

10 August 2012

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2012

### Financial Highlights

For the three months ended 30 June 2012 (1Q FY2012)

	1Q FY2012		1Q FY2011
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	70,601	890,190	69,726
Operating income	2,847	35,897	641
Ordinary income	1,436	18,106	(870)
Net income	941	11,865	(1,770)
Earnings per share (yen)	5.15	\$0.06	(9.70)
	30 June 2012		31 March 2012
Total assets	385,482	4,860,446	386,128
Net assets	29,833	376,157	31,965

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 79.31 yen/dollar.

### Business Results

#### 1. Overview

For the three-month period ending 30 June 2012, SEIKO HOLDINGS CORPORATION ("Company") reported consolidated net sales of 70.6 billion yen, an increase of 0.8 billion yen from the same period last fiscal year. On a per-segment basis, under the watch business, domestic sales steadily recovered while those in China and a number of newly-developing countries exceeded sales in the same period last fiscal year. Conversely, under the electronic components business, sales fell slightly under those for the same period last fiscal year for reasons mainly attributable to the time required by restoration efforts at production facilities in Thailand. Additionally, net sales under the clock business, optical products business and other businesses decreased year on year. On a consolidated basis, domestic net sales came to 38.0 billion yen (a year-on-year increase of 13.6%) and overseas net sales came to 32.5 billion yen (a year-

on-year decrease of 10.2%), with the latter comprising 46.1% of net sales overall (relative to 51.9% for the same period last fiscal year). In terms of income, reductions in the cost of sales resulting in part from restructuring efforts conducted during the last fiscal year combined with cutbacks in selling, general and administrative expenses brought operating income to 2.8 billion yen, a 2.2 billion yen increase over the same period last fiscal year. Moreover, due to a minor year-on-year improvement in non-operating income and expenditure, ordinary income increased by 2.3 billion yen over the same period last fiscal year to become 1.4 billion yen. While 1.1 billion yen in insurance income was posted under extraordinary income, a total of 1.0 billion yen consisting mainly of 0.3 billion yen in losses on disasters and 0.2 billion yen in losses on the valuation of investment securities was posted under extraordinary losses. Net profit for the three-month period ending 30 June 2012 minus income taxes and minority interests in income came to 0.9 billion yen (relative to net losses of 1.7 billion yen for the same period last fiscal year).

## **2. Results by Segment**

Results for each segment are as follows:

### **a. Watch business**

Net sales under the watch business for the three-month period ending 30 June 2012 came to 26.1 billion yen, a year-on-year increase of 1.4 billion yen, or 5.8%. In Japan, sales of the GRAND SEIKO, CREDOR, and other high-value range products as well as the LUKIA ladies' watch model, the BRIGHTZ men's watch model, and other medium- to low-value range products demonstrated improvements in sales growth over the same period last fiscal year. On the overseas front, sales to China and other Asian countries as well as those to South America progressed satisfactorily. In Europe, although sales denominated in local currencies increased in many countries, sales as a whole were sluggish due chiefly to the impact of the depreciated Euro. In the United States, purchasing adjustments by major clients caused sales to fall slightly under those for the same period last fiscal year. Meanwhile, watch movement sales progressed at a favorable pace.

With regards to income, the increase in net sales yielded a year-on-year increase of 0.5 billion yen in operating income, bringing it to 1.9 billion yen.

**b. Electronic components business**

Net sales in the electronic components business came to 35.3 billion yen (a year-on-year decrease of 2.7%), with operating income coming to 1.1 billion yen (relative to 0 million yen in operating income for the same period last fiscal year). On a per-domain basis, orders of electronic devices, specifically semiconductors, trended toward recovery. This was largely driven by orders for automobile semiconductors. Conversely, among mechatronic devices, sales of hard disk components in particular fell precipitously. Among systems applications, PHS products in particular continued over the previous fiscal year to perform strongly. Geiger counters also showed sales growth.

**c. Clock business**

Net sales in the clock business came to 1.9 billion yen (a year-on-year decrease of 15.7%). Sales both within and outside of Japan were sluggish due mostly to production delays caused by the floods in Thailand. In terms of income, operating losses came to 0.2 billion yen (relative to 0.1 billion yen in operating losses for the same period last fiscal year).

**d. Optical products business**

Net sales in the optical products business came to 5.5 billion yen (a year-on-year decrease of 2.6%). In Japan, sales of both high value-added single-vision lenses and the SEIKO PURSUIT NV, which is intended to establish a new standard for bifocal lenses, progressed on a favorable note, causing sales of lens products to significantly exceed those for the same period last fiscal year. On the overseas front, sluggish sales in the United States were partially offset by robust sales of products for major European chain stores. In terms of income, the Company posted 47 million yen in operating income, a year-on-year decrease of 15 million yen, or 24.9%.

