

SEIKO

FY2011 Consolidated Results

(Fiscal year ended March 31, 2012)

May 10, 2012

SEIKO HOLDINGS CORPORATION

- ◆ *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.*

*Numbers are rounded to the unit indicated.
Percentages are rounded off to one decimal place.*

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1. Overview
 2. Business Results
 3. Financial Forecast for FY2012

FY 2011 Internal and External Changes

External Environment

- (1) Deterioration in Earnings because of the long-standing, high value of the yen.
- (2) Flooding damaged two factories in Thailand.
- (3) Global demand for consumer electronics was stagnant.

Revenues and earnings fell because of changes in the external environment.

1. Overview

Performance Summary for FY2011

(Billions of yen)		FY2010 Full Year	FY2011 Full Year	Change	FY2011 Forecast announced on Feb.	Change
Net Sales		313.8	296.9	-16.9	295.0	+1.9
Operating Income		11.6	6.7	-4.9	5.5	+1.2
%		3.7%	2.3%	-1.5%	1.9%	+0.4%
Ordinary Income		6.5	1.2	-5.3	0.5	+0.7
%		2.1%	0.4%	-1.7%	0.2%	+0.2%
Net Income		2.1	-11.0	-13.1	-9.5	-1.5
Exchange Rates	USD	85.7	79.1	-6.6	—	—
	EUR	113.2	109.0	-4.2	—	—

FY 2011 Overview by Segment

Watch Business

(1) Implementation of common growth strategy between Manufacturing and Distribution.

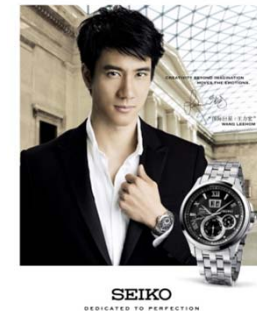
- Mechanical watches were positioned as strategic products and actively marketed.

(2) Reinforcing measures to capture demand in emerging markets.

- Increased investment in Advertising and Publicity in China.
- Accelerating opening of SEIKO Boutiques in major cities in Asia.

(3) Movement sales were brisk.

Watch Business continued to be solid



FY 2011 Overview by Segment

Electronic Components Business

- (1) Withdrawal from the LCD Display Module business.
- (2) A fundamental restructuring of earnings structures was initiated.
 - Streamlining fixed cost levels
 - ⇒ Personnel reduction through voluntary retirement scheme (over 500 persons)

Structural reforms implemented to achieve a rapid recovery in financial results.

FY 2011 Overview by Segment

Withdrawal from Unprofitable Segments

- (1) Golf Products Business sold.
- (2) Automobile Interior Decoration Parts Business sold.
- (3) Withdrawal from the LCD Display Module business

Comprehensive Selection and
Consolidation of business

FY 2011 Overview by Segment

WAKO

(1) Renovation of Ginza Main Store
- Opening of “SEIKO Salon”

(2) Extending Store hours
from 6:00 pm to 7:00 pm

(3) Further consolidation of shops

- Closing of Namikikan, Chocolate Salon, and other shops in Ginza area.



WAKO is about to become profitable

FY 2012 Issues and Actions

Maximize Earnings in the Watch Business

- ◆ Further implementing common growth strategy between Manufacturing and Distribut
 - (1) Implementing product strategies that takes advantage of SII's mechanical watch expertise.
 - (2) Launch of the SEIKO ASTRON, the world's first GPS Solar Watch in September.



FY 2012 Issues and Actions

Restore Earnings in Electronic Components Business

- ◆ Restore the Electronic Components Business as a pillar of stable earnings equal to the Watch Business.
 - (1) Raise competitiveness in growth areas such as the semiconductor business.
 - (2) Conduct further selection and consolidation of business not excluding the use of alliances.

FY 2012 Issues and Actions

New Measures

(1) The 3rd Mainstay Business

Conduct reorganization within the group to develop the System Solutions Business into a third mainstay business.

(2) Optical Products Business

Maximize and stabilize earnings by building an alliance with HOYA.

FY 2012 Issues and Actions

Balance Sheet Issues and Actions

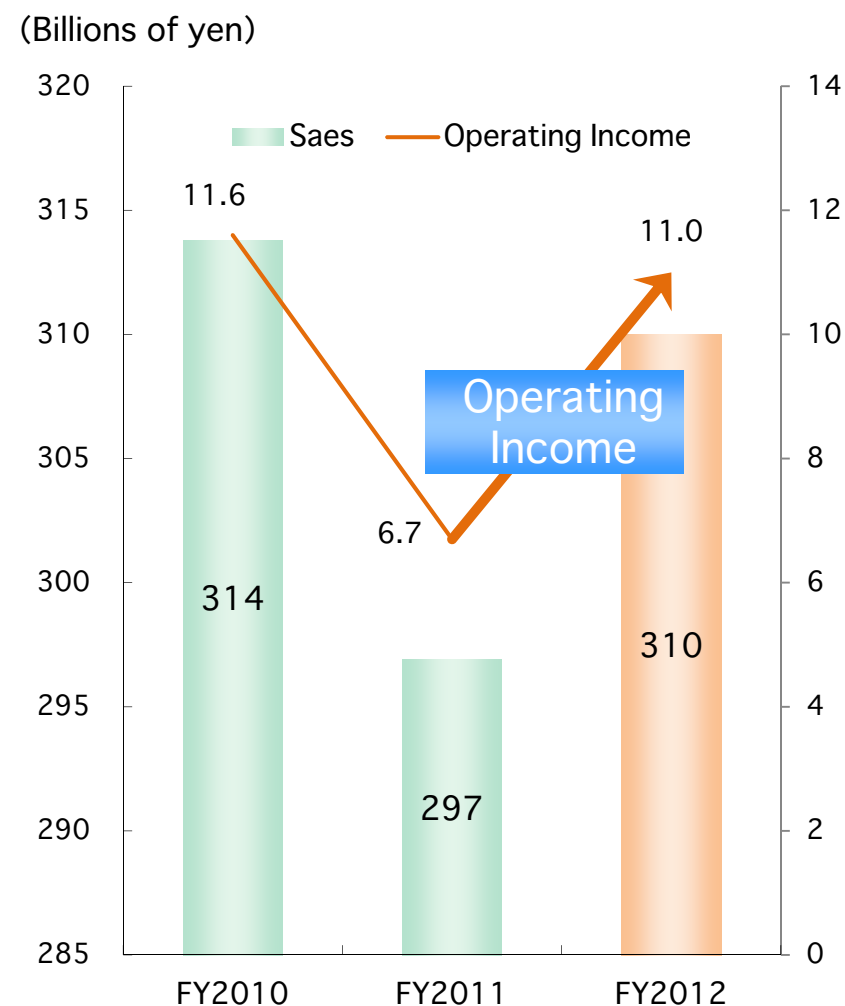
◆ Improvement of Cash Flows

- (1) Maximizing operating cash flows by implementing measures such like comprehensive streamlining of inventories.
- (2) Make effective investments and effectively utilizing owned assets.

Aim for a loan balance of ¥200 billion.

Forecast for the year ending 31 March 2013

(Billion of yen)		FY2011 Actual	FY2012 Forecast	Change
Sales		296.9	310.0	+13.1
Operating Income		6.7	11.0	+4.3
%		2.3%	3.5%	+1.2%
Ordinary Income		1.2	6.0	+4.8
%		0.4%	1.9%	+1.5%
Net Income		-11.0	5.0	+16.0
Exchange Rate	USD	79.1	80.0	+0.9
	EUR	109.0	105.0	-4.0



