



# FY2015 2<sup>nd</sup> Quarter Consolidated Results (Fiscal year ended March 31, 2016)

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November 11, 2015

SEIKO HOLDINGS CORPORATION

1. Overview
2. 1<sup>st</sup> Half Business Results
3. Financial Forecast for FY2015

# 1. Overview

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# Performance Summary for Six months



(Billions of yen)	1H FY2014 Apr.-Sep. 2014	1H FY2015 Forecast announced Aug.	1H FY2015 Actual Apr.-Sep. 2015	Change		
				Ver. Previous year	Ver. Last Forecast	
Net Sales	137.9	150.0	151.5	+13.5	+1.5	
Operating Income	7.5	9.5	11.3	+3.7	+1.8	
%	5.5%	6.3%	7.5%	+2.0p	+1.2p	
Ordinary Income	7.7	9.5	11.3	+3.5	+1.8	
%	5.6%	6.3%	7.5%	+1.9p	+1.2p	
Profit attributable to owners of parent	13.2	7.0	7.5	-5.7	+0.5	
Exchange Rates (JPY)	USD	103.0	115.7	121.8	+18.8	+6.1
	EUR	138.9	137.1	135.1	-3.8	-2.0

## ◆ Watches Business

- In the Japanese market, due to recovery in demand among Japanese consumers as well as growth in inbound demand, both sales and income increased significantly compared to the same period of the previous year where the consumption tax hike had an impact.
- In the overseas markets, sales grew in Germany, the Netherlands, etc. in Europe, and in Taiwan in Asia, while sales in the United States were below expectations due to such factors as inventory adjustment by customers . Furthermore, sales were sluggish in China and neighboring countries as a result of the slowdown in economic growth in China.

## ◆ Electronic Devices Business

Sales of semiconductors were favorable, particularly those for smartphones and automobiles. Quartz crystal and printer-related sales also grew.

Earnings improved in the Electronic Devices Business as a whole, as the hard disk drive component business and camera shutter-related business, which had been facing challenges, reduced their losses considerably due to such measures as curtailing fixed costs.

## ◆ Systems Solutions Business

Although sales in the business as a whole were down year on year due to a decrease in sales mainly in communication modules, the income front improved as losses decreased due to steady performance in payment terminal-related products.

### ◆ Others

#### - Clocks Business

Sales performed steadily in the first half mainly due to hit products and price increases implemented for some products. Reduction of fixed costs progressed, and operating income improved.

#### - Wako (Retail)

Overall sales at Wako were driven by favorable performance by Grand Seiko and Seiko Astron as well as an increase in sales of imported watches due to inbound demand. Income also improved as sales increased.

## Seiko Boutique opens

Seiko pressed ahead with expansion of Seiko Boutiques with the aim of increasing brand value in global markets.

<Newly opened>

- July 2015 : Frankfurt
- : Tokyo (Ginza : Seiko Premium Boutique)
- September 2015 : Moscow, Budapest



Frankfurt



Ginza



Moscow

## Semiconductor business / Wide format printer business

- ◆ Decision to establish new semiconductor business company and to transfer semiconductor business to the new company

Seiko Instruments Inc. (“SII”) has decided to establish a new company through a joint investment with the Development Bank of Japan Inc. (“DBJ”), and to transfer the semiconductor business of SII to the new company.

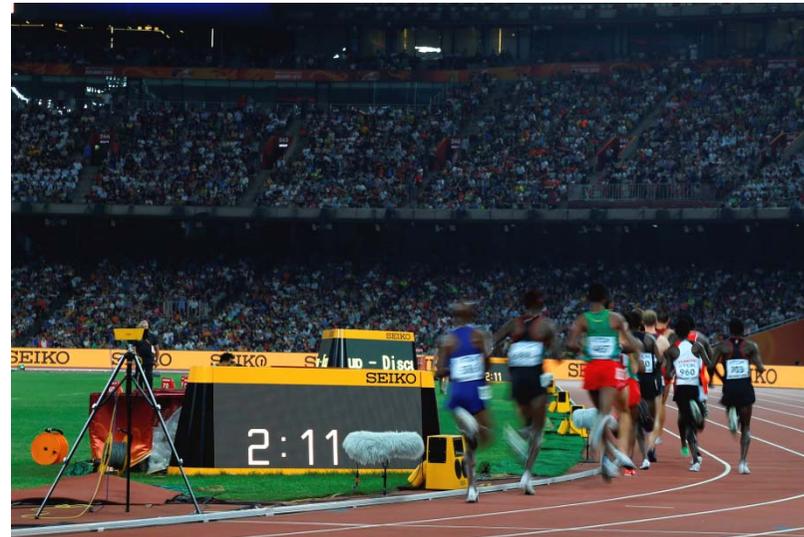
September 2015	: Conclusion of definitive agreement with DBJ Establishment of new company
In and after January 2016 (Scheduled)	: Joint investment (SII equity 60%) Business transfer

- ◆ Transfer of Wide Format Printer Business

SII’s wide format printer business transferred to OKI Data Corporation in October 1, 2015.

## IAAF World Championships 2015

- ◆ Seiko was the official timer for the IAAF World Championships Beijing 2015, held in Beijing, China, from August 22 through 30. Seiko has provided support for 14 consecutive IAAF World Championships since the 1987 Championships in Rome.



# Forecast for the consolidated business results for FY2015



(Billions of yen)	FY2014 Actual	FY2015 Forecast		
		Previous (Aug. 11)	Latest (Nov. 10)	Change
Net Sales	293.4	320.0	320.0	±0
Operating Income	11.6	16.0	16.0	±0
%	4.0%	5.0%	5.0%	±0.0p
Ordinary Income	12.3	16.0	16.0	±0
%	4.2%	5.0%	5.0%	±0.0p
Profit attributable to owners of parent	21.7	12.0	12.0	±0

## Risks for the second half of FY2015

- ◆ Deterioration of the world economy especially in neighboring countries of China and emerging markets due to the economic slowdown in China
- ◆ Instability in emerging market economies due to rising interest rates in the United States
- ◆ Sluggish economies of resource-rich countries due to the long-term slump in resource prices
- ◆ Uncertain outlook for the Japanese economy deriving from the instability of the world economy including the economic slowdown in China

