

# FY2014 Consolidated Results (Fiscal year ended March 31, 2015)

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May 14, 2015

- 1) Progress on the Fifth Mid-Term Management Plan
- 2) Business Results
- 3) Financial Forecast for FY2015

# 1) Progress on the Fifth Mid-Term Management Plan

# Statement of Income

(Billions of yen)	FY2013 Actual	FY2013 Target	FY2014 Actual	FY2014 Target	Change	FY2015 Target
Net Sales	308.2	300.0	<b>293.4</b>	290.0	+3.4	320.0
Operating Income	14.0	10.0	<b>11.6</b>	14.0	-2.3	20.0
%	4.5%	3.3%	<b>4.0%</b>	4.8%	-0.8%	6.3%
Ordinary Income	10.1	6.0	<b>12.3</b>	10.0	+2.3	16.0
%	3.3%	2.0%	<b>4.2%</b>	3.4%	+0.8%	5.0%
Net income	7.4	5.0	<b>21.7</b>	8.0	+13.7	12.0
%	2.4%	1.7%	<b>7.4%</b>	2.8%	+4.6%	3.8%

# Sales and Operating Income by Reported Segments

( Billions of yen )		FY2013 Actual	FY2013 Target	FY2014 Actual	FY2014 Target	Change	FY2015 Target
Watches	Sales	150.7	135.0	<b>159.0</b>	140.0	<b>+19.0</b>	150.0
	Operating Income	12.2	10.0	<b>12.3</b>	11.0	<b>+1.3</b>	13.0
Electronic Devices	Sales	93.0	95.0	<b>96.1</b>	105.0	<b>-8.8</b>	115.0
	Operating Income	1.3	2.0	<b>1.8</b>	4.5	<b>-2.6</b>	7.0
Systems Solutions	Sales	22.8	28.0	<b>21.1</b>	30.0	<b>-8.8</b>	35.0
	Operating Income	0.3	1.0	<b>0.3</b>	1.5	<b>-1.1</b>	2.0
Others	Sales	51.3	48.0	<b>26.4</b>	25.0	<b>+1.4</b>	27.0
	Operating Income	0.7	1.0	<b>0.6</b>	0.5	<b>+0.1</b>	1.0
Cons. Total	Sales	308.2	300.0	<b>293.4</b>	290.0	<b>+3.4</b>	320.0
	Operating Income	14.0	10.0	<b>11.6</b>	14.0	<b>-2.3</b>	20.0

# Balance Sheet

( Billions of yen )	FY2013 Actual	FY2013 Target	FY2014 Actual	FY2014 Target	Change	FY2015 Target
Interest Bearing Debt	200.8	202.0	<b>137.2</b>	195.0	-57.7	175.0
Net Assets	64.7	45.0	<b>92.5</b>	52.5	+40.0	63.0
Equity Capital Ratio	17.1%	12.3%	<b>27.1%</b>	14.3%	+12.8%	17.6%
Net Debt Equity Ratio	2.4	3.6	<b>1.0</b>	2.9	-1.9	2.1