2. Business Results

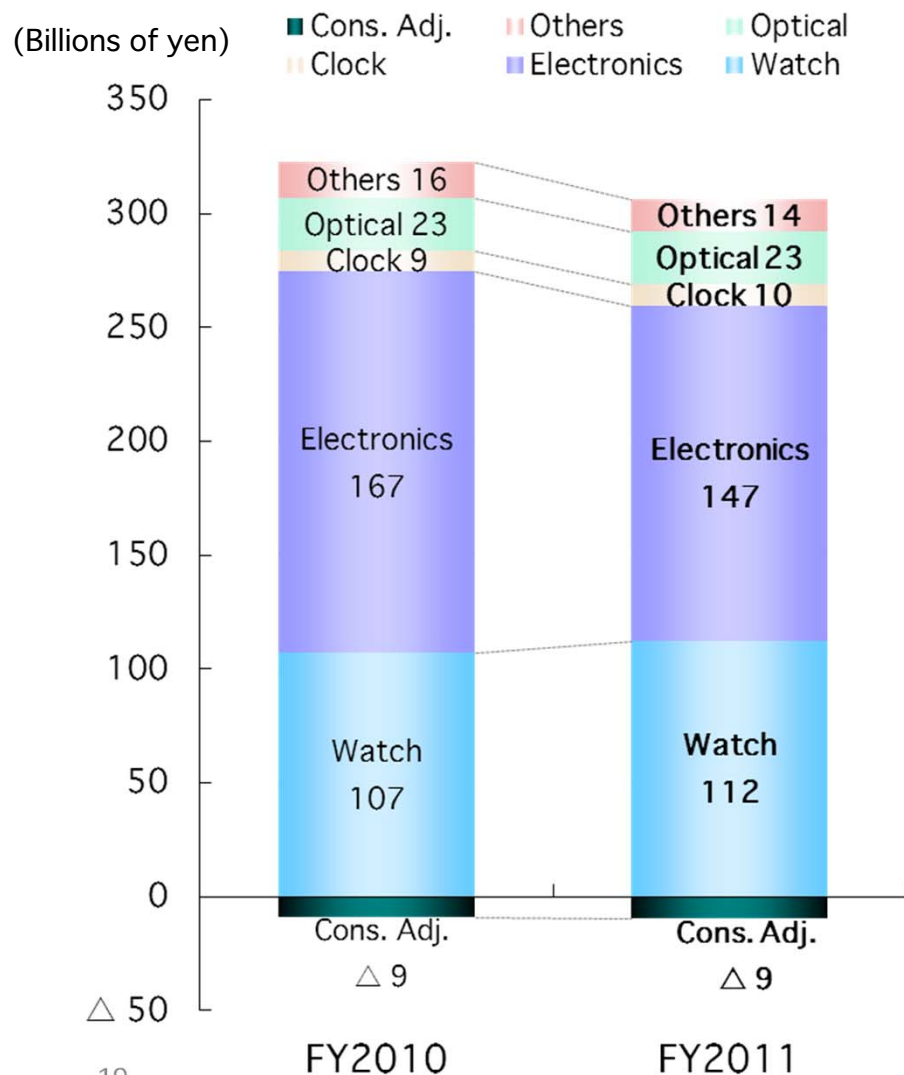
FY2011 Statement of Income (Apr.2011 -Mar.2012)

(Billions of yen)		FY2010 Full Year	FY2011 Full Year	Change	
Sales		313.8	296.9	-16.9	Sales : -16.9
Gross Profit		96.6	90.1	-6.4	Exchange rate fluctuations -12.0
Operating Income		11.6	6.7	-4.9	Operating Income : -4.9
%		3.7%	2.3%	-1.4%	Decrease in GP -6.4
Ordinary Income		6.5	1.2	-5.3	Decrease in S.G.&A Expenses +1.5
%		2.1%	0.4%	-1.7%	Ordinary Income : -5.3
After Tax Income		5.0	-4.7	-9.8	Decrease in Operating Income -4.9
Net Income		2.1	-11.0	-13.2	Equity method income -0.6
%		0.7%	-	-	Decrease in Exchange loss +0.4
					Others -0.3
Exchange Rates (JPY)	USD	85.7	79.1	-6.6	Extraordinary Income/Loss -6.0
	EUR	113.2	109.0	-4.2	Extraordinary Income +7.9
					Insurance income +6.5
					Gain on negative goodwill +0.8
					Others +0.6
					Extraordinary Loss -14.0
					Loss on disaster -5.8
					Special extra retirement payments -3.3
					Loss on valuation of inventories -3.4
					Impairment loss -0.9
					Others -0.6

Statement of Income 4th Quarter (Jan.2012 - Mar. 2012)

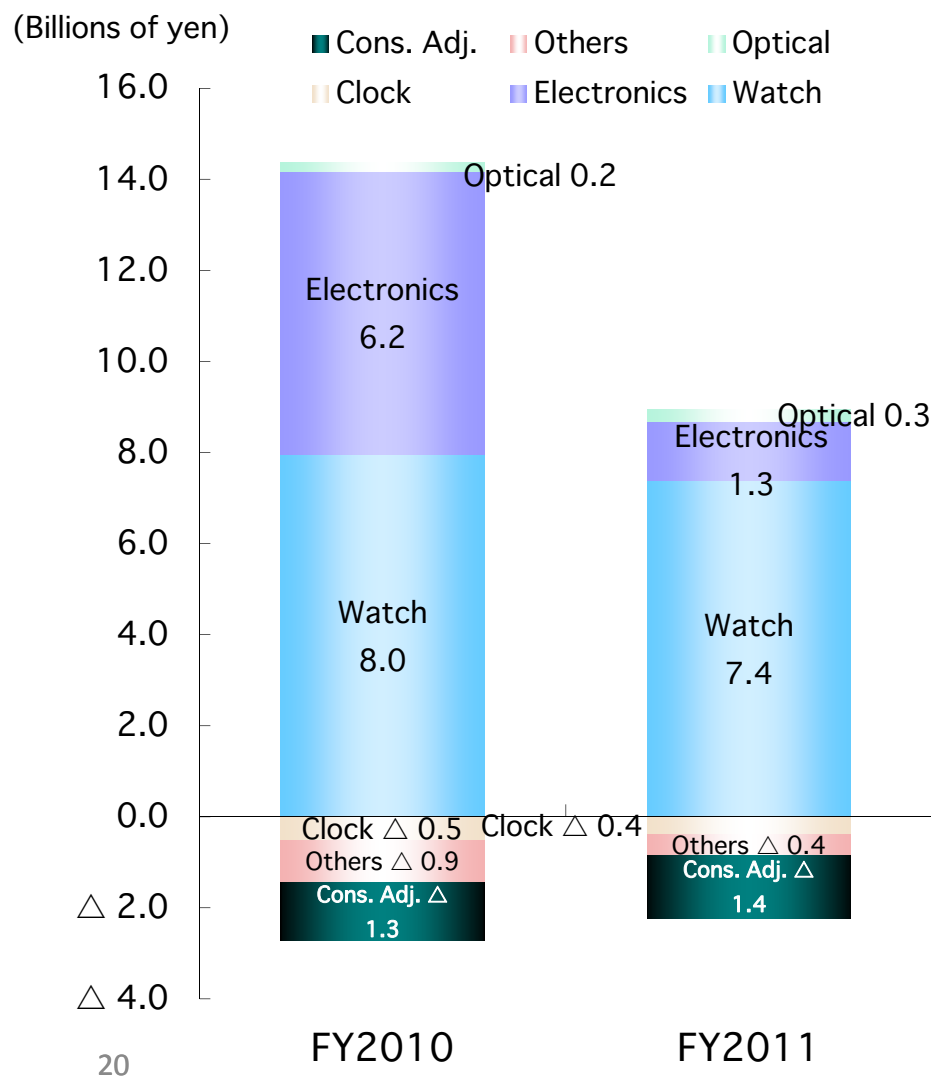
(Billions of yen)		FY2010 Full Year	FY2011 Full Year	Change	
Sales		77.3	71.7	-5.6	Sales : -5.6
Gross Profit		22.8	22.1	-0.7	Exchange rate fluctuations 約-2.0
Operating Income		2.3	0.7	-1.6	Operating Income : -1.6
%		2.9%	1.0%	-2.0%	Decrease in GP -0.7 Increase in Retirement benefit expenses -0.7
Ordinary Income		1.7	-0.1	-1.8	Ordinary Income : -1.8
%		2.2%	—	—	Decrease in Operating Income -1.6 Increase in Exchange loss -0.2 Increase in Equity method income +0.1
After Tax Income		-1.4	-3.2	-1.8	
Net Income		-2.1	-3.8	-1.8	
%		—	—	—	
Exchange Rates (JPY)	USD	82.3	79.4	-2.9	
	EUR	112.7	104.2	-8.5	
					Extraordinary Income/Loss -3.1
					Extraordinary Income 7.4
					Insurance 6.5
					Others 0.8
					Extraordinary Loss -10.4
					Loss on disaster -5.5
					Special extra retirement payments -3.3
					Loss on valuation of inventories -0.7
					Impairment loss -0.6
					Others -0.3

Sales by Reported Segments (Full Year)



(Billions of yen)	FY2010 Full Year	FY2011 Full Year	Change	
Watch	107.0	112.5	+5.5	
Electronics Components	167.5	147.2	-20.3	
Clock	9.4	9.6	+0.2	
Optical Products	22.9	23.0	+0.2	
Others	16.0	14.1	-2.0	
Cons. Total	313.9	296.9	-16.9	
Exc. Rates (JPY)	USD	85.7	79.1	-6.6
	EUR	113.2	109.0	-4.2

Operating Income by Reported Segments (Full Year)