## 2. Business Results

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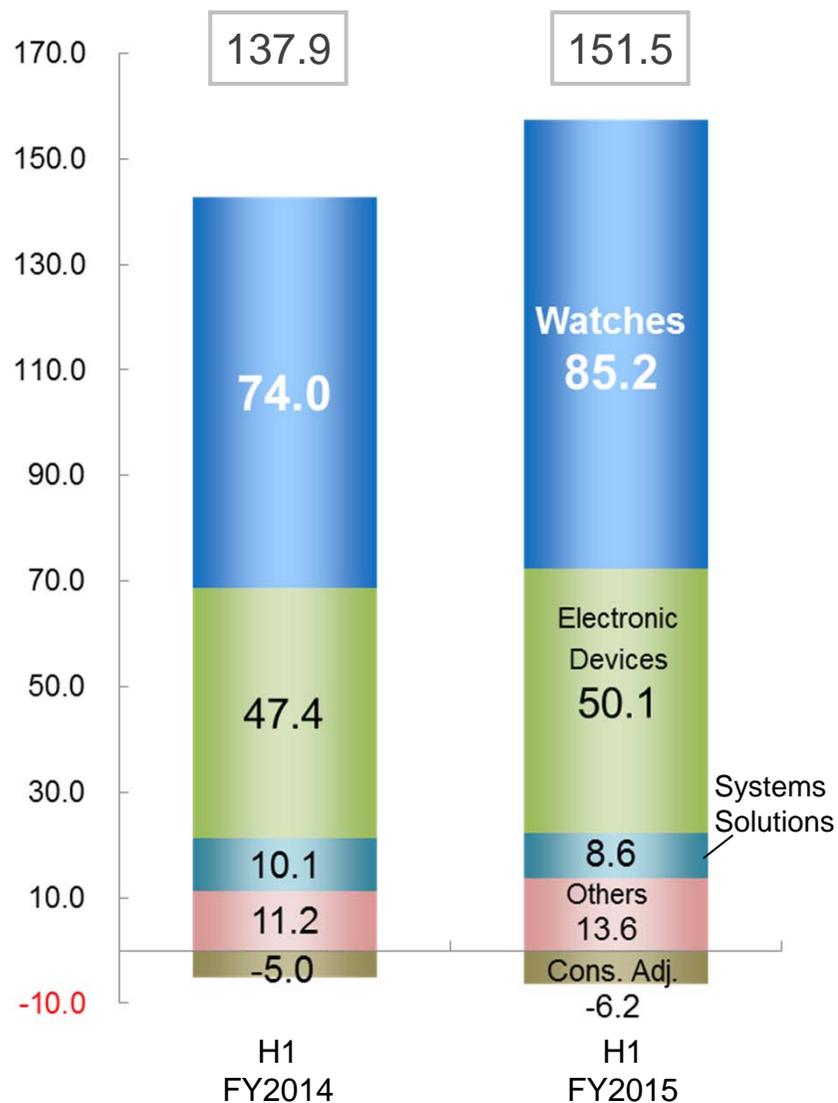
# FY2015 Statement of Income (Apr.2015 - Sep.2015)



( Billions of yen )		FY2014 1 <sup>st</sup> Half	FY2015 1 <sup>st</sup> half	Change		
				Amt.	%	
Net Sales		137.9	151.5	+13.5	+9.9%	<b>Net Sales : +13.5</b> Exchange rate fluctuations +11.0
Gross Profit		49.1	56.0	+6.8	+14.0%	<b>Operating Income : +3.7</b> Increase in GP +6.8 Increase in Selling, general and administrative expenses -3.0
Operating Income		7.5	11.3	+3.7	+50.1%	<b>Ordinary Income : +3.5</b> Increase in Operating Income +3.7 Decrease in Interest expenses +0.7 Increase in Foreign exchange losses -0.8 Increase in Dividend income +0.1 Others -0.2
%		5.5%	7.5%	+2.0p	—	
Ordinary Income		7.7	11.3	+3.5	+46.6%	<b>Extraordinary Losses: -1.5</b> Business structure improvement expenses -1.5
%		5.6%	7.5%	+1.9p	—	
Income before income taxes		15.5	9.7	-5.7	-37.2%	
Profit attributable to owners of parent		13.2	7.5	-5.7	-43.2%	
%		9.6%	5.0%	-4.6p	—	
Exchange Rates(JPY)	USD	103.0	121.8	+18.8	+18.3%	
	EUR	138.9	135.1	-3.8	-2.7%	

# Sales by Reported Segments (Apr.2015 – Sep.2015)

( Billions of yen )

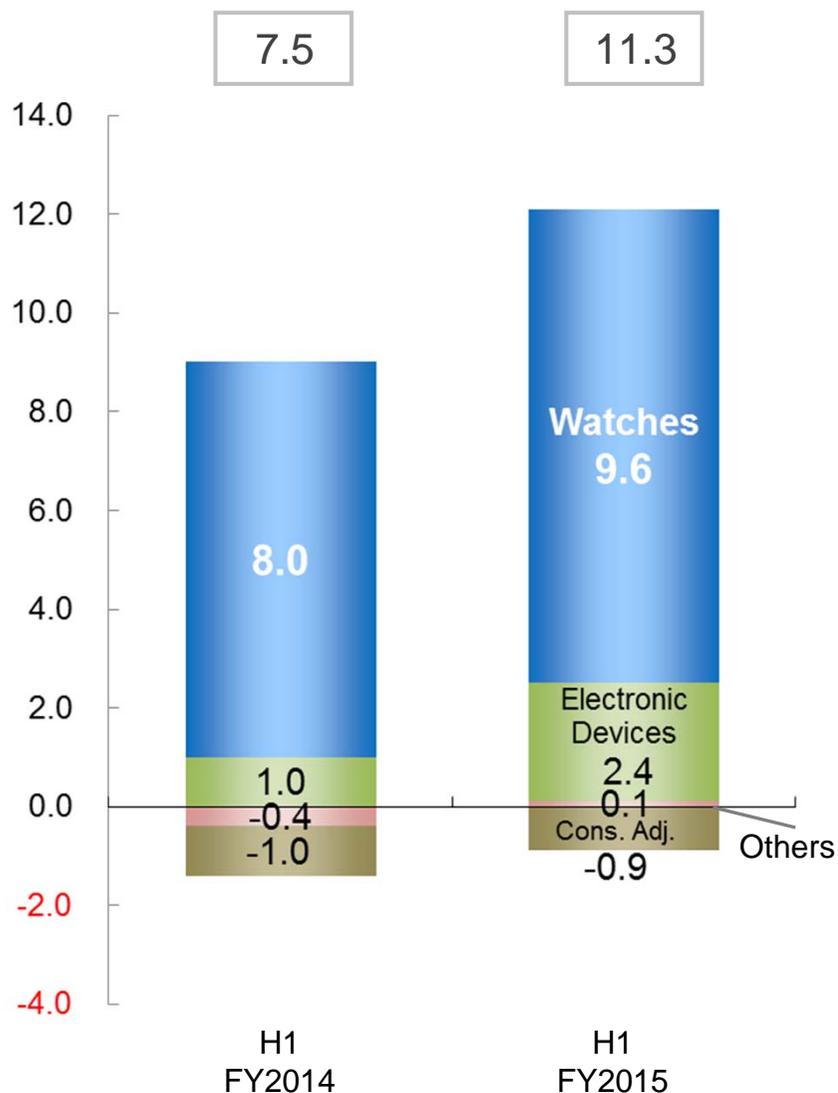


( Billions of yen )	Net Sales		
	FY2014 1st Half	FY2015 1st Half	Change
Watches	74.0	85.2	+11.2
Electronic Devices	47.4	50.1	+2.6
Systems Solutions	10.1	8.6	-1.4
Sub Total	131.6	144.1	+12.4
Others	11.2	13.6	+2.3
Cons. Adj.	-5.0	-6.2	-1.1
<b>Cons. Total</b>	<b>137.9</b>	<b>151.5</b>	<b>+13.5</b>