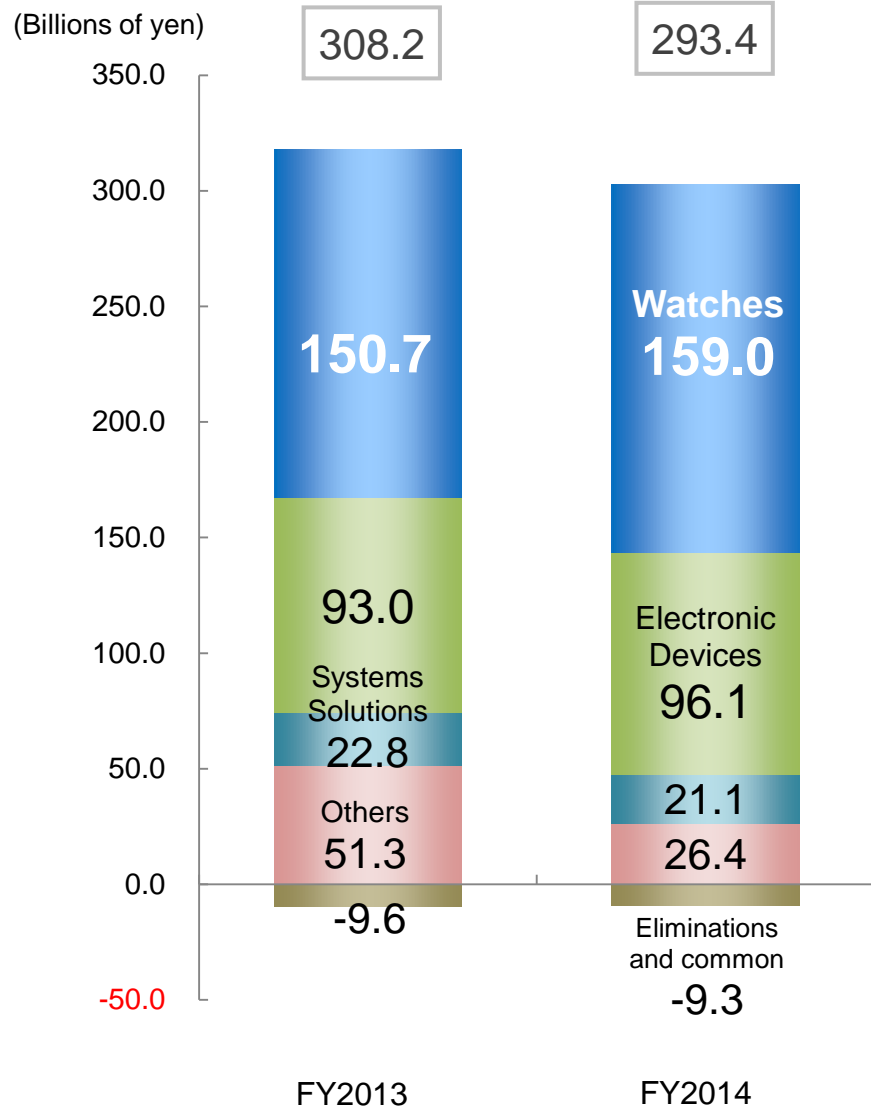
## 2) Business Results

# FY2014 Statement of Income (Apr.2014 - Mar.2015)

( Billions of yen )		FY2013 Full Year	FY2014 Full Year	Change			
				Amt.	%		
Net Sales		308.2	293.4	-14.8	-4.8%	<b>Net Sales :</b> -14.8	
Gross Profit		103.5	104.2	+0.7	+0.7%	Exchange rate fluctuations +13.0	
Operating Income		14.0	11.6	-2.3	-16.7%	Impact due to the exclusion of the Optical Products Business from consolidation -25.3	
%		4.5%	4.0%	-0.5%	—	<b>Operating Income :</b> -2.3	
Ordinary Income		10.1	12.3	+2.2	+21.7%	Increase in GP +0.7	
%		3.3%	4.2%	+0.9%	—	Increase in Selling, general and administrative expenses -3.0	
Before Income Taxes & Minority interests		8.7	24.6	+15.9	+181.9%	<b>Ordinary Income :</b> +2.2	
Net Income		7.4	21.7	+14.3	+193.4%	Decrease in Operating Income - 2.3	
%		2.4%	7.4%	+5.0%	—	Decrease in Interest expenses + 0.9	
Exchange Rates (JPY)	USD	100.2	109.8	+9.6	+9.6%	Increase in Foreign exchange gains + 0.8	
	EUR	134.3	138.6	+4.3	+3.2%	Equity in income of affiliates + 1.7	
						Others + 0.9	
						<b>Extraordinary Income/Loss :</b>	
						<u>Extraordinary Income</u> 17.0	
						Gain on sales of non-current assets 9.1	
						Gain on sales of investment securities 7.7	
						Reversal of allowance for doubtful accounts for subsidiaries and affiliates 0.1	
						<u>Extraordinary Loss</u> -4.7	
						Loss on business withdrawal -0.6	
						Impairment loss -3.5	
						Losses on retirement of noncurrent assets -0.5	



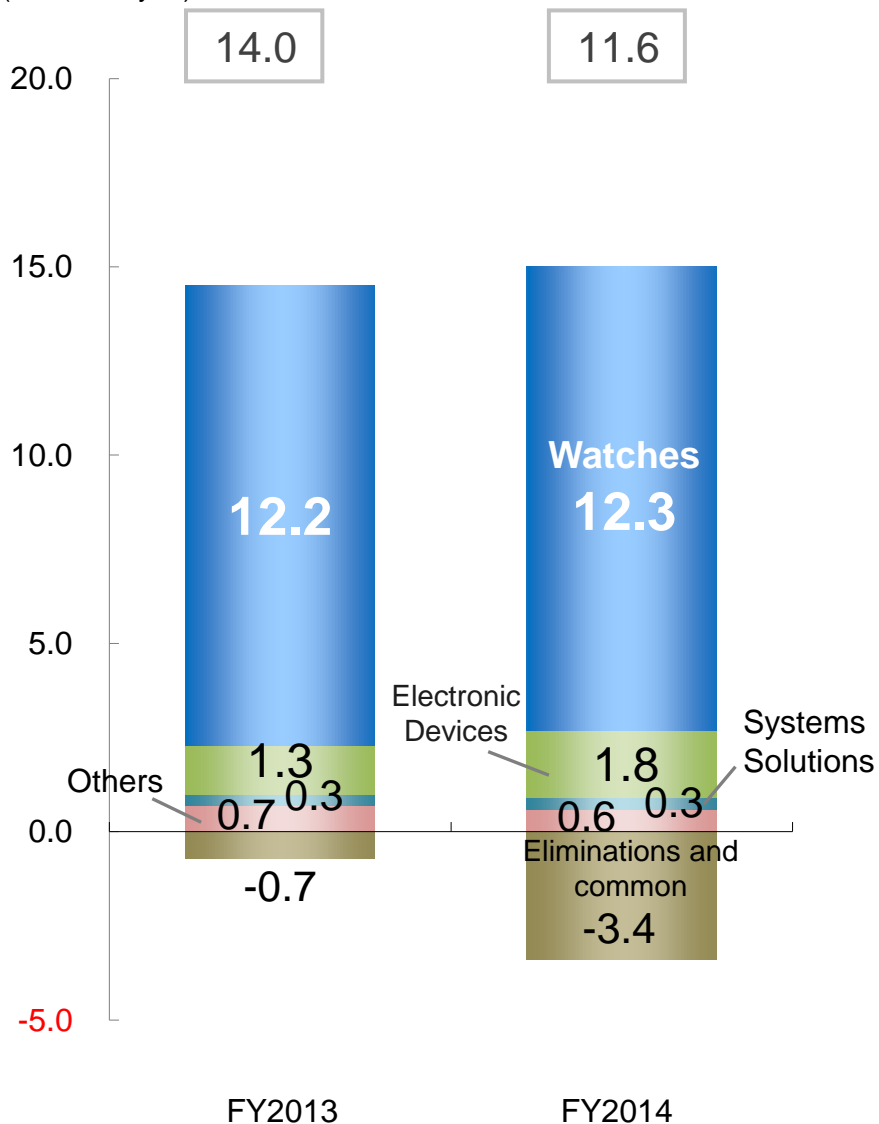
# Sales by Reported Segments (Apr.2014 – Mar.2015)



( Billions of yen )	Net Sales		
	FY2013 Full Year	FY2014 Full Year	Change
Watches	150.7	159.0	+8.3
Electronic Devices	93.0	96.1	+3.0
Systems Solutions	22.8	21.1	-1.7
Sub Total	266.6	276.3	+9.7
Others	51.3	26.4	-24.8
Eliminations and common	-9.6	-9.3	+0.3
<b>Cons. Total</b>	<b>308.2</b>	<b>293.4</b>	<b>-14.8</b>

# Operating Income by Reported Segments (Apr.2014 - Mar.2015)

(Billions of yen)



( Billions of yen )	Operating Income		
	FY2013 Full Year	FY2014 Full Year	Change
Watches	12.2	12.3	+0.0
Electronic Devices	1.3	1.8	+0.5
Systems Solutions	0.3	0.3	-0.0
Sub Total	13.9	14.5	+0.5
Others	0.7	0.6	-0.1
Eliminations and common	-0.7	-3.4	-2.7
<b>Cons. Total</b>	<b>14.0</b>	<b>11.6</b>	<b>-2.3</b>

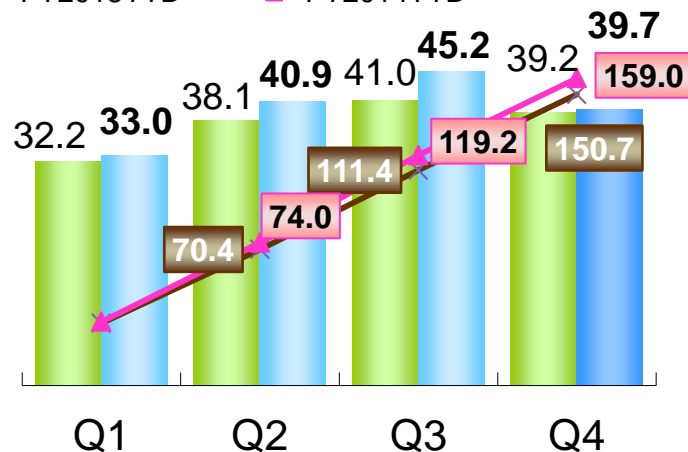
# Information of Reported Segments

(Billions of yen)