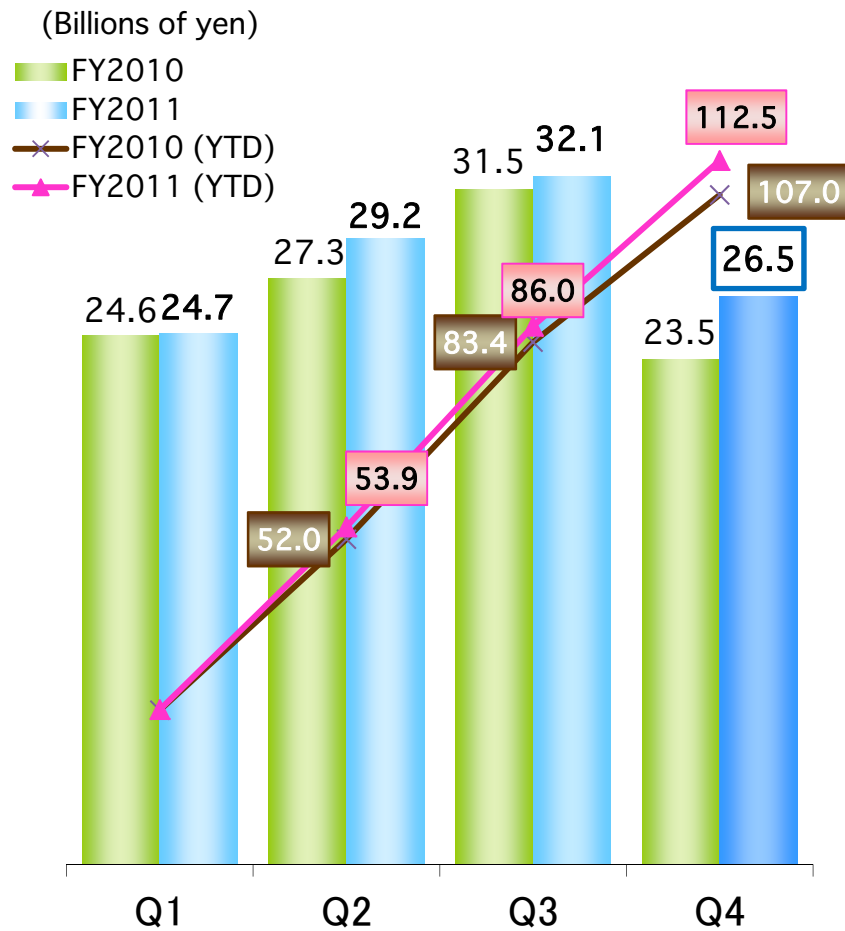


(Billions of yen)	FY2010 Full Year	FY2011 Full Year	Change
Watch	8.0	7.4	-0.6
Electronics Components	6.2	1.3	-4.9
Clock	-0.5	-0.4	+0.1
Optical Products	0.2	0.3	+0.1
Others	-0.9	-0.4	+0.5
Business Total	12.9	8.1	-4.8
Cons. Adj.	-1.3	-1.4	-0.1
Cons. Total	11.7	6.7	-4.9

