

August 12, 2014

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2014

Financial Highlights

For the three months ended June 30, 2014 (1Q FY2014)

	1Q FY2014		1Q FY2013
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	64,228	634,038	70,387
Operating income	2,851	28,144	2,848
Ordinary income	2,355	23,248	2,902
Net income	939	9,269	3,454
Earnings per share (yen)	¥ 4.55	US\$ 0.04	¥16.72
	June 30, 2014		March 31, 2014
Total assets	369,911	3,651,639	366,753
Net assets	69,252	683,633	64,766

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 101.3 yen/dollar.

Business Results

1. Overview

During the three-month period ended June 30, 2014, an ongoing recovery trend has been seen in the Japanese economy, due to factors including the government's economic measures and improvement in the employment environment, despite the impact of the consumption tax hike on personal consumption and other areas. In the world economy, the United States economy stayed firm as a result of an increase in spending on personal consumption and other factors, while the European economy also picked up, driven by the United Kingdom and Germany. In China, pessimism about the economy abated amid improvements seen in exports and the business index, despite continuing sluggishness in the pace of growth. However, risk of an economic downswing still remains considerable owing to geopolitical factors such as the tense situation in Ukraine.

For the three-month period ended June 30, 2014, the Company reported consolidated net sales of 64.2 billion yen, a year-on-year decrease of 6.1 billion yen. This was largely impacted by the

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exclusion of the Optical Products Business from consolidation at the close of the previous fiscal year. On a per-segment basis, sales under the Watches Business grew steadily both within Japan and overseas, and the Electronic Devices Business continued to perform strongly mainly in automobile and smartphone-related products. Sales in the Systems Solutions Business were down year on year. On an overall consolidated basis, domestic net sales came to 30.7 billion yen (a year-on-year decrease of 8.7%), and overseas net sales were 33.4 billion yen (a year-on-year decrease of 8.8%). Overseas net sales comprised 52.1% of net sales overall. In terms of income, operating income came to 2.8 billion yen, which is on par with levels for the same period last fiscal year. However, ordinary income decreased by 0.5 billion yen over the same period last fiscal year to become 2.3 billion yen (a year-on-year decrease of 18.8%), due to a slight year-on-year decline in non-operating income among other factors. Meanwhile, quarterly net income minus income taxes and minority interests in income came to 0.9 billion yen (a year-on-year decrease of 72.8%).

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, 2014 came to 33.0 billion yen, a year-on-year increase of 0.8 billion yen, or 2.5%. In Japan, overall sales for watch finished goods were up year on year, driven by the ASTRON, Mechanical, and PROSPEX men's watch models, and the LUKIA and TISSÉ ladies' watch models, even amid falling consumption mainly for high-value range products due to the impact of the consumption tax hike. On the overseas front, sales in the United States on a local currency basis remained largely on par with the favorable performance of the previous year. In Europe, sales grew particularly in France and Germany. Meanwhile, in Asia, sales were down year on year in Thailand mainly due to political unrest, but China, Taiwan and other countries saw steady growth in sales.

With regards to income, the increase in net sales and improvement in gross profit ratio yielded a year-on-year increase of 0.7 billion yen in operating income, bringing it to 3.1 billion yen (a year-on-year increase of 31.4%).

b. Electronic Devices Business

Net sales in the Electronic Devices Business came to 23.4 billion yen (a year-on-year decrease of 2.0%), and operating income to 0.7 billion yen (a year-on-year decrease of 8.3%). On a per-domain basis, sales of semiconductors, particularly those for automobiles, saw strong growth. Sales of crystal oscillators for smartphones and mobile phones for emerging markets performed steadily, although sales of radiation measuring equipment stagnated.

c. Systems Solutions Business

Net sales in the Systems Solutions Business came to 4.5 billion yen (a year-on-year decrease of

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10.2%), and operating losses to 0.3 billion yen (relative to operating losses of 0.1 billion yen for the same period last fiscal year). Although sales of network equipment and payment terminal-related products were steady, sales of communication modules, etc. dropped year on year.

d. Others

Net sales in Others amounted to 5.3 billion yen. Among segments included in Others, sales under the Clock Business grew year on year despite the impact of the consumption tax hike. Under the Wako business, sales were sluggish, mainly for jewelry and other high-priced products. In addition, the exclusion of the Optical Products Business from consolidation at the close of the previous fiscal year resulted in a substantial decrease in net sales in Others. Operating losses of 0.2 billion yen was recorded (relative to operating losses of 0.1 billion yen for the same period last fiscal year).

Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets at the close of the three-month period ended June 30, 2014 amounted to 369.9 billion yen, an increase of 3.1 billion yen relative to the close of the previous fiscal year. Current assets came to 153.4 billion yen, a decrease of 4.8 billion yen. This was mainly due to an 8.6 billion-yen decrease in notes and accounts receivable-trade, which offsets a 4.8 billion-yen increase in inventories. Under non-current assets, although property, plant and equipment decreased by 0.9 billion yen, investments and other assets increased by 9.0 billion yen, resulting in total non-current assets of 216.4 billion yen, an increase of 8.0 billion yen.

For liabilities, the Company posted 300.6 billion yen in total liabilities, a decrease of 1.3 billion yen over the close of the previous fiscal year. This was mainly attributable to an increase of 2.7 billion yen in notes and accounts payable-trade and an increase of 3.2 billion yen in deferred tax liabilities (non-current liabilities), which offset a decrease of 2.4 billion yen in long- and short-term loans payable and a decrease of 4.7 billion yen in accounts payable-other.

Additionally, despite a decrease of 1.3 billion yen in shareholders' equity mainly due to the adoption of new accounting standards, thanks to an increase of 5.7 billion yen in total accumulated other comprehensive income, total net assets increased by 4.4 billion yen over the close of the previous fiscal year to become 69.2 billion yen.

Outlook for the Year Ending March 31, 2015

Because business conditions both in Japan and overseas have remained largely within the expected range, there is no change from the previous forecast for consolidated business results for net sales, operating income, or ordinary income. However, the Company has revised the consolidated business results forecast for net income, due to factors including extraordinary income newly expected to be recorded as a result of sale of real estate.

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

■ Forecast for the consolidated business results for the year ending March 31, 2015 (FY2014)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	290.0	94.1
Operating income	16.0	114.2
Ordinary income	13.0	127.9
Net income	17.0	229.0
Earnings per share (yen)	JPY 82.26	

■ Forecasted results by segment for the year ending March 31, 2015 (FY2014)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watches Business	150.0	12.0
Electronic Devices Business	100.0	4.0
Systems Solutions Business	25.0	1.0
Total for all business segments	275.0	17.0
Others	25.0	0.5
Consolidated total	290.0	16.0

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.

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Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

June 30, 2014

	Millions of yen	
	June 30, 2014	March 31, 2014
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	42,026	43,002
Notes and accounts receivable - trade	35,843	44,462
Inventories	61,888	57,022
Accounts receivable - other	3,253	3,016
Deferred tax assets	4,472	5,131
Other	7,410	7,152
Allowance for doubtful accounts	(1,417)	(1,418)
Total current assets	153,477	158,369
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	103,821	103,833
Machinery, equipment and vehicles	101,128	100,575
Tools, furniture and fixtures	33,329	33,526
Other	4,424	4,313
Accumulated depreciation	(181,705)	(180,292)
Land	75,982	75,965
Construction in progress	564	559
Total property, plant and equipment	137,545	138,481
Intangible assets:		
Goodwill	8,697	8,872
Other	6,862	6,768
Total intangible assets	15,560	15,641
Investments and other assets:		
Investment securities	55,898	46,866
Deferred tax assets	1,789	1,709
Other	8,357	8,391
Allowance for doubtful accounts	(2,717)	(2,707)
Total investments and other assets	63,327	54,261
Total non-current assets	216,433	208,384
Total assets	369,911	366,753

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	Millions of yen	
	June 30, 2014	March 31, 2014
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	27,499	24,752
Electronically recorded obligations - operating	7,164	7,153
Short-term loans payable	57,719	56,750
Current portion of long-term loans payable	43,151	46,180
Accounts payable - other	9,232	13,934
Income taxes payable	1,076	1,744
Deferred tax liabilities	206	203
Provision for bonuses	2,343	3,938
Other provision	1,141	1,506
Asset retirement obligations	16	16
Other	12,189	10,094
Total current liabilities	161,740	166,275
Non-current liabilities:		
Long-term loans payable	92,611	93,040
Deferred tax liabilities	12,861	9,597
Deferred tax liabilities for land revaluation	4,218	4,218
Other provision	1,013	1,070
Net defined benefit liability	19,148	18,628
Asset retirement obligations	346	345
Other	8,717	8,811
Total non-current liabilities	138,918	135,711
Total liabilities	300,658	301,987