## Net Sales

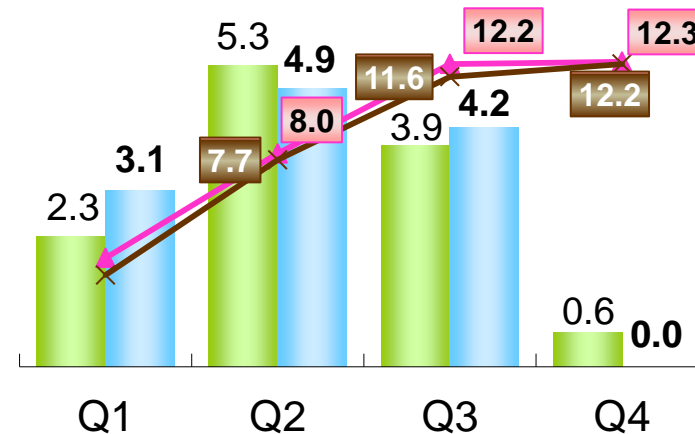
■ FY2013  
 ✕ FY2013YTD

■ FY2014  
 ✕ FY2014YTD



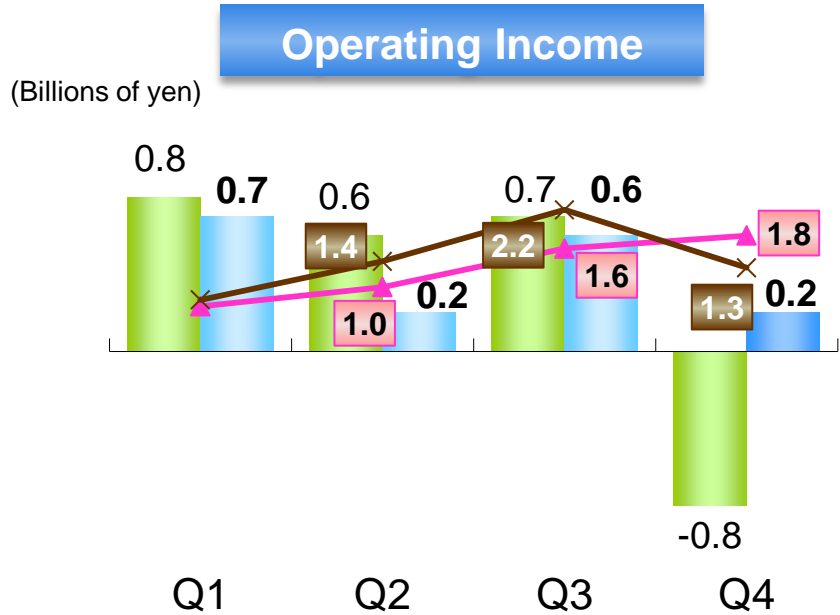
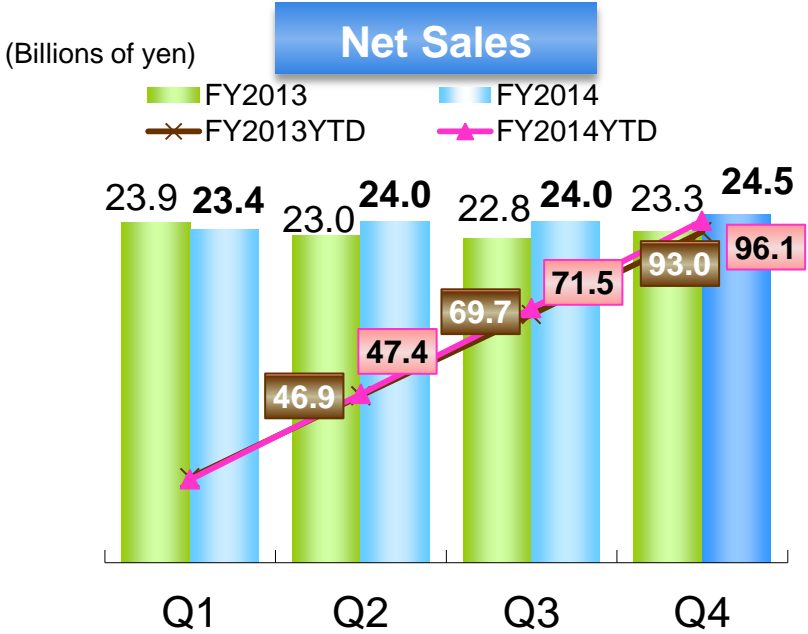
(Billions of yen)

## Operating Income

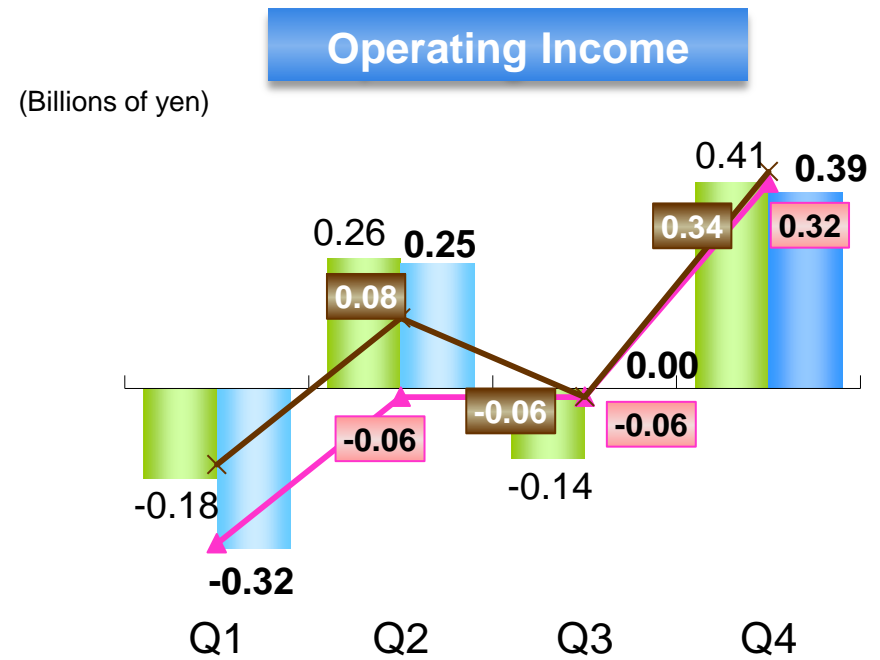
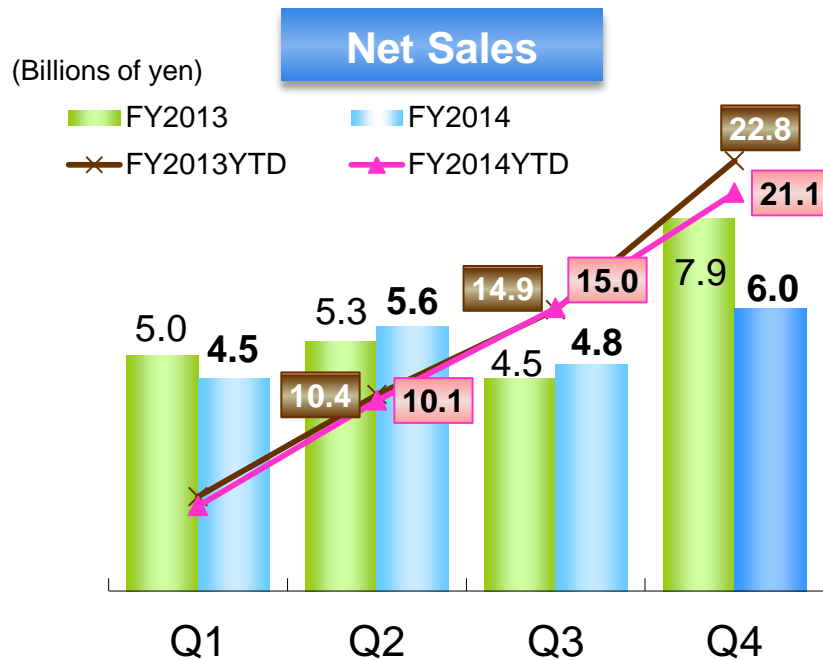