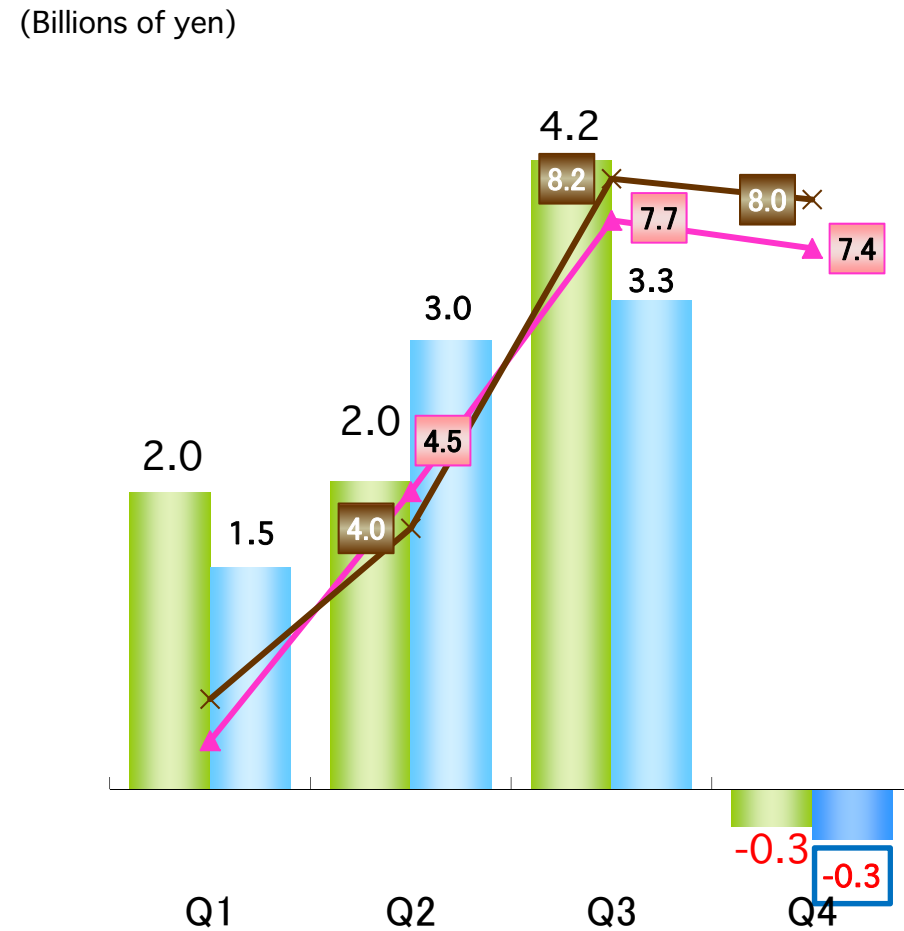
Information by Reported Segments

Watch Business

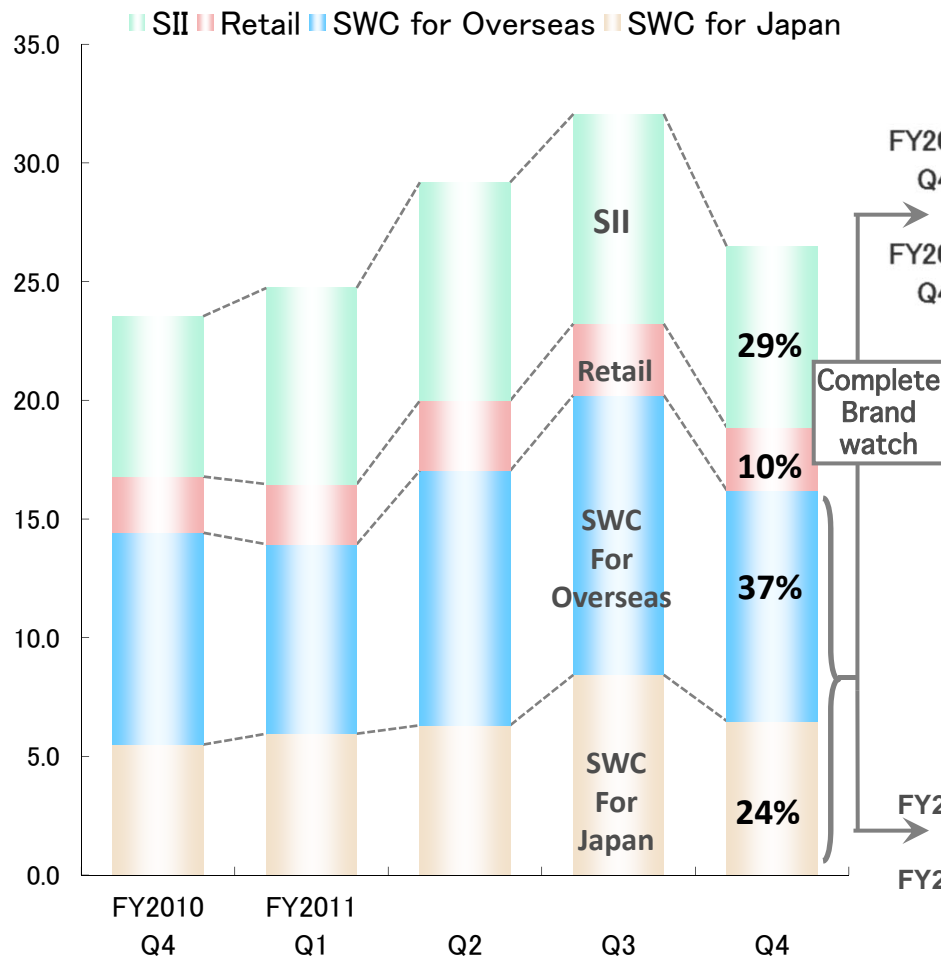
Sales



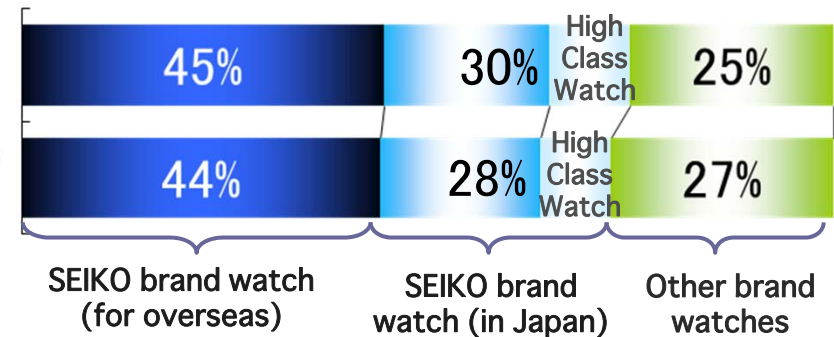
Operating Income



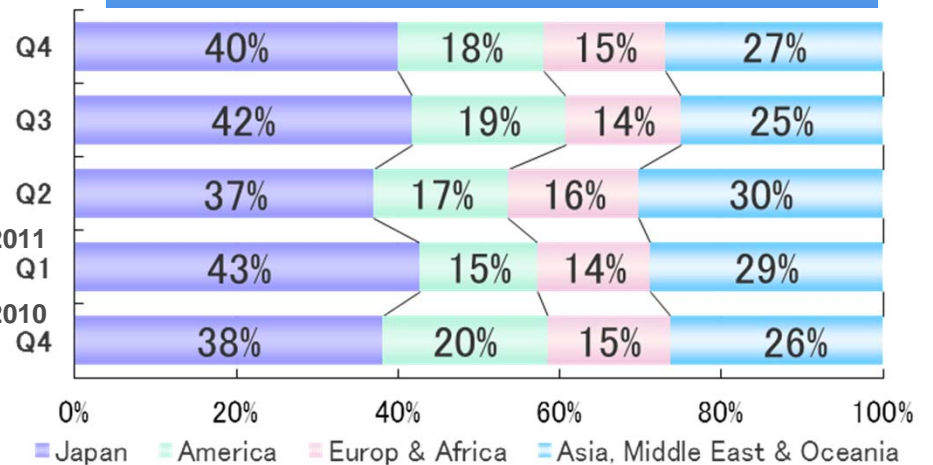
Watch Business



Composition Ratio of Sales of SWC Complete Watch by Brand



Composition Ratio of Sales of SWC Complete Watch by Area



Watch Business

Complete Watch – Japanese Market –

- **High-value range products:**
Sales of the GRAND SEIKO line remained strong and drove luxury product sales overall, exceeding the previous year's level for the entire year.
- **Medium- to low-value range products:**
Sales of BRIGHTZ men's high-function radio wave controlled watches were strong and grew substantially.
Sales of the LUKIA ladies' watch line increased, particularly radio wave controlled solar model's were firm throughout the year.



Watch Business

Complete Watch - Overseas Market-

- North America:
Sales of popular-price products, particularly solar watches, were firm.
- Europe:
Publicity and sales promotion activities conducted under an alliance with FC Barcelona, Spain's leading soccer team, were successful and sales recovered in the second half.
- Asia:
Sales increased steadily with the opening of new shops in China and India and sales in other Asian countries were brisk.



SEIKO
DEDICATED TO PERFECTION

COUTURA. For more than a century, both SEIKO and FC Barcelona have, in our different arenas, been dedicated to perfection. Now, we are partners, celebrating our shared determination to be the best with the new Coutura Chronograph. SEIKO invented the quartz chronograph in 1983 and has timed world class sport for 50 years. All this experience comes together in the new Coutura. With 10 bar water resistance, a sapphire crystal and a 1/5 second chronograph, Coutura is the watch chosen by perhaps the greatest team in world football. seikowatches.com

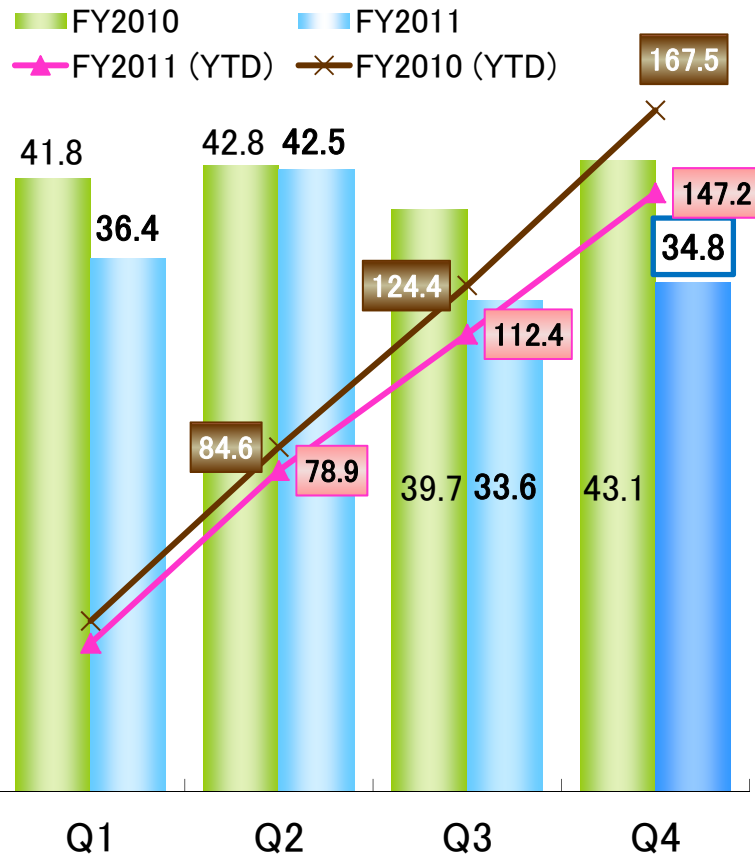
Watch Movement Business

Sales remained solid, particularly for high-added value models such as chronographs.

Electronic Components Business

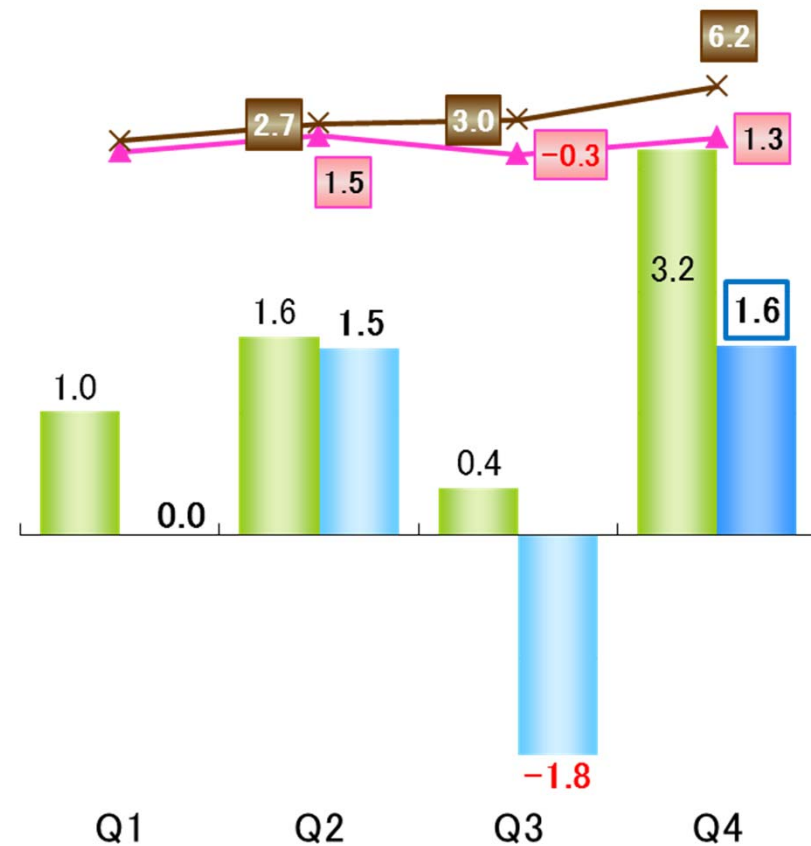
Sales

(Billions of yen)



Operating Income

(Billions of yen)



Electronic Components Business

Mechatronics

- **HDD components:**
Production was suspended as a result of the effects of flooding in Thailand, but a recovery was advanced as planned by starting production in alternative plants and other measures.
- **Shutters:**
Production was resumed in our own plants and some alternative plants, and production has generally returned to pre-flooding levels.
- **Other:**
Although strenuous efforts with compact thermal printers were made in Asian markets, sales declined because of the effects of exchange rates.

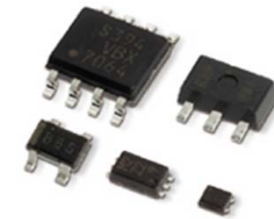


Electronic Components Business

Electronic Components

➤ Semiconductors:

The consumer household electronics and game markets were sluggish and global demand for consumer electronics devices slumped, leading to flagging sales of power supply ICs, oscillator ICs, and other components to EMS in China and Taiwan.



➤ Quartz crystals and storage cells:

In addition to the effects of sluggish demand for consumer electronics, demand slowdown of demand from Chinese mobile phone makers in the second half also reverberated, and sales slumped.



➤ Other:

Sales of ink-jet printer heads to the building materials market increased, and sales remained unchanged from the previous year.



Electronic Components Business

System Applications

➤ Systems:

A mobile Wi-Fi router was launched in February. Sales of new PHS voice terminal products were strong and pushed sales up. Application software was firm as domestic capital investment recovered.



ULTRA WiFi 4G
SoftBank 10151

➤ Digital printers:

Sales were increased by introducing new products, but the slump in global advertising investment caused a decrease in consumables and maintenance services, and as a result, sales were down from the previous year.