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



( Billions of yen )



( Billions of yen )	Operating Income		
	FY2014 1 <sup>st</sup> Half	FY2015 1 <sup>st</sup> Half	Change
Watches	8.0	9.6	+1.6
Electronic Devices	1.0	2.4	+1.4
Systems Solutions	-0.0	-0.0	+0.0
Sub Total	8.9	12.1	+3.1
Others	-0.4	0.1	+0.5
Cons. Adj.	-1.0	-0.9	+0.0
Cons. Total	7.5	11.3	+3.7

# Information by Reported Segments

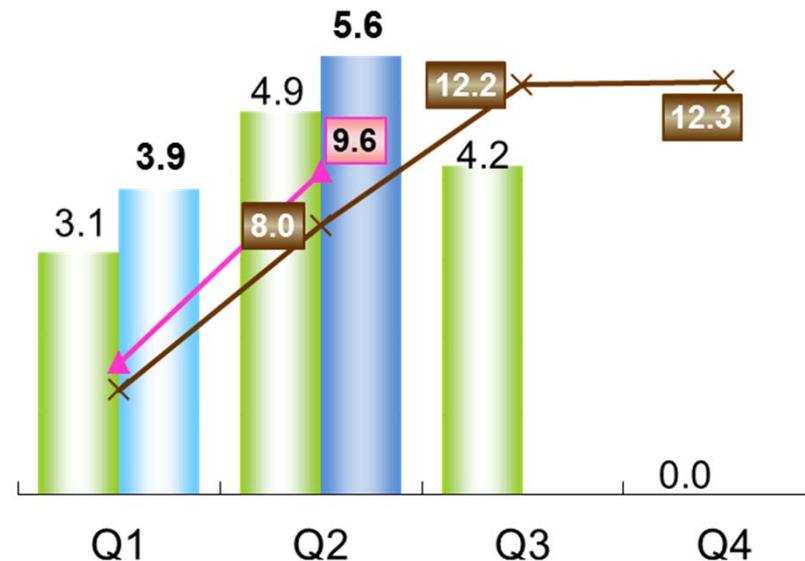
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## Net Sales

## Operating Income

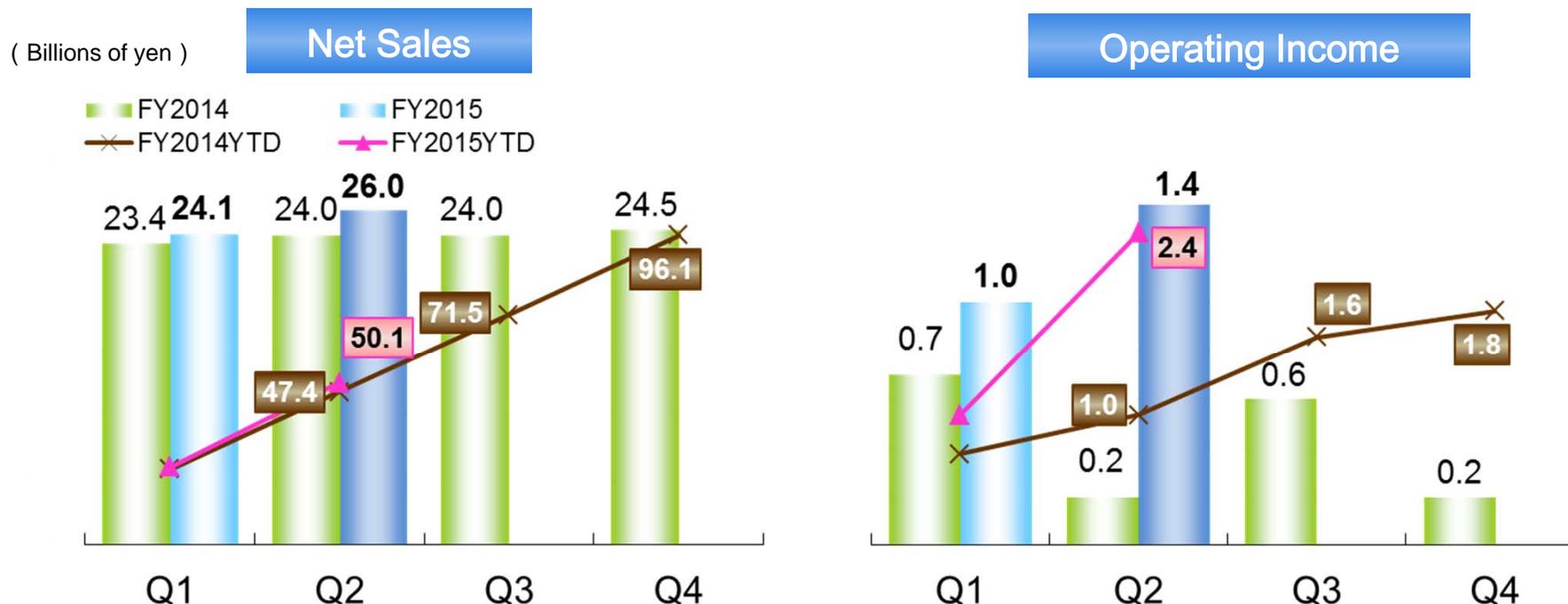
( Billions of yen )