- Finished watches : (In Japan)** Sales growth was underpinned by factors including an increase in tourists from other countries. Sales of men's watch models were driven by the launch in September of the second-generation model of ASTRON, as well as the BRIGHTZ and the Mechanical, while the ladies' watch model LUKIA performed strongly. Sales of Grand Seiko, which stagnated in the first half due to a sales decline in reaction to the consumption tax hike, started to recover from the second half.
- Finished watches : (In Overseas)** In overseas, ASTRON performed favorably as it did in Japan. Sales grew in Europe and America due to factors such as the commencement of global sales of PROSPEX and the opening of the Seiko Boutique in New York in FY2014. In Asia, sales progressed steadily, mainly in Taiwan where performance was favorable.
- Movements :** Although sales of standard movements were sluggish, sales of high value-added movements were brisk.

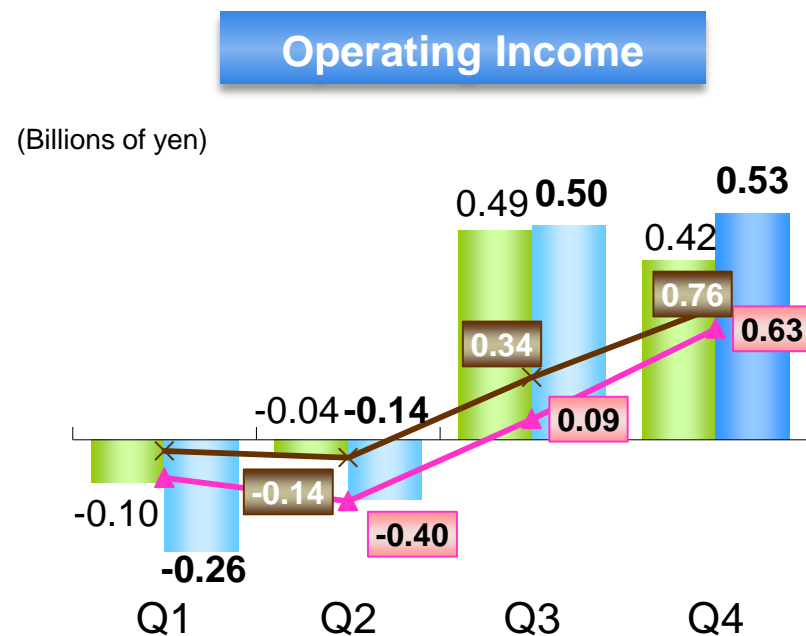
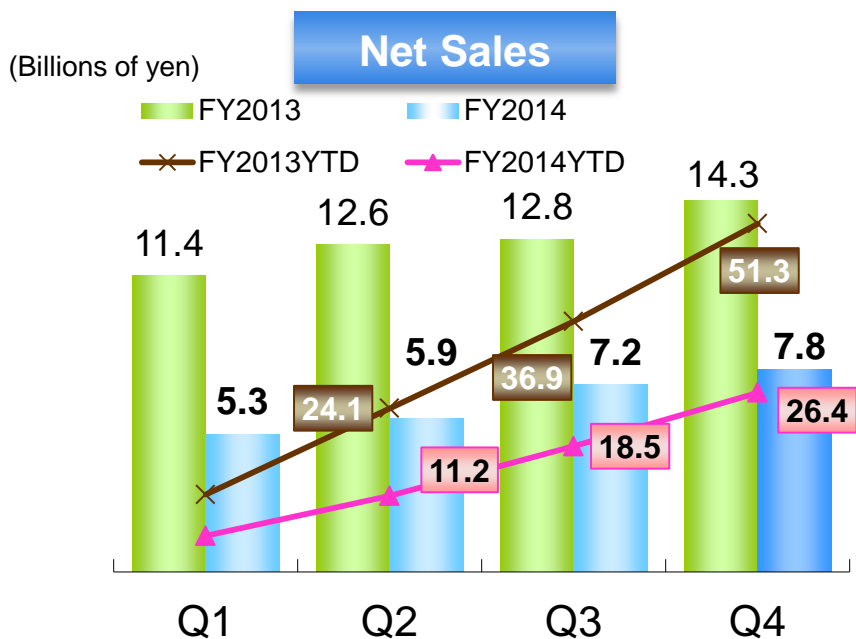
# Electronic Devices Business



- **Device** : Sales of semiconductors grew, particularly those for automobiles and smartphones.
- **Mechatronics** : Although hard disk drive components showed signs of a gradual pickup, strong recovery was not seen. Meanwhile, the slump in the camera shutter market continues.
- **Others** : Sales of inkjet print heads grew steadily in Japan and for Europe and America, despite its deceleration in China and emerging markets. Sales of small thermal printers were robust, mainly in the market for distribution payment terminals.



- Sales in the data service business were firm, particularly in the mobile payment intermediary centers operated by the Company.
- In the mobile terminal-related business, sales of body composition scales to SoftBank Corp. increased, but sales of planned products were sluggish amid changes in the business situation of major customers due to the impact of yen depreciation, etc.
- Sales of restaurant ordering systems were flat year on year due to the impact of a falling-off in the industry overall.



- Clock : Profit was achieved for the full year, due to hit products, etc., despite the impact of the consumption tax hike in the first half and an increase in costs due to yen depreciation.
- Others : Watches in the main building in the Wako Business continued to perform well. Sales grew substantially for ASTRON and Grand Seiko, as well as imported watches.