ColorPainter™ H-74s

Electronic Components Business

Scientific Instruments

Overseas sales were sluggish because of the effects from high value of the yen and the economic slowdown, but new projects for domestic public agencies and maintenance services were brisk, and sales remained at the previous year's level.

Also, in the radiation measuring instruments field, special demand for measuring radioactive substances in foods continued from the effects of the nuclear power plant accident, and sales of germanium semiconductor detection systems and survey meters were up sharply from the previous year.

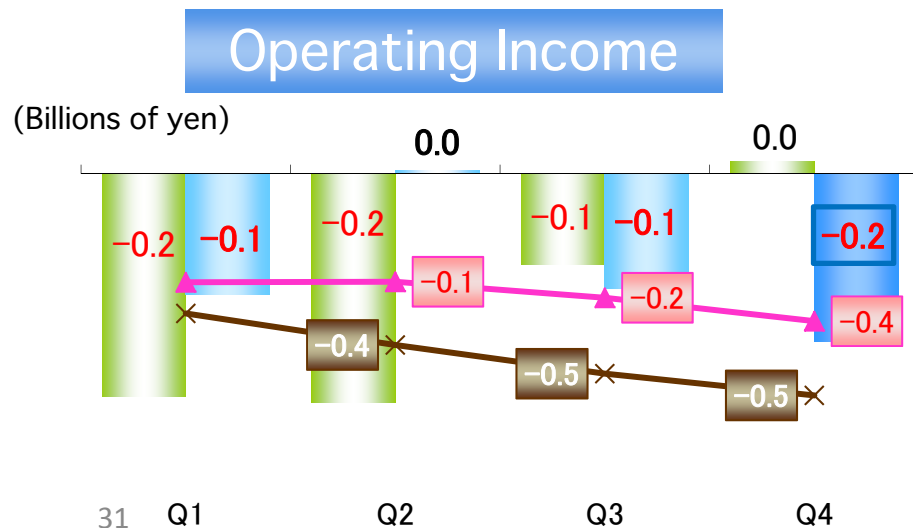


Clock Business



Japanese Market

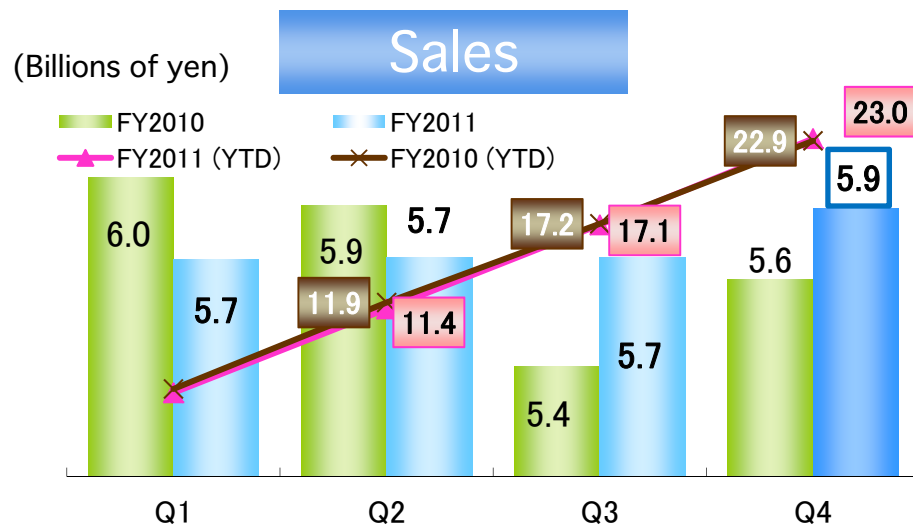
Sales to mass merchandisers were brisk and sales were up, but component supplies were delayed because of the damage from flooding in Thailand, and sales fell sharply starting in the third quarter.



Overseas Market

Sales to the US were solid. However, in the high price range, supplies of Melody in Motion models were suspended due to the effect of flooding in Thailand and made substantial impact on sales in the US, UK, China, and other countries.

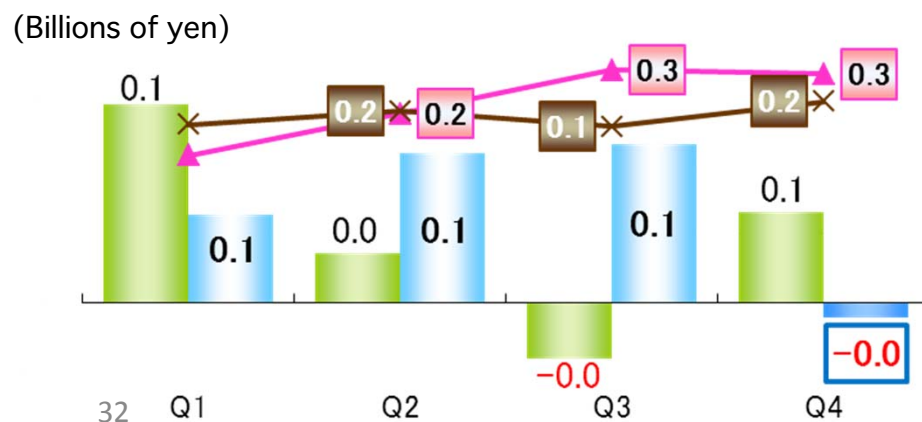
Optical Products Business



Japanese Market

Efforts were made to develop new sales channels, and sales of the new SEIKO PURSUIT NV lenses for far and near vision launched in November with the aim of establishing a new standard were brisk, resulting in higher sales.

Operating Income



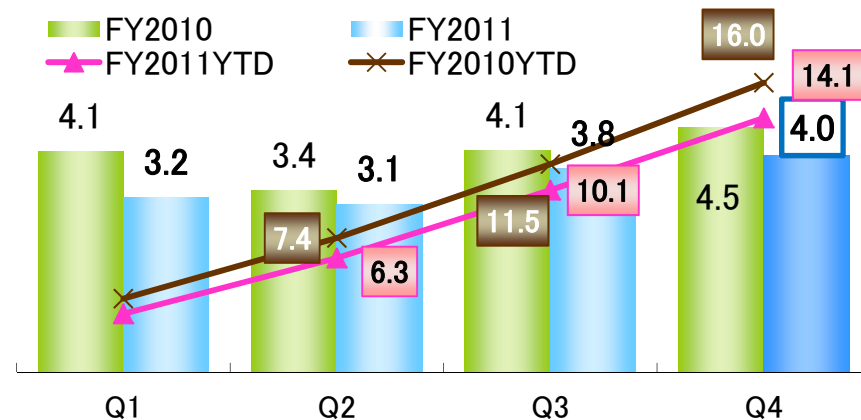
Overseas Market

- In Europe, sales to leading eyeglasses chains remained active, but slumping sales to major chains in the US resulted in sluggish sales.
- Sales in China, although still small in scale, were firm and expanded.

Other Businesses

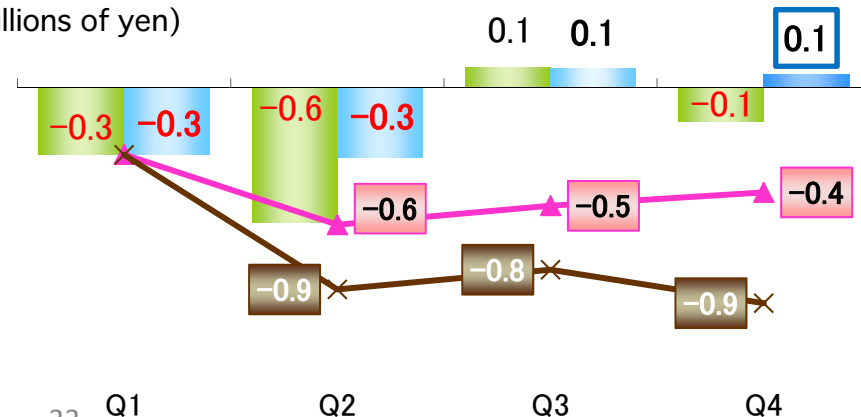
(Billions of yen)

Sales



Operating Income

(Billions of yen)



Retail Business

- Sales at the Seiko Salon on the first floor of the main Ginza store, especially of Grand Seiko products, were up sharply.
- Sales of other products including ladies accessories and art products were brisk.