■ FY2014    ■ FY2015  
—x FY2014YTD    —▲ FY2015YTD

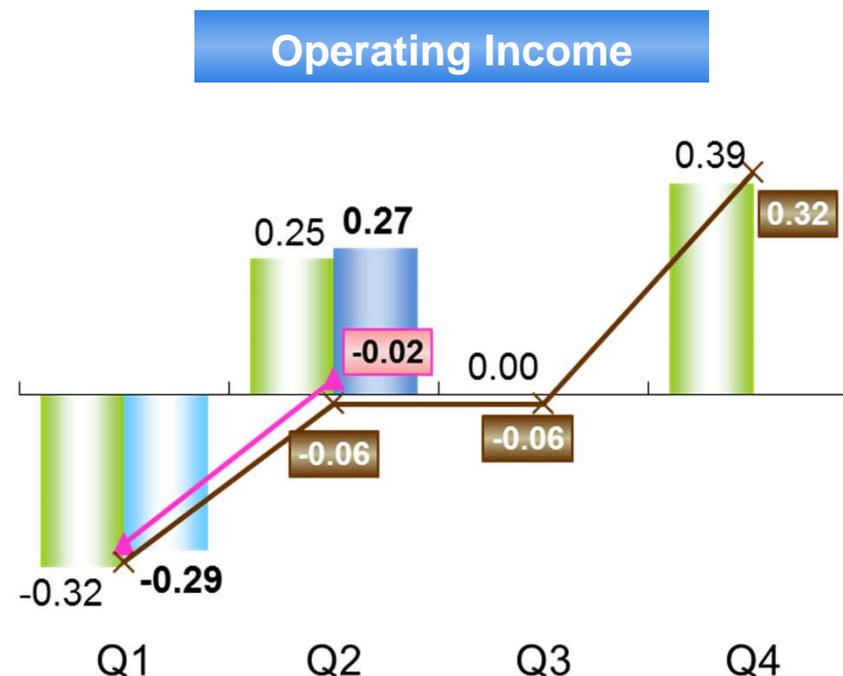
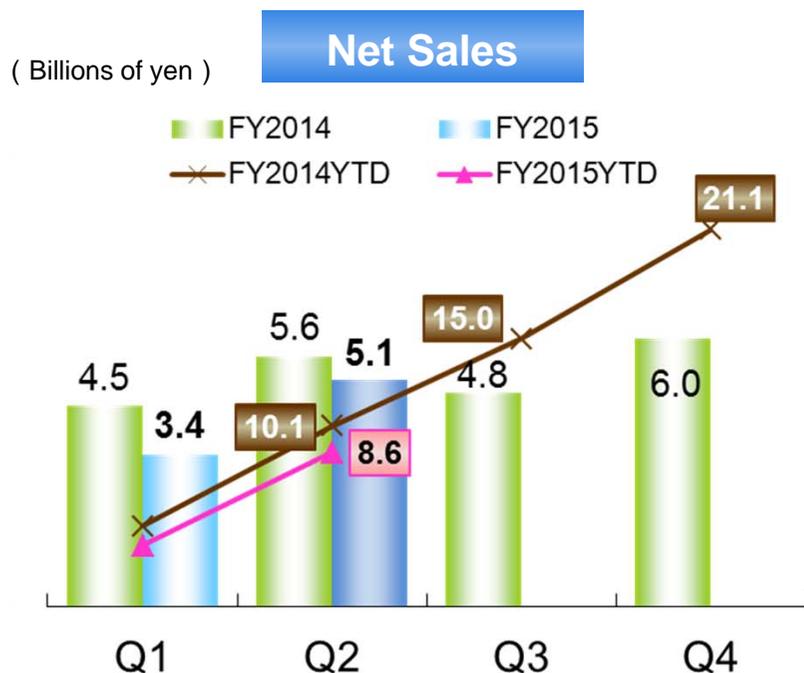


- Watches: (In Japan)      The Grand Seiko and ASTRON continued to perform favorably. Sales increased for the Mechanical supported by inbound demand in addition to demand from Japanese consumers. The PROSPEX also saw sales growth, particularly in new products among diver's watches. In ladies' models, the LUKIA and TISSÉ also performed strongly.
- Watches: (In Overseas)      There have been delays in the United States due to inventory adjustment by customers. In Europe, sales grew in Germany and the Netherlands, where the ASTRON performed steadily. In Asia, sales grew in Taiwan, but were sluggish in China due to the slowdown in economic growth.
- Movements:      Sales have been sluggish due to the impact of the economic slump in China.

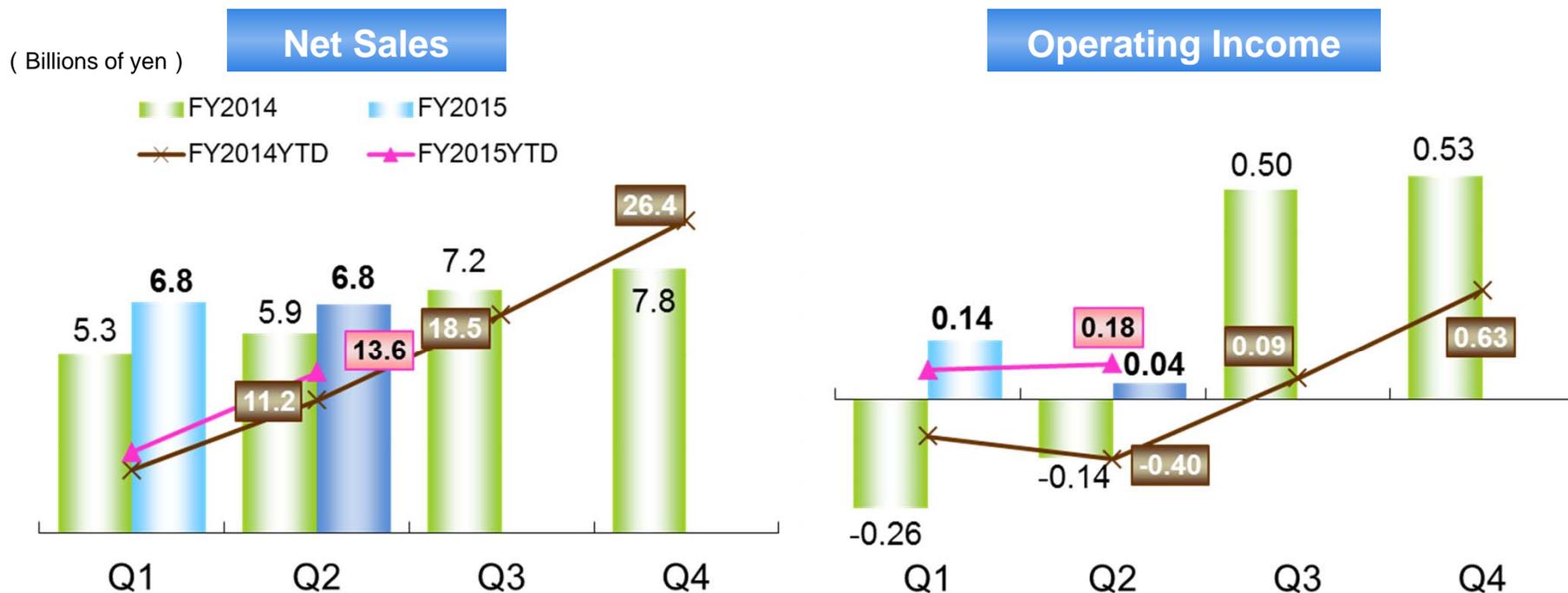
# Electronic Devices Business



- Electronic devices : Sales of semiconductors continued to be favorable, especially products for automobiles and smartphones. Sales of quartz crystals increased for GPS, surveillance cameras and others.
- Mechatronics : Earnings improved significantly in the second quarter due to an increase in sales, reduction in fixed costs and other factors.
- Other : Printer-related sales were firm, except for wide format printers. Radiation measuring equipment, which had performed sluggishly in the first quarter compared to the same period of the previous year, was almost level year on year in the second quarter.