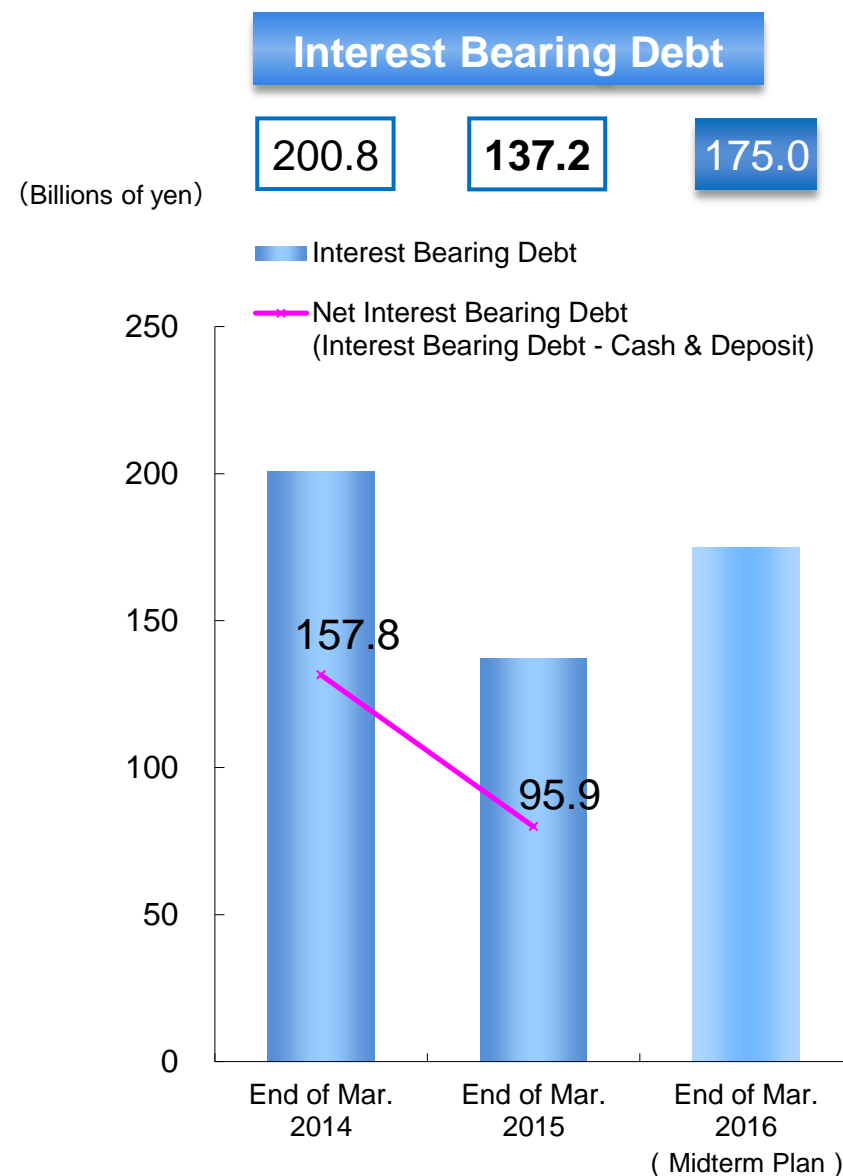
\*Impact due to the exclusion of the Optical Products Business from consolidation since the end of the previous fiscal year.

	(Billions of yen)			
Net Sales	Q4)	7.0	Full year)	25.3
Operating Income	Q4)	0.30	Full year)	0.82

# Balance Sheet as of Mar. 31, 2015

( Billions of yen )	Mar. 31 2014 (a)	Mar. 31 2015 (b)	Change (b) – (a)
Inventories	57.0	62.9	+5.8
Interest Bearing Debt	200.8	137.2	-63.6
Net Assets	64.7	92.5	+27.8
Total Assets	366.7	333.7	-33.0

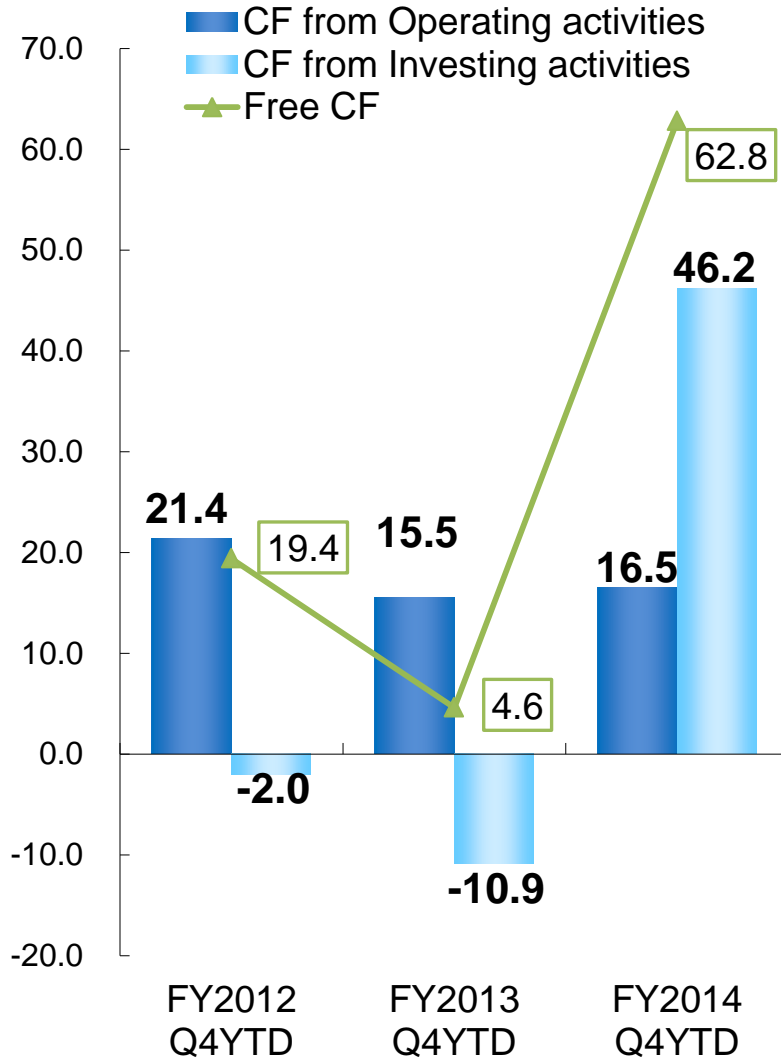
Equity Capital Ratio	17.1%	27.1%	+10.0%
Net Debt Equity Ratio	2.4	1.0	-1.4
Number of Employees	13,439	13,565	+126





# Cash Flow Statement

(Billions of yen)



(Billions of yen)