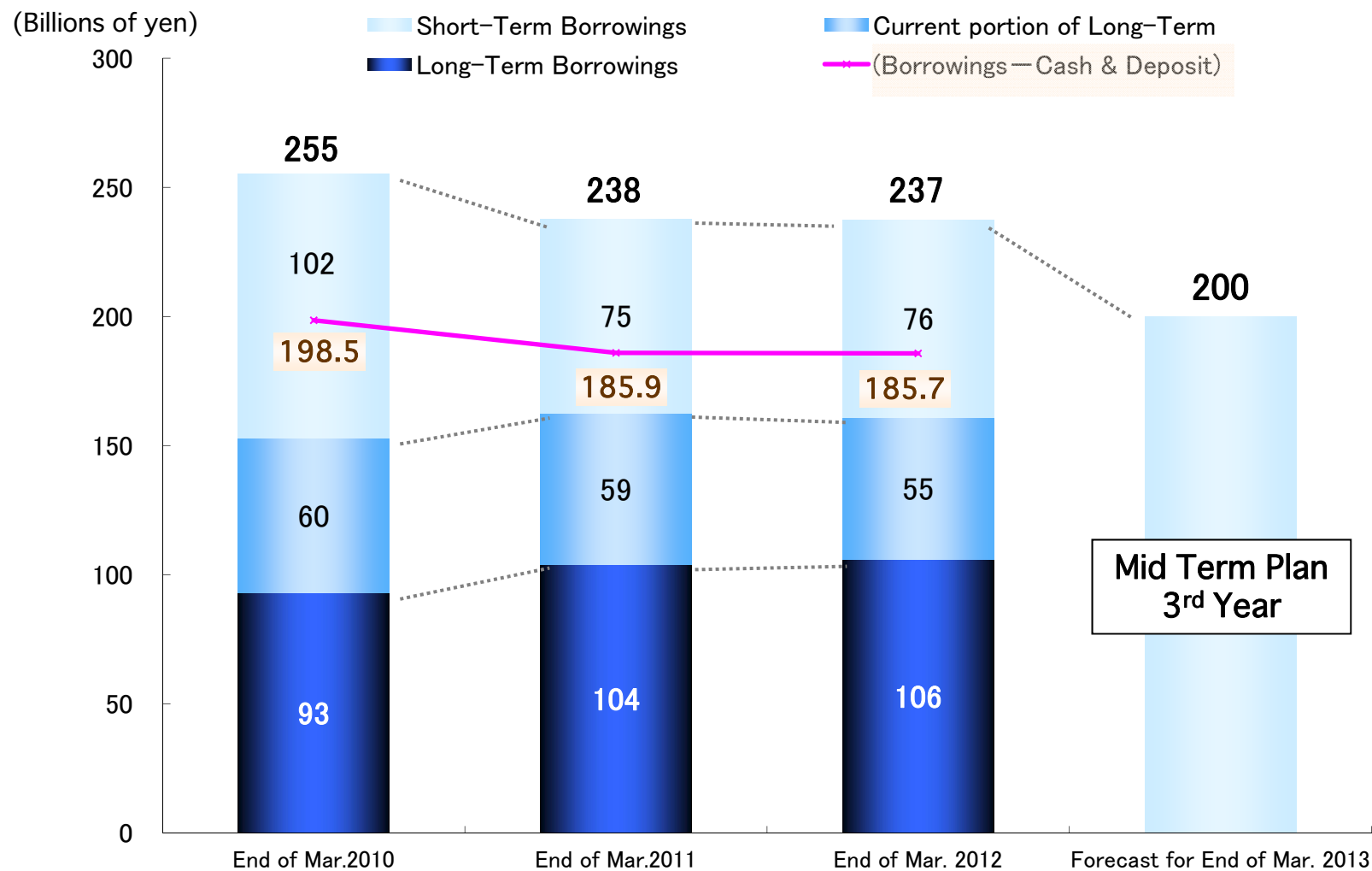
Other Business

- Sales fell due to the withdrawal from the golf business in May but operating income has improved.
- In Facility clock business, sales fell due to the postponement of major projects and other reasons.

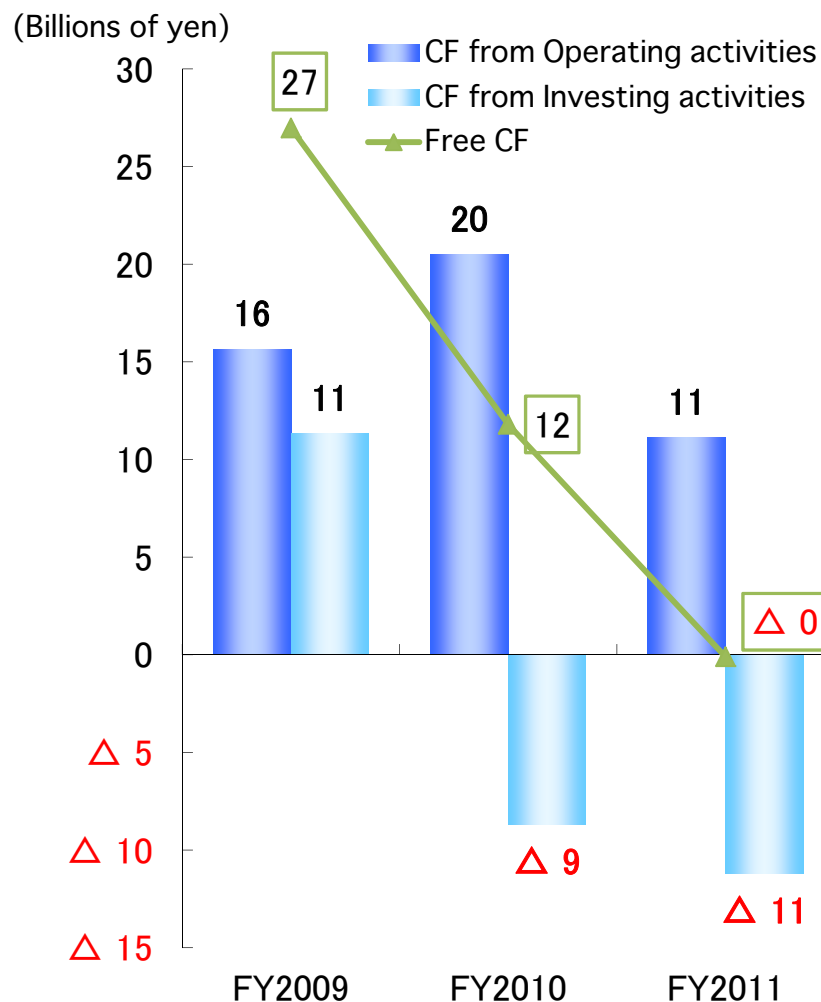
Balance Sheet as of 31 Mar., 2012

(Billions of yen)	31 March 2010	31 March 2011 (a)	31 March 2012 (b)	Change (b) - (a)
A/R	50.9	50.9	50.5	-0.4
Inventories	57.8	61.0	59.4	-1.6
Tangible Fixed Assets	163.2	162.9	153.0	-9.9
Loan Payable	255.1	237.9	237.5	-0.4
Net Assets	42.6	46.3	32.0	-14.3
Total Assets	406.0	400.5	386.1	-14.3
Equity Capital Ratio	8.7%	9.3%	6.2%	-3.1%
Net Debt Equity Ratio	4.7	4.1	5.9	+1.8
Number of Employees	18,639	18,442	15,968	-2,474

Balance of Borrowings



Cash Flow



(Billions of yen)

	FY2009	FY2010	FY2011
Income before income tax and minority interests	△ 2	5	△ 5
Depreciation and amortization	12	17	15
Others	7	△ 1	1
Net cash provided by (use in) operating activities	16	20	11
Purchase of property, plant and equipment	△ 4	△ 13	△ 13
Others	15	5	2
Net cash provided by (use in) investing activities	11	△ 9	△ 11
Net increase (decrease) in borrowings	△ 13	△ 17	△ 0
Others	△ 1	2	0
Net cash provided by (use in) financing activities	△ 14	△ 14	0
Effect of exchange rate changes on cash and cash equivalents etc.	26	△ 1	△ 1
Cash and cash equivalents at end of period	55	52	51
Free cash flow	27	12	△ 0