- Payment terminal-related products performed steadily, although overall net sales were down year on year due to stagnation mainly in communication modules and products for the restaurant industry.
- Although net sales were sluggish, operating income maintained the same level year on year due to improved operations and cost reductions due to business integration.

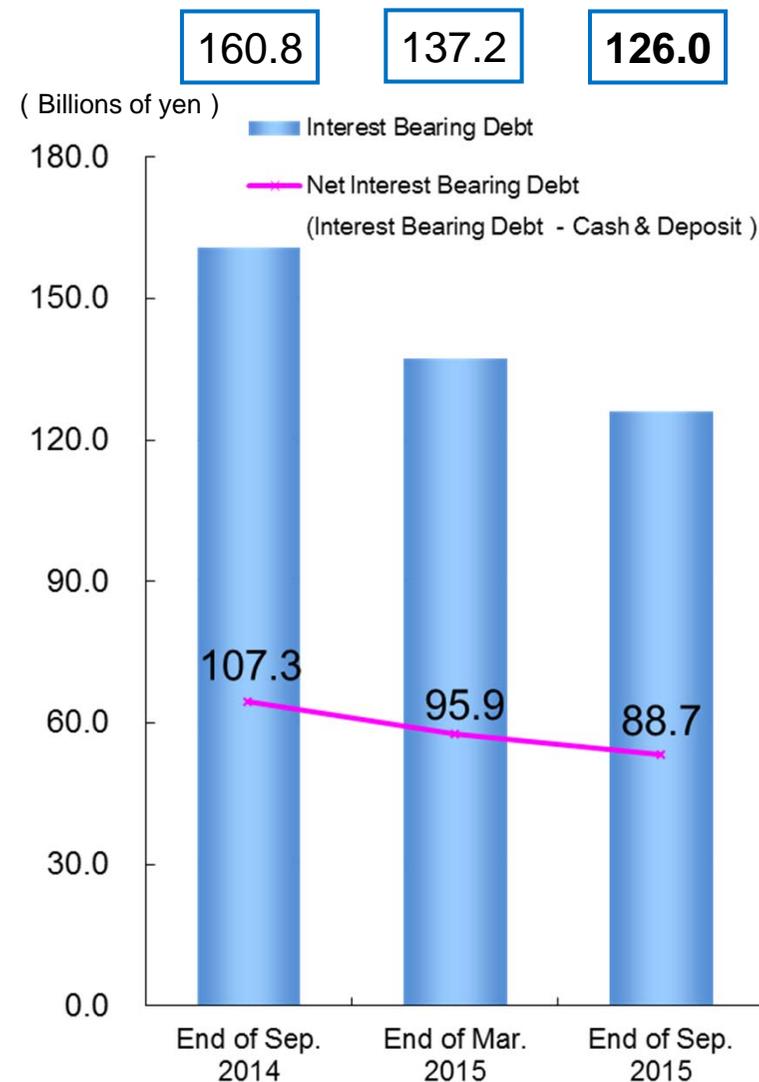


- Clocks : Despite rising costs as the yen continued to weaken, sales grew steadily due to hit products and price increases for some products, and improvement continued on the earnings front as well.
- Others : In the Wako Business, overall sales and income were driven by robust performance among imported watches that are highly popular with tourists from other countries, as well as for Seiko brands such as Grand Seiko and ASTRON.

# Balance Sheet as of Sep. 30, 2015

( Billions of yen )	Sep. 30, 2014	Mar. 31, 2015 (a)	Sep. 30, 2015 (b)	Change (b) – (a)
Inventories	64.3	62.9	70.1	+7.2
Interest Bearing Debt	160.8	137.2	126.0	-11.1
Net Assets	88.6	92.5	94.4	+1.8
Total Assets	360.5	333.7	325.0	-8.6
Equity Capital Ratio	24.0%	27.1%	28.5%	+1.4p
Net Debt Equity Ratio	1.2	1.0	0.9	-0.0
Number of Employees	13,515	13,565	13,872	+307

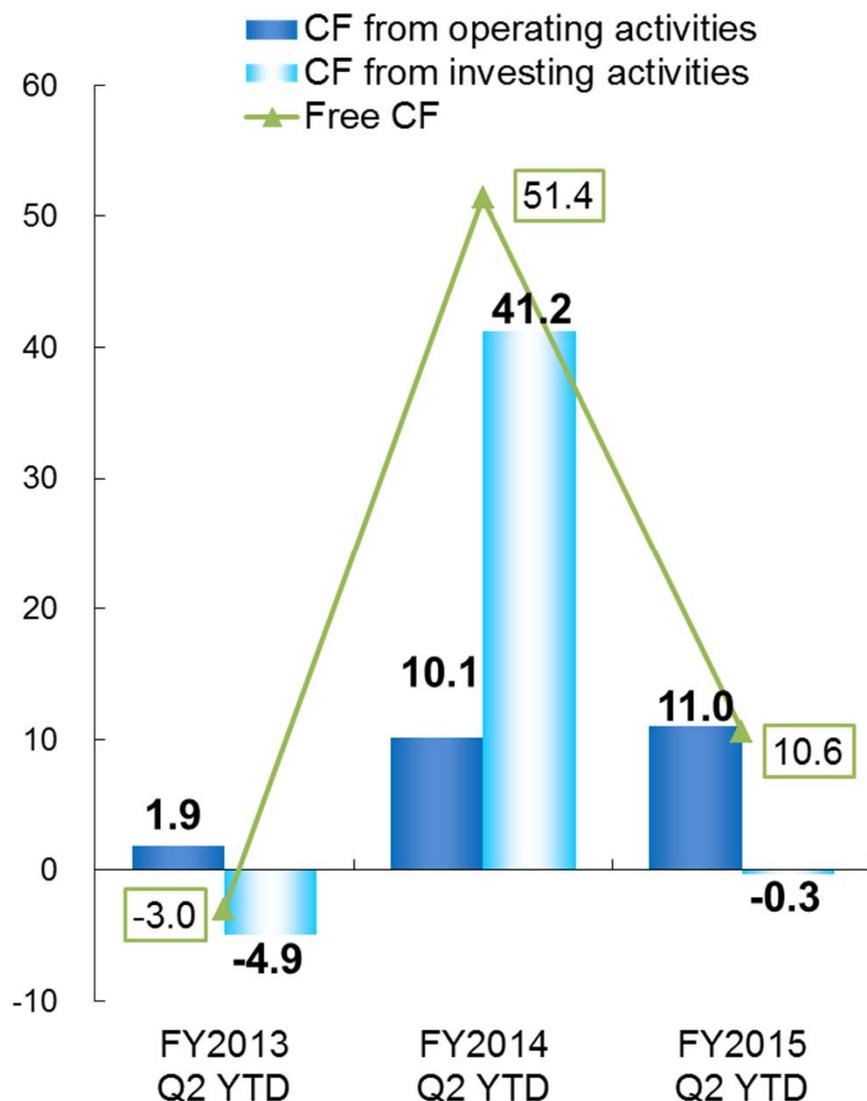
## Interest Bearing Debt



# Statements of Cash Flow

SEIKO

( Billions of yen )