	FY2012	FY2013	FY2014
Income before income tax and minority interests	8.0	8.7	<b>24.6</b>
Depreciation	12.8	12.2	<b>10.8</b>
Others	0.5	-5.4	<b>-19.0</b>
<b>Net cash provided by (used in) operating activities</b>	<b>21.4</b>	<b>15.5</b>	<b>16.5</b>
Purchase of property, plant and equipment	-19.7	-11.0	<b>-9.3</b>
Others	17.7	0.0	<b>55.6</b>
<b>Net cash provided by (used in) investing activities</b>	<b>-2.0</b>	<b>-10.9</b>	<b>46.2</b>
Net increase (decrease) in loans payable	-32.6	-2.4	<b>-62.9</b>
Others	3.3	-1.0	<b>-3.8</b>
<b>Net cash provided by (used in) financing activities</b>	<b>-29.2</b>	<b>-3.5</b>	<b>-66.8</b>
Effect of exchange rate change on cash and cash equivalents etc.	1.3	-1.3	<b>1.7</b>
Cash and cash equivalents	42.7	42.5	<b>40.2</b>
<b>Free cash flow</b>	<b>19.4</b>	<b>4.6</b>	<b>62.8</b>

## 3) Financial Forecast for FY2015

## Initiatives

- ◆ **Achieving net sales of ¥320 billion**  
Aiming to achieve net sales target in the final year of the Mid-Term Management Plan, driven primarily by further growth of Watches Business.
- ◆ **Improvement of profitability**  
Seeking to enhance profitability through expanding growing businesses and quickly solving problems of unprofitable businesses.
- ◆ **Further reinforcement of financial strength**  
Aiming at further reduction of interest-bearing debt along with improvement of capital ratio.
- ◆ **Continuation of steady dividend payment**

# Summary of Financial Forecast for FY2015

( Billions of yen )	FY2014 Actual	FY2015		Change Full Year	FY2015 Target
		1 <sup>st</sup> Half	Full Year		
Net Sales	293.4	140.0	320.0	+26.5	320.0
Operating Income	11.6	6.5	16.0	+4.3	20.0
%	4.0%	4.6%	5.0%	+1.0%	6.3%
Ordinary Income	12.3	6.5	16.0	+3.6	16.0
%	4.2%	4.6%	5.0%	+0.8%	5.0%
Net Income	21.7	5.0	12.0	-9.7	12.0
%	7.4%	3.6%	3.8%	-3.6%	3.8%

# Financial Forecast for FY2015 by Reported Segments

( Billions of yen )	Net Sales			Operating Income		
	FY2014 Actual	FY2015 Forecast	Change	FY2014 Actual	FY2015 Forecast	Change
Watches	159.0	170.0	+10.9	12.3	13.0	+0.6
Electronic Devices	96.1	110.0	+13.8	1.8	5.0	+3.1
Systems Solutions	21.1	24.0	+2.8	0.3	1.0	+0.6
Sub Total	276.3	304.0	+27.6	14.5	19.0	+4.4
Others	26.4	26.0	-0.4	0.6	0.5	-0.1
Cons. Total	293.4	320.0	+26.5	11.6	16.0	+4.3

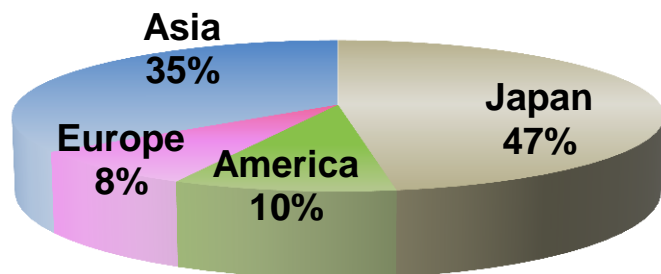
## Sensitivity by Exchange Rate of FY2015

	USD	EUR
Forecast Exc. Rate	JPY 110	JPY 130
For Sales (Millions of yen)	1,500	100
For Income (Millions of yen)	250	50

## FY2014 Actual

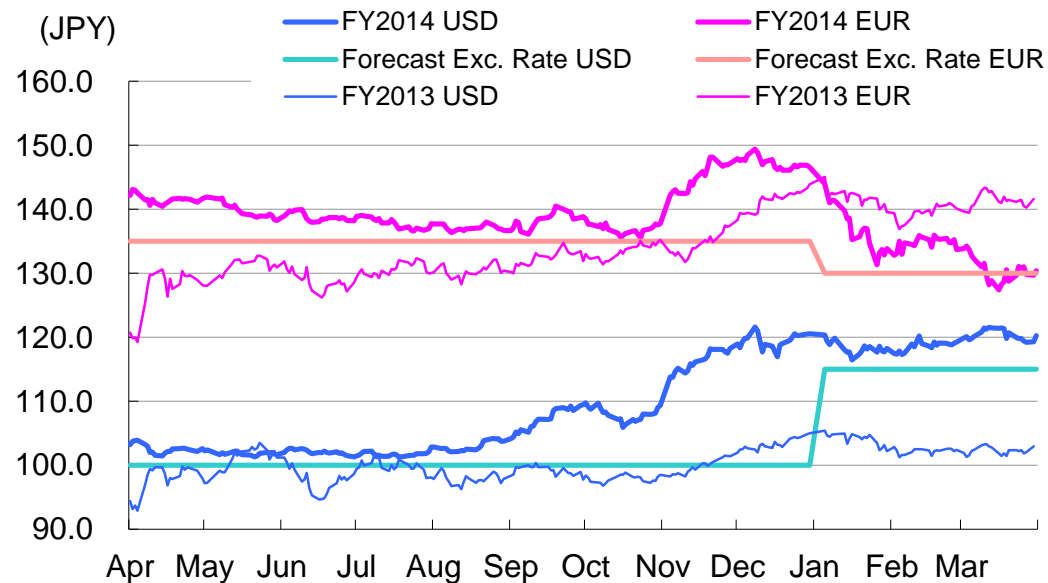
		Q1	Q2	Q3	Q4	Average (Q1-Q4)
Average	USD	102.1	103.8	114.3	119.1	109.8
	EUR	140.0	137.7	142.8	134.0	138.6
Closing Date	USD	101.3	109.4	120.5	120.2	-
	EUR	138.2	138.8	146.5	130.4	-

## Sales by Area



\* FY2014 Actual data

## Trend of Exchange Rate



- ◆ *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.*

*Numbers are cut off to the unit indicated, unless otherwise specified.*

# Reference

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# FY2014 4<sup>th</sup> Quarter Statement of Income (Jan.2015 - Mar.2015) **SEIKO**

( Billions of yen )	FY2013 Q4	FY2014 Q4	Change	
			Amt.	%
Net Sales	82.6	76.0	-6.5	-8.0%
Gross Profit	25.7	25.7	-0.0	-0.2%
Operating Income	0.6	0.3	-0.3	-48.3%
%	0.8%	0.4%	-0.4%	—
Ordinary Income	-1.0	-0.2	+0.7	—
%	-1.3%	-0.3%	+1.0%	—
Before Income Taxes & Minority interests	-6.7	-3.6	+3.1	—
Net Income	-4.5	-2.2	+2.3	—
%	-5.5%	-2.9%	+2.6%	—

