities for land revaluation	4,808	5,490
Provision for retirement benefits	25,591	25,241
Other provision	977	1,083
Asset retirement obligations	337	351
Negative goodwill	662	946
Other	7,720	6,325
Total noncurrent liabilities	141,302	148,023
Total liabilities	361,118	354,187

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	Millions of yen	
	31 December 2011	31 March 2011
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,550	7,521
Retained earnings	15,569	23,140
Treasury stock	(878)	(1,010)
Subtotal	32,241	39,650
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(1,487)	740
Deferred gains or losses on hedges	(79)	99
Revaluation reserve for land	7,835	7,154
Foreign currency translation adjustment	(12,680)	(10,455)
Subtotal	(6,411)	(2,461)
Minority interests	9,846	9,080
Total net assets	35,677	46,270
Total liabilities and net assets	396,795	400,457

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended 31 December 2011

	Millions of yen	
	3Q FY 2011	3Q FY 2010
	Amount	Amount
Net sales	225,212	236,591
Cost of sales	157,133	162,717
Gross profit	68,078	73,873
Selling, general and administrative expenses	62,046	64,493
Operating income	6,031	9,380
Non-operating income:		
Interest income	223	144
Dividends income	199	173
Other	1,319	2,399
Subtotal	1,741	2,717
Non-operating expenses:		
Interest expenses	4,055	4,201
Foreign exchange losses	1,471	1,691
Other	864	1,291
Subtotal	6,391	7,184
Ordinary income	1,381	4,913
Extraordinary income:		
Reversal of provision for loss on disaster	367	–
Gain on sale of non-current assets	252	–
Gain on exchanges of lands and other properties	–	2,191
Reversal of provision for directors' retirement benefits	–	225
Subtotal	620	2,417
Extraordinary loss:		
Loss on valuation of inventories	2,724	–
Loss on sales of investment securities	136	–
Other	712	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	332
Provision of allowance for doubtful accounts for subsidiaries and affiliates	–	234
Loss on retirement of noncurrent assets	–	196
Loss on litigation	–	97
Subtotal	3,574	861
Income (loss) before income taxes and minority interests	(1,571)	6,469
Income taxes	4,824	1,927
Income (loss) before minority interests	(6,396)	4,541
Minority interests in income	789	303
Net income (loss)	(7,186)	4,238

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Nine Months Ended 31 December 2011

	Millions of yen	
	3Q FY 2011	3Q FY 2010
	Amount	Amount
Income (loss) before minority interests	(6,396)	4,541
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,287)	78
Deferred gains or losses on hedges	(179)	(14)
Revaluation reserve for land	681	–
Foreign currency translation adjustment	(2,333)	(2,664)
Share of other comprehensive income of associates accounted for using equity method	74	130
Subtotal	(4,044)	(2,469)
Comprehensive income	(10,441)	2,072
Comprehensive income attributable to owners of the parent	(11,137)	1,849
Comprehensive income attributable to minority interests	696	222

Segment Information

1. Information about Net Sales and Operating Income (Loss) by Reported Segment (For the Nine Months Ended 31 December 2010)

Millions of yen

	Sales 3Q FY 2010	Operating Income 3Q FY 2010
Watch Business	83,421	8,216
Electronic Components Business	124,360	3,043
Clock Business	6,791	(532)
Optical Products Business	17,224	137
Other businesses	11,512	(774)
Total for all business segments	243,310	10,090
Eliminations and common	(6,719)	(710)
Total	236,591	9,380

2. Information about Net Sales and Operating Income (Loss) by Reported Segment (For the Nine Months Ended 31 December 2011)

Millions of yen

	Sales 3Q FY 2011	Operating Income 3Q FY 2011
Watch Business	85,985	7,717
Electronic Components Business	112,414	(254)
Clock Business	7,442	(226)
Optical Products Business	17,143	284
Other businesses	10,073	(502)
Total for all business segments	233,059	7,018
Eliminations and common	(7,847)	(987)
Total	225,212	6,031

Notes:

- Adjustments to segment income in the amount of -987 million yen include -677 million yen in the amortization of goodwill, 1,407 million yen that mainly consists of the elimination of intra-segment transactions, and -1,718 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 quarterly statements of income.
- Out of property, plant and equipment in the form of "tools, furniture and fixtures" possessed by certain domestic consolidated subsidiaries, molds had originally been subject to depreciation over a two-year period. However, following a comprehensive revision of their service life based on product development cycles and the past record of usage of the molds, the Company elected to apply a service life of six years beginning with the three-month consolidated period ending June 30, 2011.

The cumulative monetary impact of this change as of the consolidated nine-month period in question was an increase of 200 million yen in segment income for the watch business and a decrease of 242 million yen in segment income for the electronic components business.

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