**e. Other businesses**

In other businesses, net sales came to 3.1 billion yen (a year-on-year decrease of 0.7%) and operating losses to 0.1 billion yen (relative to operating losses of 0.2 billion yen for the same period last fiscal year). Although sales at the Company's flagship store at Wako's main building progressed steadily mainly by virtue of recovered levels of domestic consumption, sales of system clocks and sports

timing devices got off to a late start.

## Financial Condition

### Status of Assets, Liabilities, and Net Assets

Total assets for the three-month period ending 30 June 2012 amounted to 385.4 billion yen, a decline of 0.6 billion yen relative to the end of the previous fiscal year. Total current assets came to 176.5 billion yen, an increase of 1.4 billion yen. This was mainly the culmination of a 2.5 billion yen increase in cash and deposits, a 5.1 billion yen increase in inventories, a 3.2 billion yen decrease in notes and accounts-receivable trade, and a 3.6 billion yen decrease in accounts receivable-other. Under noncurrent assets, a 3.1 billion yen decrease in investment and other assets countered a 1.1 billion yen increase in property, plant and equipment, causing total noncurrent assets to decrease by 2.1 billion yen to 208.9 billion yen.

For liabilities, while long- and short-term loans payable decreased by 0.8 billion yen and accounts payable-other decreased by 5.7 billion yen, notes and accounts payable-trade increased by 6.1 billion yen. These were the prime factors in the Company's posting of 355.6 billion yen in total liabilities, an increase of 1.4 billion yen over the end of the previous fiscal year.

The posting of net income for the three-month period ending 30 June 2012 was the main contributor to an increase of 0.7 billion yen posted in shareholders' equity. However, accumulated other comprehensive income declined by 3.1 billion yen, causing total net assets to decrease by 2.1 billion yen over the end of the previous fiscal year to 29.8 billion yen.

### Outlook for the Year Ending 31 March 2013

For the second quarter of the current fiscal year and beyond, the depreciated Euro and other numerous sources of concern in the global economy, coupled with impending delays in the recovery status of electronic device orders, is predicted to cause net sales for both the cumulative second quarter and the full fiscal year to fall below previous forecasts.

With regards to income, the Company's recovery in business results stemming mostly from the results of the restructuring efforts enacted during the previous fiscal year is progressing at a brisker pace than imagined. For mostly this reason, income for the cumulative second quarter is predicted to exceed previous forecasts. At the same time, on a full fiscal year-basis, due to a sense of uncertainty regarding the greater business environment as discussed above, the Company is electing to reiterate its previous income forecast at this point in time.

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

■ **Forecast for the consolidated business results for the year ending 31 March 2013 (FY2012)**

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	300.0	101.0
Operating income	11.0	163.4
Ordinary income	6.0	468.6
Net income	6.0	–

■ **Forecasted results by segment for the year ending 31 March 2013 (FY2012)**

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watch Business	120.0	9.0
Electronic Components Business	140.0	3.0
Clock Business	9.0	0.0
Optical Products Business	24.0	0.5
Other Businesses	15.0	0.5
Total for all business segments	308.0	13.0
Consolidated total	300.0	11.0

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

30 June 2012

	Millions of yen	
	30 June 2012	31 March 2012
	Amount	Amount
<b>Assets</b>		
Current assets:		
Cash and deposits	54,269	51,765
Notes and accounts receivable-trade	47,270	50,483
Inventories	64,499	59,370
Accounts receivable-other	2,874	6,554
Deferred tax assets	3,760	3,759
Other	5,504	4,760
Allowance for doubtful accounts	(1,616)	(1,600)
<b>Total current assets</b>	<b>176,562</b>	<b>175,092</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	107,276	107,138
Machinery, equipment and vehicles	97,775	95,607
Tools, furniture and fixtures	34,329	34,369
Other	4,911	4,781
Accumulated depreciation	(174,497)	(171,802)
Land	81,379	81,289
Construction in progress	2,962	1,601
Subtotal	154,138	152,985
Intangible assets:		
Goodwill	10,087	10,269
Other	10,045	9,993
Subtotal	20,133	20,263
Investments and other assets:		
Investment securities	27,262	30,190
Deferred tax assets	1,749	1,620
Other	9,035	9,415
Allowance for doubtful accounts	(3,398)	(3,439)
Subtotal	34,648	37,786
<b>Total noncurrent assets</b>	<b>208,920</b>	<b>211,035</b>
<b>Total assets</b>	<b>385,482</b>	<b>386,128</b>

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	Millions of yen	
	30 June 2012	31 March 2012
	Amount	Amount
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable-trade	50,129	44,005
Short-term loans payable	79,435	76,454
Current portion of long-term loans payable	53,638	55,188
Accounts payable-other	11,185	16,962
Income taxes payable	1,220	1,751
Deferred tax liabilities	72	63
Provision for bonuses	757	1,337
Other provision	1,002	833
Asset retirement obligations	36	35
Other	11,305	9,854
<b>Total current liabilities</b>	<b>208,783</b>	<b>206,487</b>
Noncurrent liabilities:		
Long-term loans payable	103,497	105,807
Deferred tax liabilities	5,449	5,555
Deferred tax liabilities for land revaluation	4,525	4,808
Provision for retirement benefits	21,830	21,843
Other provision	1,008	998
Asset retirement obligations	339	338
Negative goodwill	473	568
Other	9,740	7,753
<b>Total noncurrent liabilities</b>	<b>146,865</b>	<b>147,675</b>
<b>Total liabilities</b>	<b>355,649</b>	<b>354,162</b>