( Billions of yen )

	FY2013 Q2(YTD)	FY2014 Q2(YTD)	FY2015 Q2(YTD)
Income before income tax and minority interests	11.7	15.5	<b>9.7</b>
Depreciation	5.9	5.3	<b>4.8</b>
Others	-15.7	-10.7	<b>-3.6</b>
<b>Net cash provided by (used in) operating activities</b>	<b>1.9</b>	<b>10.1</b>	<b>11.0</b>
Purchase of property, plant and equipment	-6.6	-4.0	<b>-6.4</b>
Others	1.6	45.3	<b>6.1</b>
<b>Net cash provided by (used in) investing activities</b>	<b>-4.9</b>	<b>41.2</b>	<b>-0.3</b>
Net increase (decrease) in loans payable	3.3	-40.0	<b>-10.8</b>
Others	-0.8	-1.6	<b>-2.6</b>
<b>Net cash provided by (used in) financing activities</b>	<b>2.4</b>	<b>-41.7</b>	<b>-13.5</b>
Effect of exchange rate change on cash and cash equivalents etc.	-1.9	0.8	<b>-0.2</b>
Cash and cash equivalents	40.2	53.1	<b>37.1</b>
<b>Free cash flow</b>	<b>-3.0</b>	<b>51.4</b>	<b>10.6</b>

## 3. Financial Forecast for FY2015

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# Summary of Financial Forecast for FY2015

( Billions of yen )	FY2014 Actual	FY2015 Forecast				Change vs. Previous	
		Previous (Aug. 11)		Latest (Nov. 10)		1 <sup>st</sup> Half (C) – (A)	Full Year (D) – (B)
		1 <sup>st</sup> Half (A)	Full Year (B)	1 <sup>st</sup> Half (Actual) (C)	Full Year (D)		
Net Sales	293.4	150.0	320.0	151.5	320.0	+1.5	±0
Operating Income	11.6	9.5	16.0	11.3	16.0	+1.8	±0
%	4.0%	6.3%	5.0%	7.5%	5.0%	+1.2p	±0p
Ordinary Income	12.3	9.5	16.0	11.3	16.0	+1.8	±0
%	4.2%	6.3%	5.0%	7.5%	5.0%	+1.2p	±0p
Profit attributable to owners of parent	21.7	7.0	12.0	7.5	12.0	+0.5	±0
%	7.4%	4.7%	3.8%	5.0%	3.8%	+0.3p	±0p

# Financial Forecast for FY2015 by Reported Segments

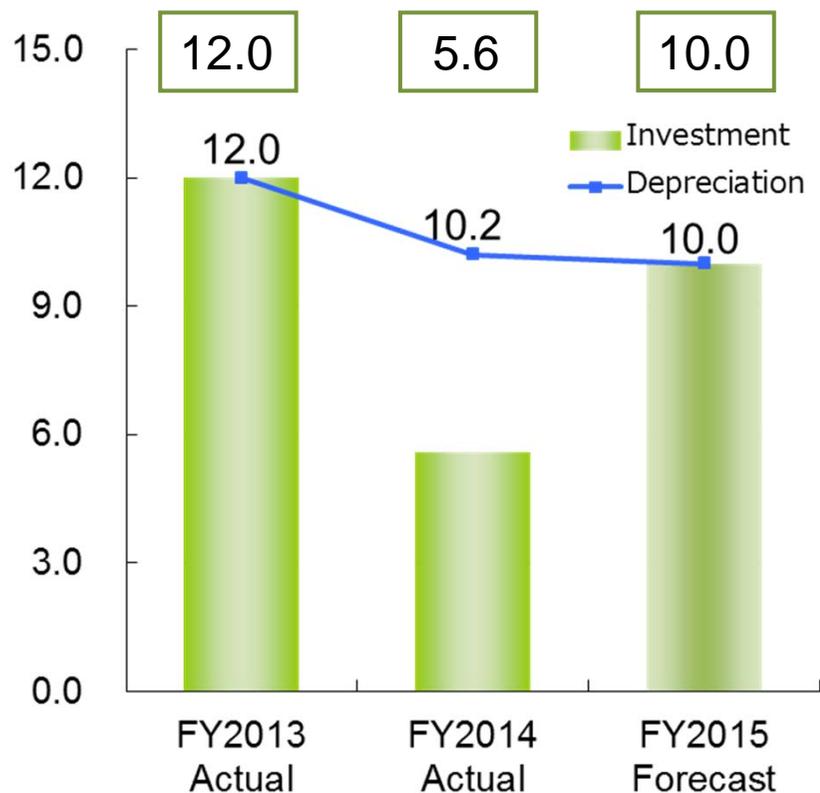


( Billions of yen )	Net Sales				Operating Income			
	FY2014 Actual	FY2015 Forecast		Change vs. Previous	FY2014 Actual	FY2015 Forecast		Change vs. Previous
		Previous (Aug. 11)	Latest (Nov. 10)			Previous (Aug. 11)	Latest (Nov. 10)	
Watches	159.0	175.0	175.0	±0.0	12.3	13.5	13.5	±0.0
Electronic Devices	96.1	100.0	100.0	±0.0	1.8	4.0	4.0	±0.0
Systems Solutions	21.1	24.0	24.0	±0.0	0.3	1.0	1.0	±0.0
Sub Total	276.3	299.0	299.0	±0.0	14.5	18.5	18.5	±0.0
Others	26.4	30.0	30.0	±0.0	0.6	1.0	1.0	±0.0
Cons. Total	293.4	320.0	320.0	±0.0	11.6	16.0	16.0	±0.0