Exchange Rates (JPY)		USD	102.7	119.1	+16.3	+15.9%

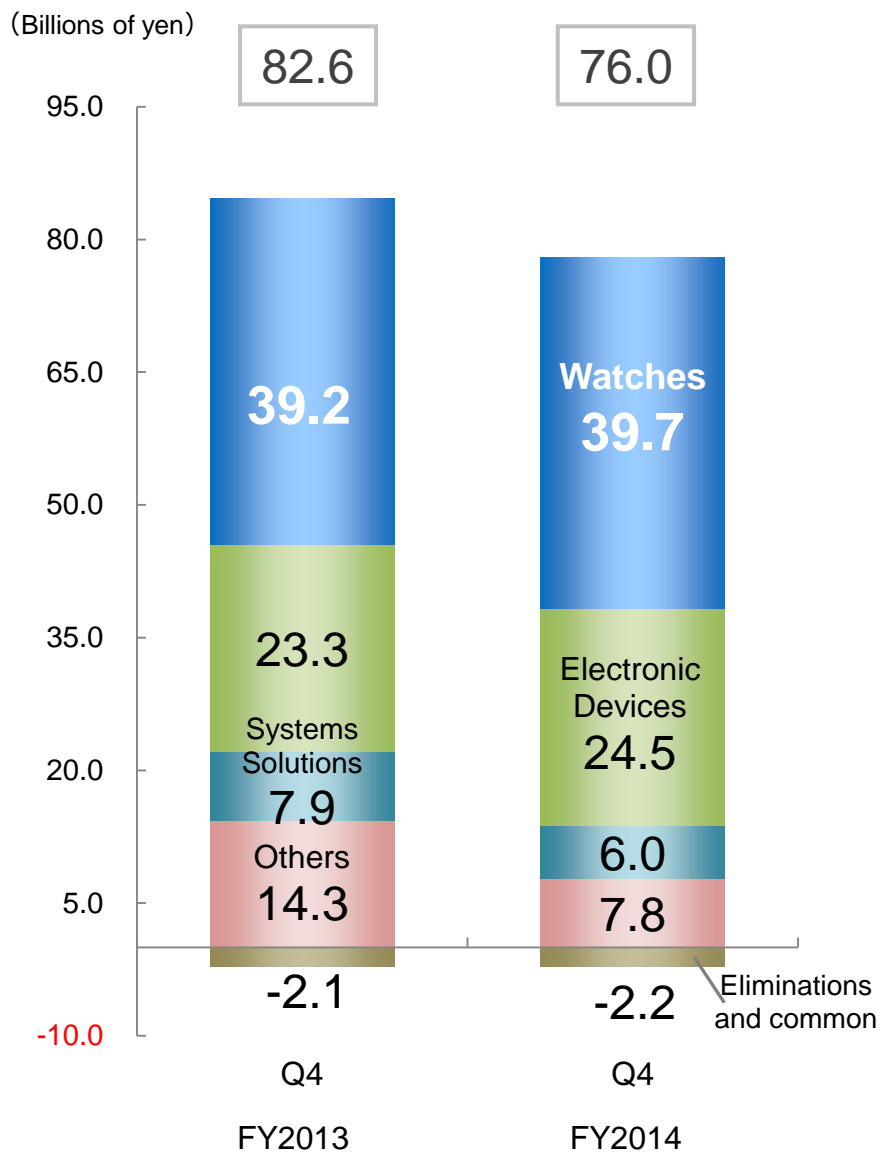
Net Sales :		-6.5
Exchange rate fluctuations		+5.0
Impact due to the exclusion of the Optical Products Business from consolidation		-7.0

Operating Income :		-0.3
Decrease in GP		-0.0
Increase in Selling, general and administrative expenses		-0.2

Ordinary Income :		+0.7
Decrease in Operating Income		-0.3
Decrease in Interest expenses		+0.3
Increase in Foreign exchange gains		+0.3
Equity in income of affiliates		+0.0
Others		+0.4

Extraordinary Income/Loss :		
<u>Extraordinary Income</u>		<u>0.7</u>
Gain on sales of non-current assets		0.7
<u>Extraordinary Loss</u>		<u>-4.1</u>
Loss on business withdrawal		-0.0
Impairment loss		-3.5
Losses on retirement of noncurrent assets		-0.5

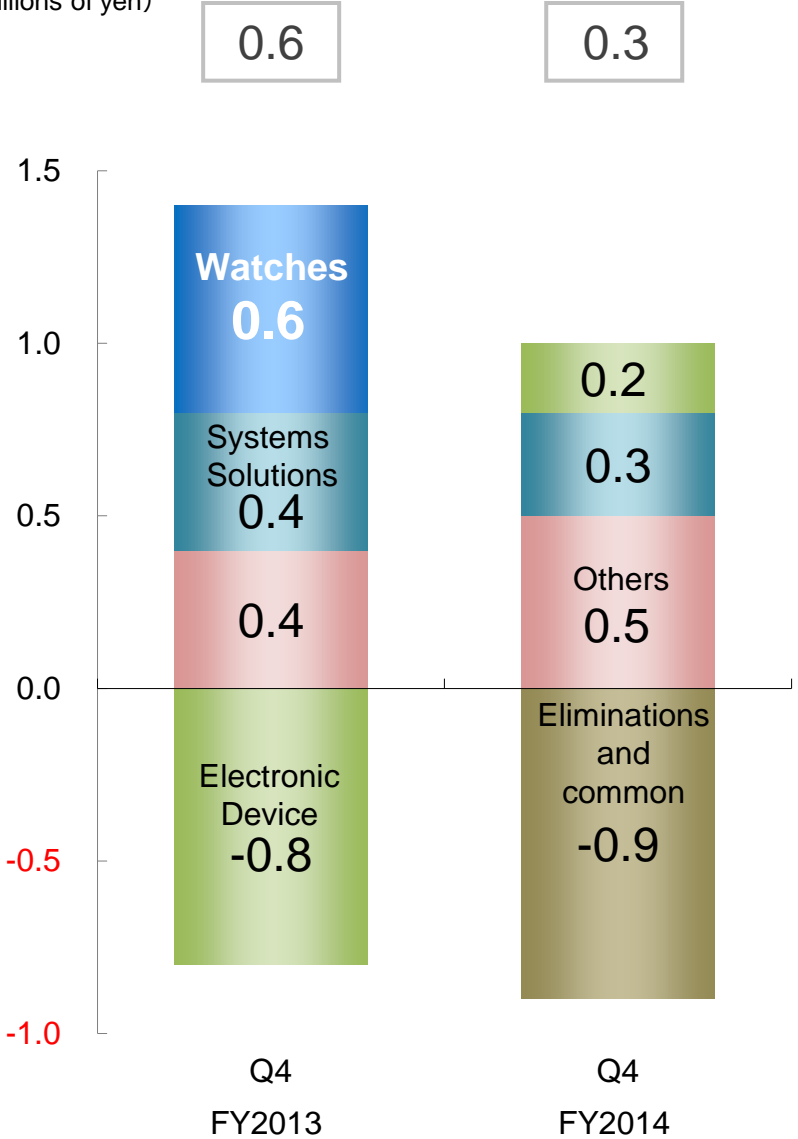
# Sales by Reported Segments (Jan.2015 – Mar.2015)