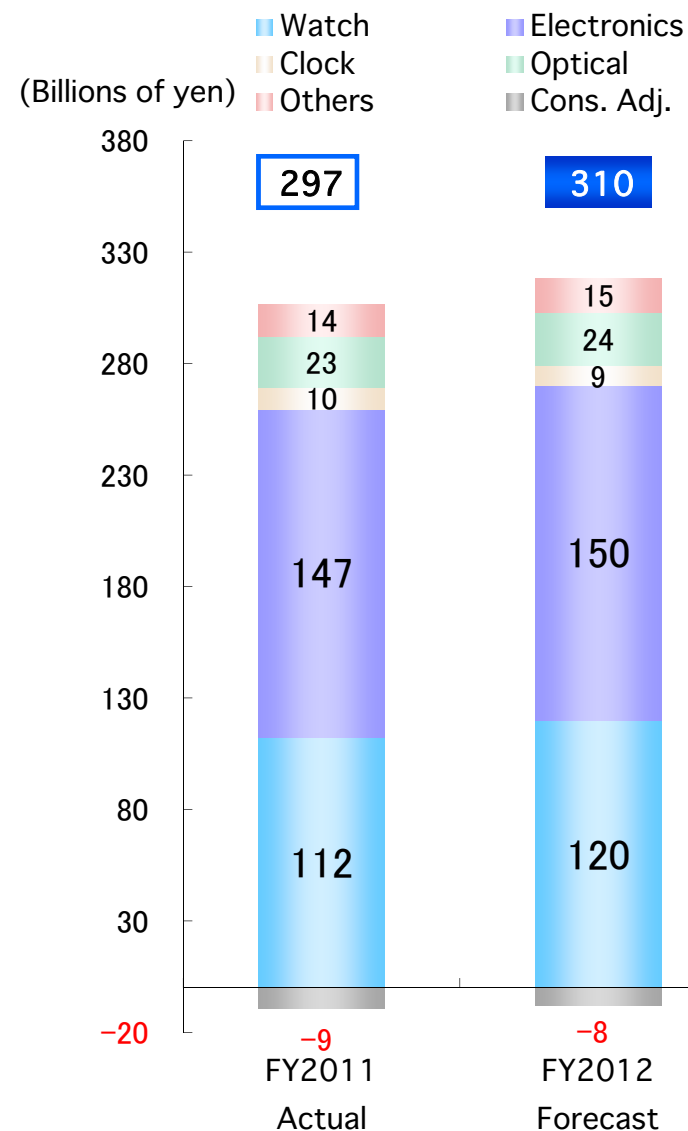
3. Financial Forecast for FY2012

Summary of Financial Forecast for FY2012

(Billions of yen)	FY2011 Actual	FY2012 Forecast		Change	Mid Term Plan 3 rd Year	
		1 st Half	Full Year			
Sales	2,969	1,520	3,100	+131	4,100	
Operating Income	67	30	110	+43	210	
%	2.3%	2.0%	3.5%	+1.2%	4.4%	
Ordinary Income	12	5	60	+48	170	
%	0.4%	0.3%	1.9%	+1.5%	4.1%	
Net Income	-110	0	50	+160	100	
%	—	—	1.6%	—	2.4%	
Exchange Rate (JPY)	USD	79.1	80.0	80.0	+0.9	90.0
	EUR	109.0	105.0	105.0	-4.0	130.0

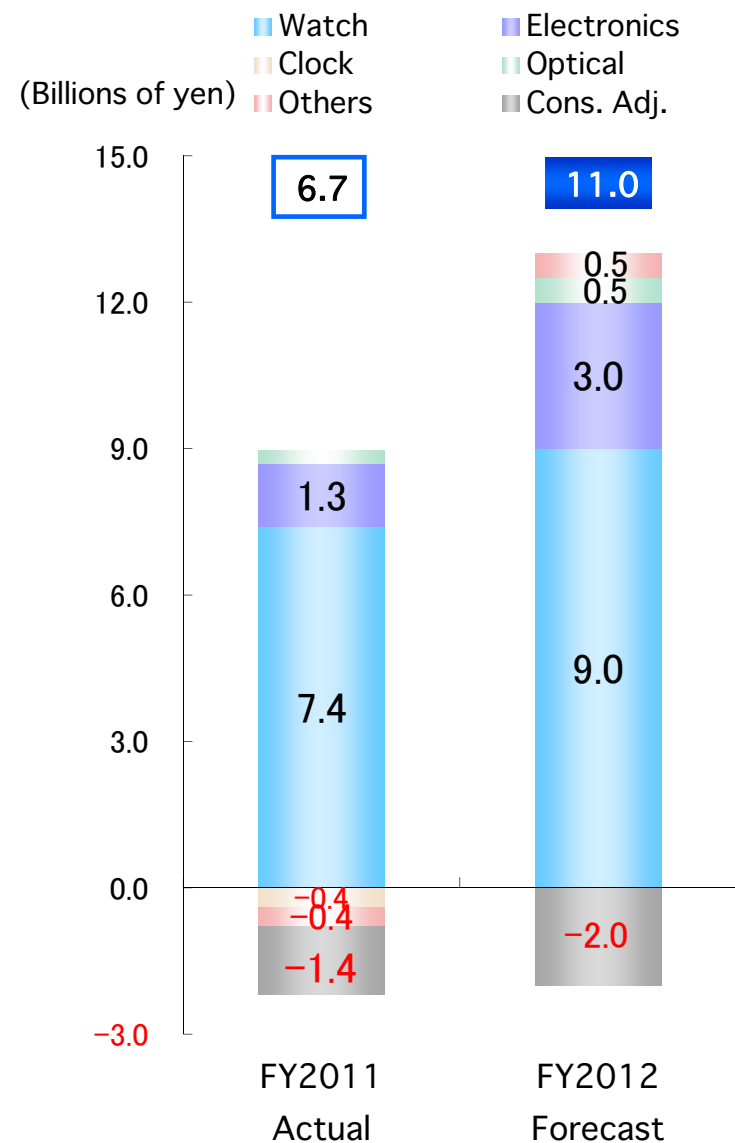
Financial Forecasts for FY2012 by Segment -Sales-

(Billion of yen)	Sales			Mid Term Plan 3 rd Year
	FY2011 Actual	FY2012 Forecast	Change	
Watch	112.5	120.0	+7.5	110.0
Electronics Components	147.2	150.0	+2.8	245.0
Clock	9.6	9.0	-0.6	10.0
Optical Products	23.0	24.0	+1.0	28.0
Others	14.1	15.0	+0.9	30.0
Cons. Total	296.9	310.0	+13.1	410.0



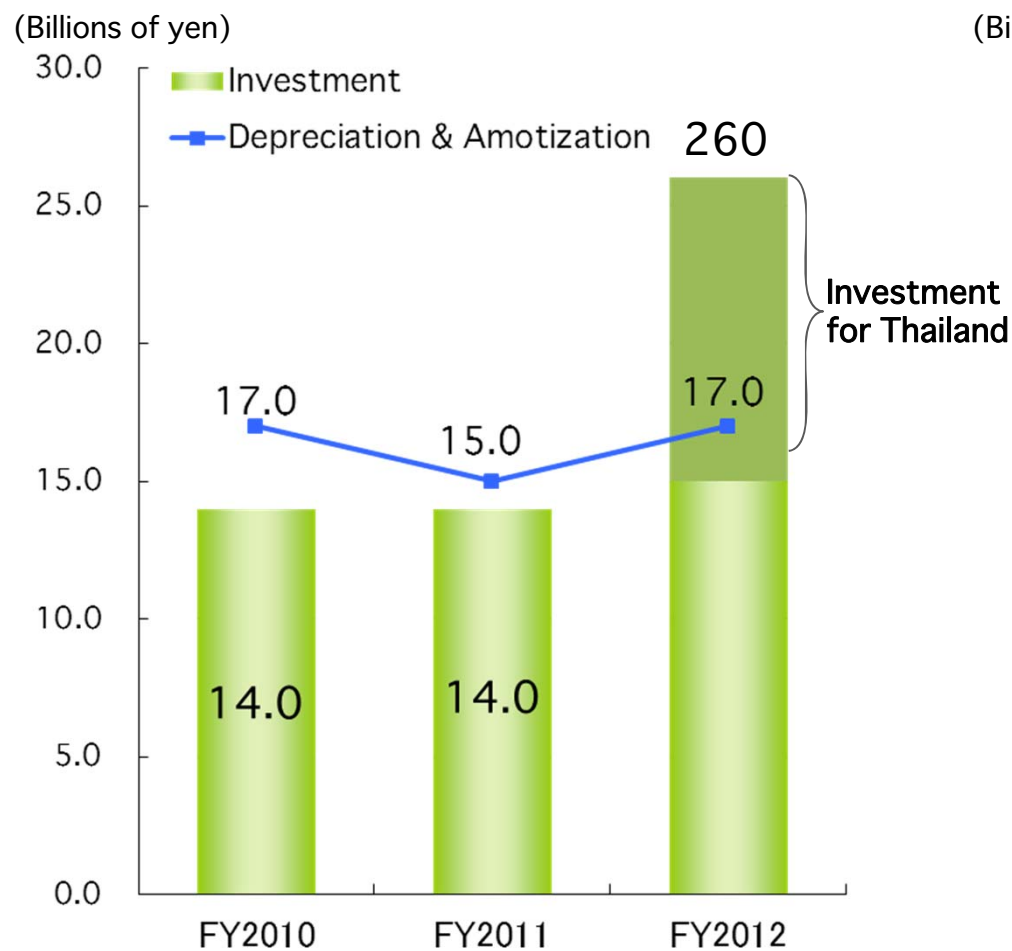
Financial Forecasts for FY2012 by Segment -Operating Income-

(Billions of yen)	Operating Income			Mid Term Plan 3 rd Year
	FY2011 Actual	FY2012 Forecast	Change	
Watch	74	90	+16	80
Electronics Components	13	30	+17	100
Clock	-4	0	+4	4
Optical Products	3	5	+2	3
Others	-4	5	+9	3
Cons. Total	67	110	+43	210