# Investment / Research and Development Cost

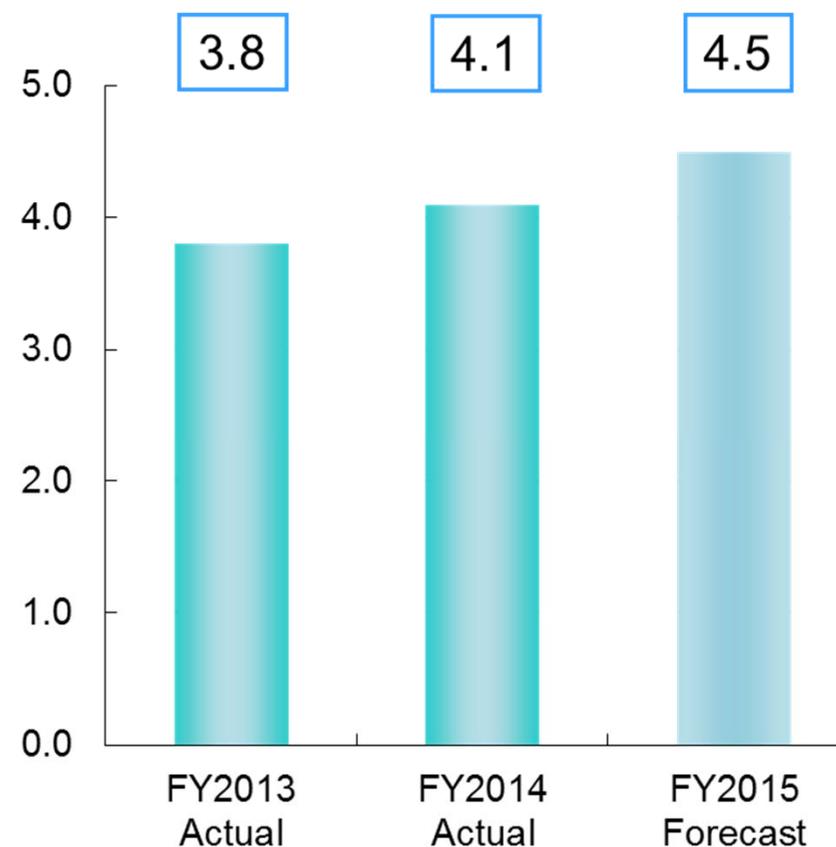
## Investment / Depreciation

(Billions of yen)



## Research and Development Cost

(Billions of yen)



\*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.

# Exchange Rate

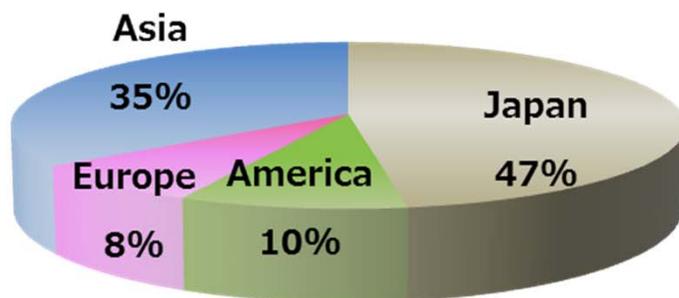
Sensitivity by Exchange Rate (Oct.2015-Mar.2016)

	USD	EUR
Forecast Exc. Rate	<b>JPY 110.0</b>	<b>JPY 130.0</b>
For Sales (Millions of yen)	<b>700</b>	<b>60</b>
For Income (Millions of yen)	<b>100</b>	<b>30</b>

FY2015

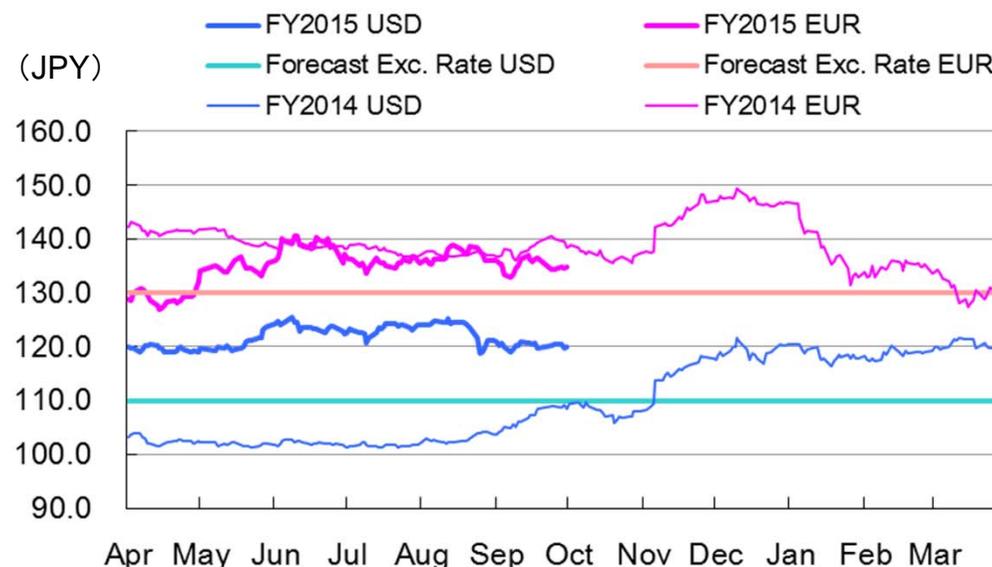
		Q1	Q2	Forecast Exc. Rate
Average	USD	121.4	122.3	110.0
	EUR	134.2	136.0	130.0
Closing Date	USD	122.4	119.9	110.0
	EUR	137.2	134.9	130.0

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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# FY2015 Statement of Income 2<sup>nd</sup> Quarter (Jul.2015 - Sep.2015)