( Billions of yen )	Net Sales		
	FY2013 Q4	FY2014 Q4	Change
Watches	39.2	39.7	+0.5
Electronic Devices	23.3	24.5	+1.2
Systems Solutions	7.9	6.0	-1.8
Sub Total	70.4	70.4	-0.0
Others	14.3	7.8	-6.4
Eliminations and common	-2.1	-2.2	-0.0
<b>Cons. Total</b>	<b>82.6</b>	<b>76.0</b>	<b>-6.5</b>

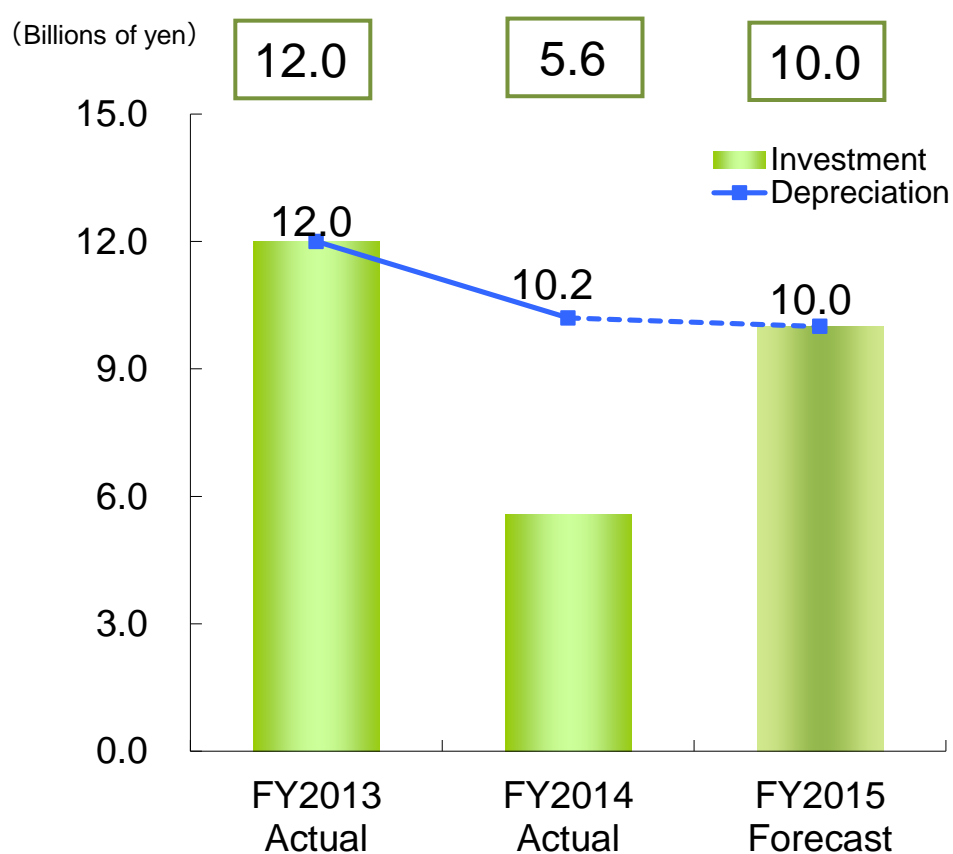
# Operating Income by Reported Segments (Jan.2015 - Mar.2015)

(Billions of yen)

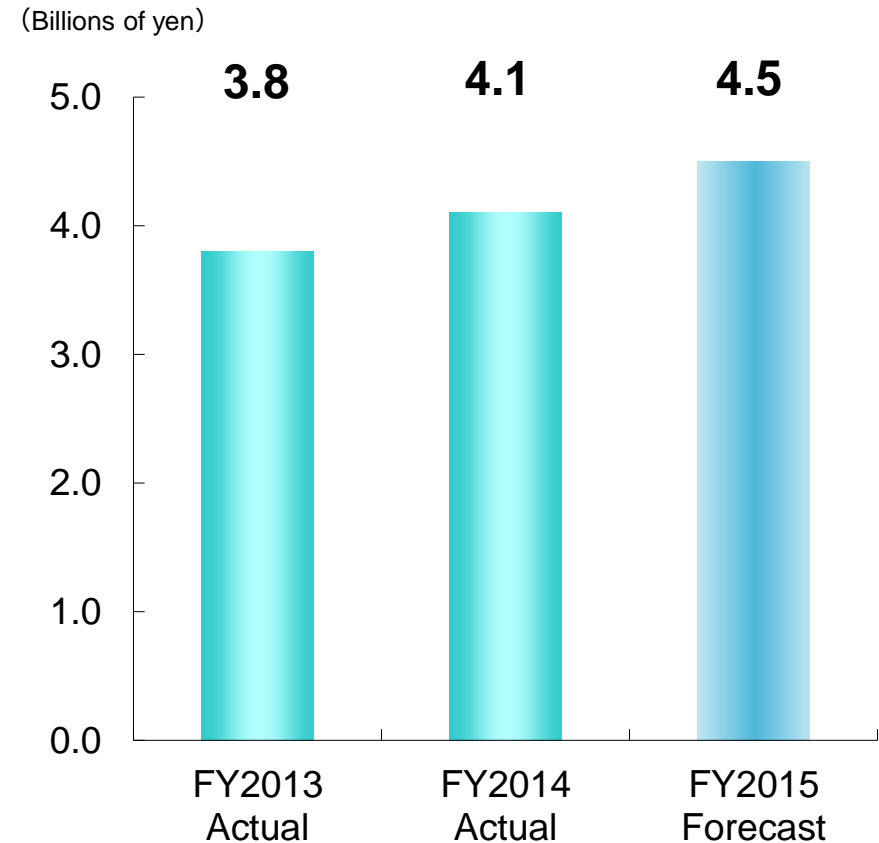


( Billions of yen )	Operating Income		
	FY2013 Q4	FY2014 Q4	Change
Watches	0.6	0.0	-0.5
Electronic Devices	-0.8	0.2	+1.0
Systems Solutions	0.4	0.3	-0.0
Sub Total	0.1	0.7	+0.5
Others	0.4	0.5	+0.1
Eliminations and common	0.0	-0.9	-0.9
Cons. Total	0.6	0.3	-0.3

## Investment / Depreciation



## Research and Development Cost



\*Capital expenditures in FY2013 include those made for the purpose of restoration from the flood damage in Thailand.

\*Capital expenditures in FY2014 decreased due to replacement of some investments with operating lease, and change of timing for some investments to FY2015, and other factors.

End

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