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	Millions of yen	
	June 30, 2014	March 31, 2014
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,414	7,414
Retained earnings	27,473	28,837
Treasury shares	(146)	(146)
Total shareholders' equity	44,740	46,104
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	16,223	10,601
Deferred gains or losses on hedges	(195)	(185)
Revaluation reserve for land	7,617	7,617
Foreign currency translation adjustment	(877)	(992)
Remeasurements of defined benefit plans	(265)	(273)
Total accumulated other comprehensive income	22,502	16,766
Minority interests	2,008	1,895
Total net assets	69,252	64,766
Total liabilities and net assets	369,911	366,753

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2014

	Millions of yen	
	1Q FY 2014	1Q FY 2013
	Amount	Amount
Net sales	64,228	70,387
Cost of sales	41,550	47,133
Gross profit	22,678	23,253
Selling, general and administrative expenses	19,826	20,405
Operating income	2,851	2,848
Non-operating income:		
Interest income	54	26
Dividend income	304	67
Other	498	1,196
Total non-operating income	857	1,290
Non-operating expenses:		
Interest expenses	912	1,055
Other	441	180
Total non-operating expenses	1,353	1,236
Ordinary income	2,355	2,902
Extraordinary income:		
Gain on sales of investment securities	-	857
Total extraordinary income	-	857
Extraordinary losses:		
Provision of reserve for loss on lease contracts	-	613
Total extraordinary losses	-	613
Income before income taxes and minority interests	2,355	3,146
Income taxes	1,284	(486)
Income before minority interests	1,071	3,632
Minority interests in income	132	178
Net income	939	3,454

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended June 30, 2014

	Millions of yen	
	1Q FY 2014	1Q FY 2013
	Amount	Amount
Income before minority interests	1,071	3,632
Other comprehensive income		
Valuation difference on available-for-sale securities	5,639	3,291
Deferred gains or losses on hedges	(9)	37
Foreign currency translation adjustment	(134)	2,499
Remeasurements of defined benefit plans, net of tax	8	-
Share of other comprehensive income of entities accounted for using equity method	214	689
Total other comprehensive income	5,717	6,518
Comprehensive income	6,789	10,151
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,675	9,947
Comprehensive income attributable to minority interests	113	203

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Segment Information

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

(For the Three Months Ended June 30, 2013)

	Millions of yen	
	Sales 1Q FY 2013	Operating Income 1Q FY 2013
Watches Business	32,261	2,374
Electronic Devices Business	23,903	848
Systems Solutions Business	5,041	(181)
Total for reported segments	61,206	3,042
Others	11,490	(107)
Total for all business segments	72,697	2,935
Eliminations and common	(2,310)	(86)
Total	70,387	2,848

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clock Business and the Optical Products Business.
 - Adjustments to segment income in the amount of -86 million yen include -173 million yen in the amortization of goodwill, 376 million yen that mainly consists of the elimination of intra-segment transactions, and -289 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 Three Months Ended June 30, 2014)

	Millions of yen	
	Sales 1Q FY 2014	Operating Income 1Q FY 2014
Watches Business	33,075	3,120
Electronic Devices Business	23,425	778
Systems Solutions Business	4,525	(320)
Total for reported segments	61,025	3,579
Others	5,391	(268)
Total for all business segments	66,417	3,310
Eliminations and common	(2,188)	(458)
Total	64,228	2,851

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clock Business.
 - Adjustments to segment income in the amount of -458 million yen include -173 million yen in the amortization of goodwill, 154 million yen that mainly consists of the elimination of intra-segment transactions, and -439 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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For further information, please contact:

Corporate Strategy & Planning Department

SEIKO HOLDINGS CORPORATION

Toranomon 15 Mori Building, 8-10, Toranomom 2-chome,

Minato-ku, Tokyo 105-8505, JAPAN

Tel: +81-3-6739-3111

Fax: +81-3-6739-9205