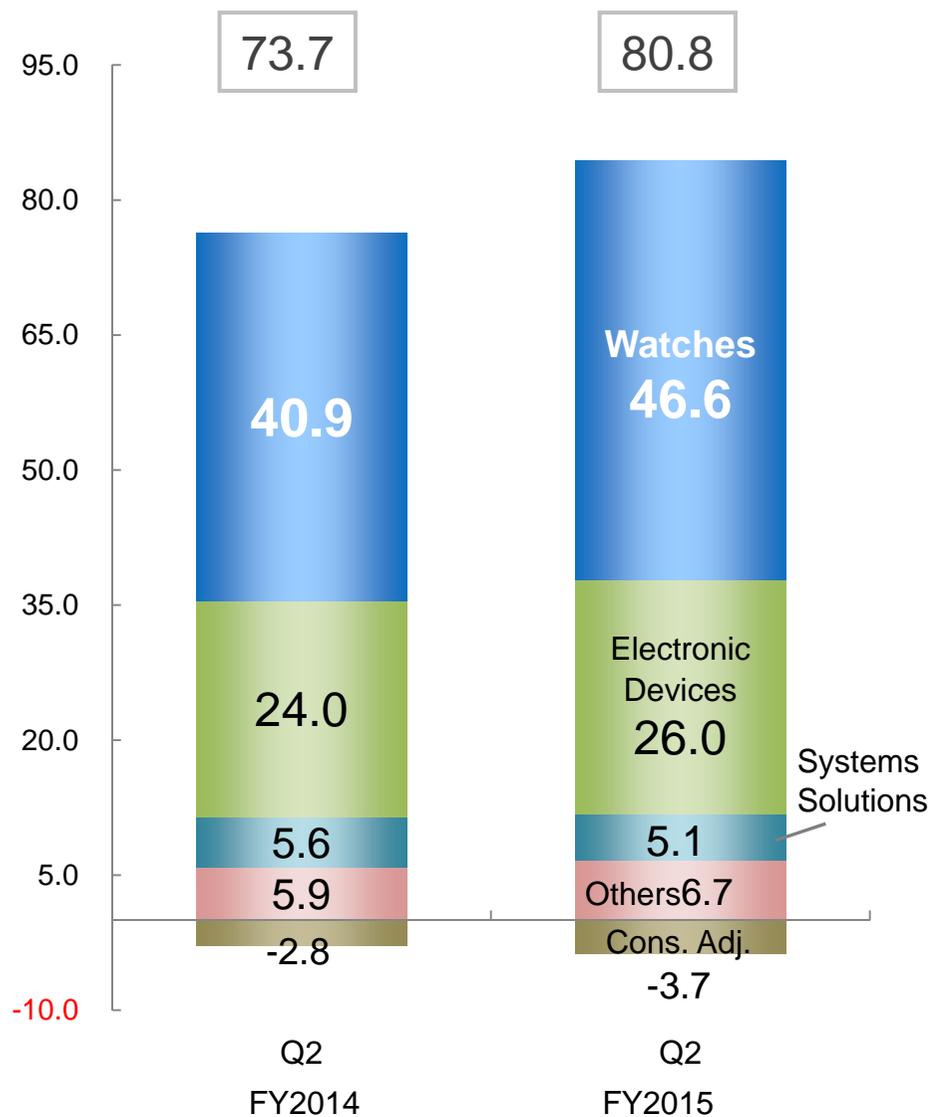


( Billions of yen )		FY2014 Q2	FY2015 Q2	Change		
				Amt.	%	
Net Sales		73.7	80.8	+7.1	+9.7%	<b>Net Sales : +7.1</b>
						Exchange rate fluctuations +5.5
Gross Profit		26.4	29.8	+3.3	+12.7%	<b>Operating Income : +2.1</b>
Operating Income		4.6	6.8	+2.1	+46.0%	Increase in GP +3.3
						Increase in Selling, general and administrative expenses -1.2
%		6.4%	8.5%	+2.1p	—	
Ordinary Income		5.3	6.1	+0.8	+15.0%	<b>Ordinary Income : +0.8</b>
						Increase in Operating Income +2.1
						Decrease in Interest expenses +0.3
						Increase in Foreign exchange losses - 1.3
						Others - 0.2
%		7.3%	7.6%	+0.3p	—	
Income before income taxes		13.1	4.6	-8.5	-65.0%	
Profit attributable to owners of parent		12.3	3.7	-8.5	-69.2%	
%		16.7%	4.7%	-12.0p	—	
Exchange Rates(JPY)	USD	103.8	122.3	+18.4	+17.8%	<b>Extraordinary Losses : -1.5</b>
	EUR	137.7	136.0	-1.7	-1.3%	Business structure improvement expenses -1.5

# Sales by Reported Segments (Jul.2015 –Sep.2015)



( Billions of yen )

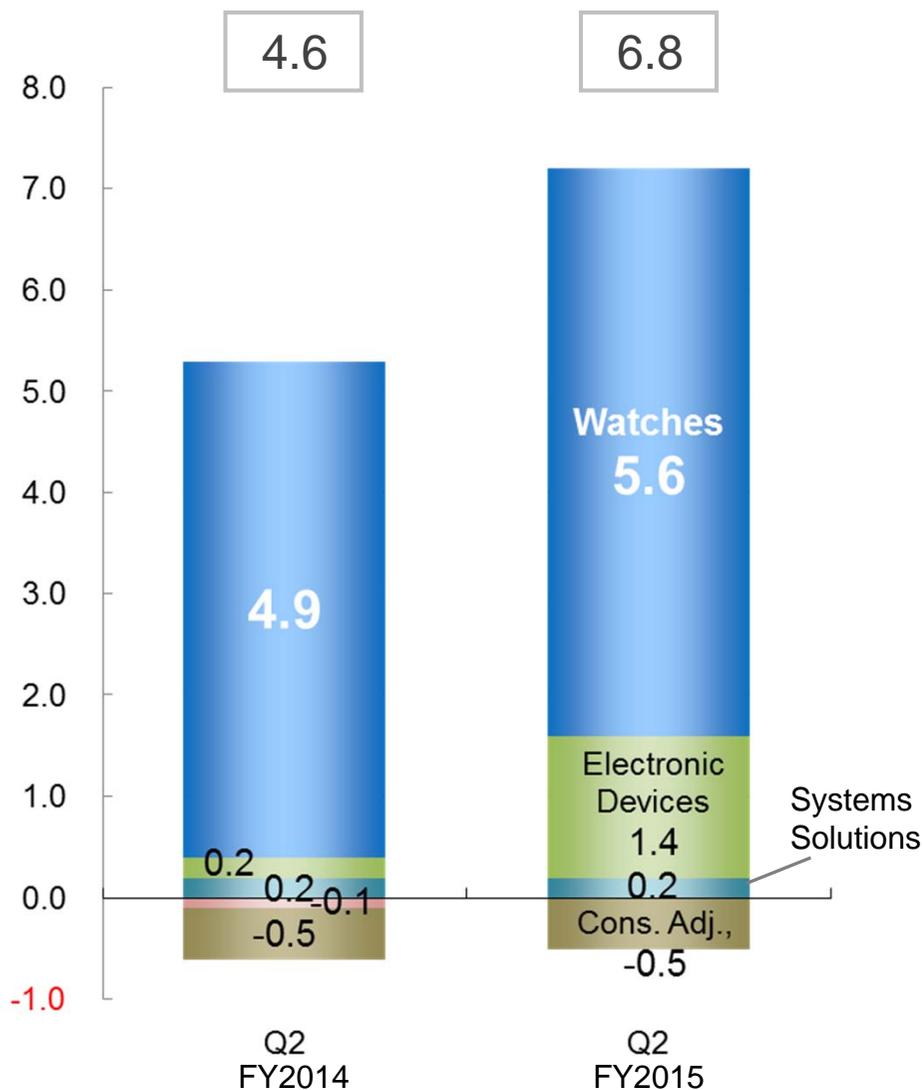


( Billions of yen )	Net Sales		
	FY2014 Q2	FY2015 Q2	Change
Watches	40.9	46.6	+5.6
Electronic Devices	24.0	26.0	+1.9
Systems Solutions	5.6	5.1	-0.4
Sub Total	70.6	77.8	+7.1
Others	5.9	6.7	+0.8
Cons. Adj.	-2.8	-3.7	-0.9
<b>Cons. Total</b>	<b>73.7</b>	<b>80.8</b>	<b>+7.1</b>

# Operating Income by Reported Segments (Jul.2015 -Sep.2015)



( Billions of yen )



( Billions of yen )	Operating Income		
	FY2014 Q2	FY2015 Q2	Change
Watches	4.9	5.6	+0.7
Electronic Devices	0.2	1.4	+1.1
Systems Solutions	0.2	0.2	+0.0
Sub Total	5.3	7.3	+1.9
Others	-0.1	0.0	+0.1
Cons. Adj.	-0.5	-0.5	+0.0
<b>Cons. Total</b>	<b>4.6</b>	<b>6.8</b>	<b>+2.1</b>

End

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