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	Millions of yen	
	30 June 2012	31 March 2012
	Amount	Amount
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	2,853	7,550
Retained earnings	17,235	11,746
Treasury stock	(880)	(880)
Subtotal	29,207	28,416
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(3,113)	(338)
Deferred gains or losses on hedges	(292)	(273)
Revaluation reserve for land	8,118	7,835
Foreign currency translation adjustment	(12,235)	(11,560)
Subtotal	(7,523)	(4,336)
Minority interests	8,148	7,885
<b>Total net assets</b>	<b>29,833</b>	<b>31,965</b>
<b>Total liabilities and net assets</b>	<b>385,482</b>	<b>386,128</b>



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## Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended 30 June 2012

	Millions of yen	
	1Q FY 2012	1Q FY 2011
	Amount	Amount
<b>Net sales</b>	70,601	69,726
Cost of sales	48,524	48,881
Gross profit	22,076	20,844
Selling, general and administrative expenses	19,229	20,203
<b>Operating income</b>	<b>2,847</b>	<b>641</b>
<b>Non-operating income:</b>		
Interest income	57	82
Dividends income	116	91
Other	503	481
Subtotal	677	654
<b>Non-operating expenses:</b>		
Interest expenses	1,272	1,374
Foreign exchange losses	475	471
Other	341	320
Subtotal	2,089	2,166
<b>Ordinary income (loss)</b>	<b>1,436</b>	<b>(870)</b>
<b>Extraordinary income:</b>		
Insurance income	1,145	-
Gain on sales of noncurrent assets	-	252
Subtotal	1,145	252
<b>Extraordinary loss:</b>		
Loss on disaster	356	-
Loss on valuation of investment securities	256	-
Loss on sales of investment securities	-	136
Other	422	-
Subtotal	1,035	136
<b>Income (loss) before income taxes and minority interests</b>	<b>1,545</b>	<b>(754)</b>
Income taxes	353	835
Income (loss) before minority interests	1,191	(1,590)
Minority interests in income	250	179
<b>Net income (loss)</b>	<b>941</b>	<b>(1,770)</b>

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## Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended 30 June 2012

	Millions of yen	
	1Q FY 2012	1Q FY 2011
	Amount	Amount
<b>Income (loss) before minority interests</b>	<b>1,191</b>	<b>(1,590)</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(2,674)	253
Deferred gains or losses on hedges	(18)	11
Revaluation reserve for land	283	-
Foreign currency translation adjustment	(642)	(23)
Share of other comprehensive income of associates accounted for using equity method	(110)	139
Subtotal	<b>(3,162)</b>	<b>380</b>
<b>Comprehensive income</b>	<b>(1,970)</b>	<b>(1,209)</b>
Comprehensive income attributable to owners of the parent	(2,244)	(1,387)
Comprehensive income attributable to minority interests	274	178

## Segment Information

### 1. Information about Net Sales and Operating Income (Loss) by Reported Segment (For the Three Months Ended 30 June 2011)

	Millions of yen	
	Sales 1Q FY 2011	Operating Income 1Q FY 2011
Watch Business	24,737	1,480
Electronic Components Business	36,386	0
Clock Business	2,298	(118)
Optical Products Business	5,710	63
Other Businesses	3,222	(284)
Total for all business segments	72,354	1,142
Eliminations and common	(2,628)	(500)
Total	69,726	641

### 2. Information about Net Sales and Operating Income (Loss) by Reported Segment (For the Three Months Ended 30 June 2012)

	Millions of yen	
	Sales 1Q FY 2012	Operating Income 1Q FY 2012
Watch Business	26,162	1,987
Electronic Components Business	35,399	1,188
Clock Business	1,937	(223)
Optical Products Business	5,562	47
Other Businesses	3,198	(107)
Total for all business segments	72,260	2,893
Eliminations and common	(1,659)	(45)
Total	70,601	2,847

Notes:

- Adjustments to segment income in the amount of -45 million yen include -182 million yen in the amortization of goodwill, 449 million yen that mainly consists of the elimination of intra-segment transactions, and -312 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.

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Reported Segment	Main Products
Watch Business	Watches, watch movements
Electronic Components Business	Hard disk components, semiconductors, quartz crystals, micro batteries and materials, information systems, IC dictionaries, printers, scientific instruments, network systems, and shutters for cameras
Clock Business	Clocks
Optical Products Business	Optical lenses and frames
Other Businesses	High-end clothing and miscellaneous goods, system clocks, sports timing equipments, and real estate rental

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