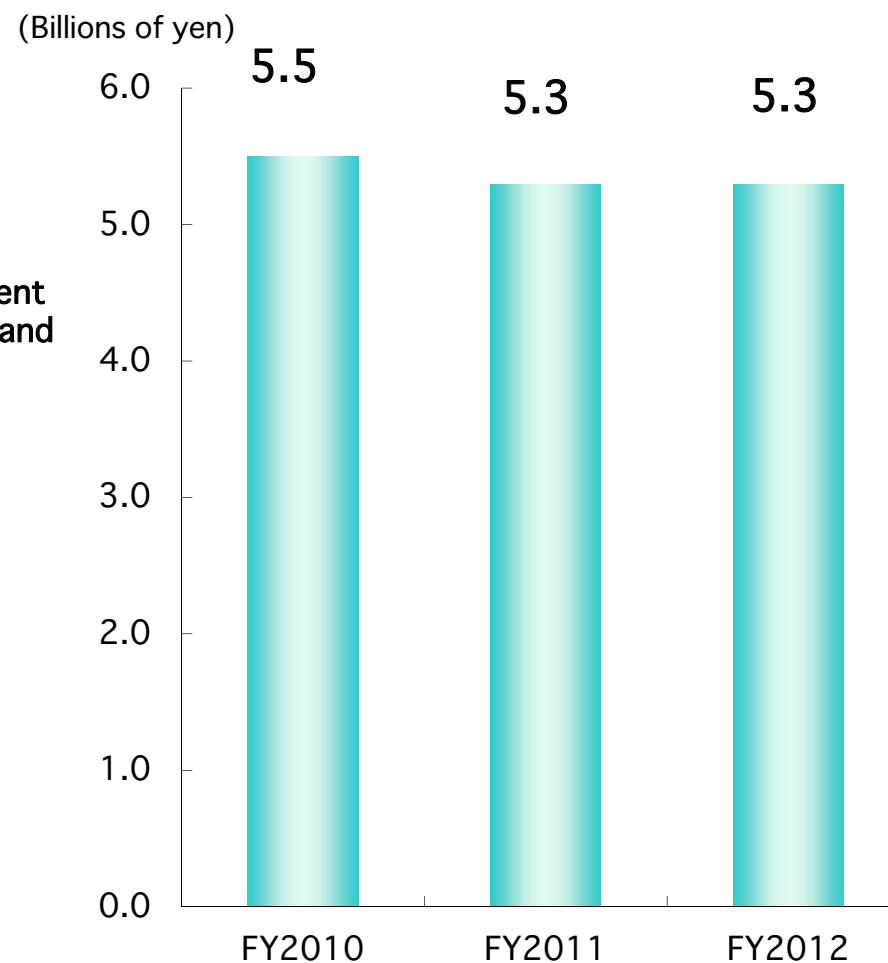


Investment / Research and Development Cost

Investment



Research & Development



Exchange Rate

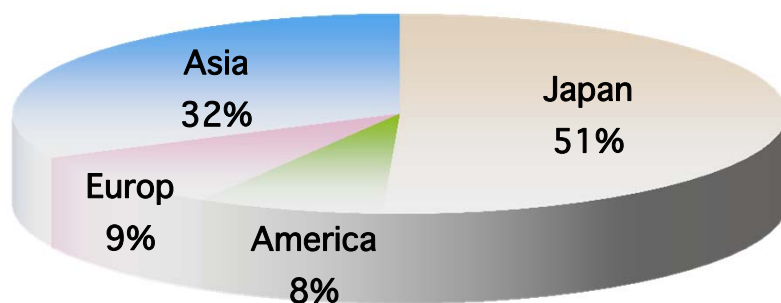
Sensitivity by Exchange Rate

FY2012	USD	EUR
Original Budget Rate	JPY 80.0	JPY 105.0
For Sales (Billion of yen)	2.0	0.2
For Income (Billion of yen)	0.6	0.1

FY2011

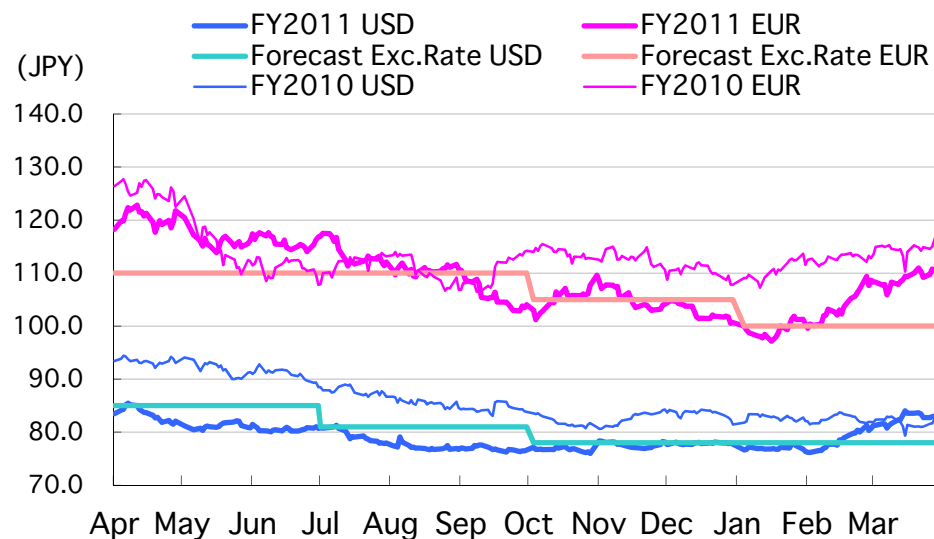
		Q1	Q2	Q3	Q4	Average (Q1-Q4)
Average	USD	81.7	77.8	77.4	79.4	79.1
	EUR	117.4	110.2	104.3	104.2	109.0
Closing date	USD	80.7	76.6	77.7	82.1	—
	EUR	116.8	104.0	100.7	109.7	—

Sales by Aria



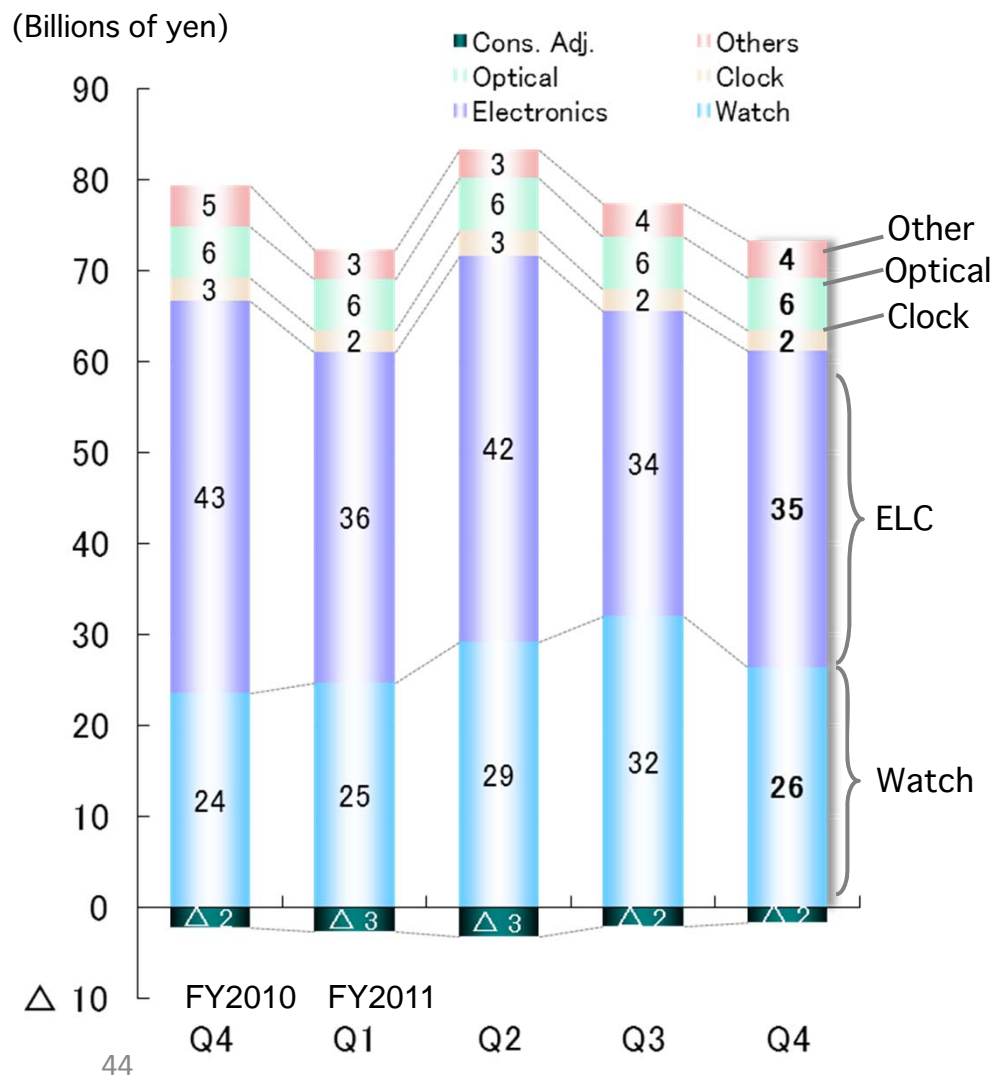
*FY2011 Actual data

Trend of Exchange Rate



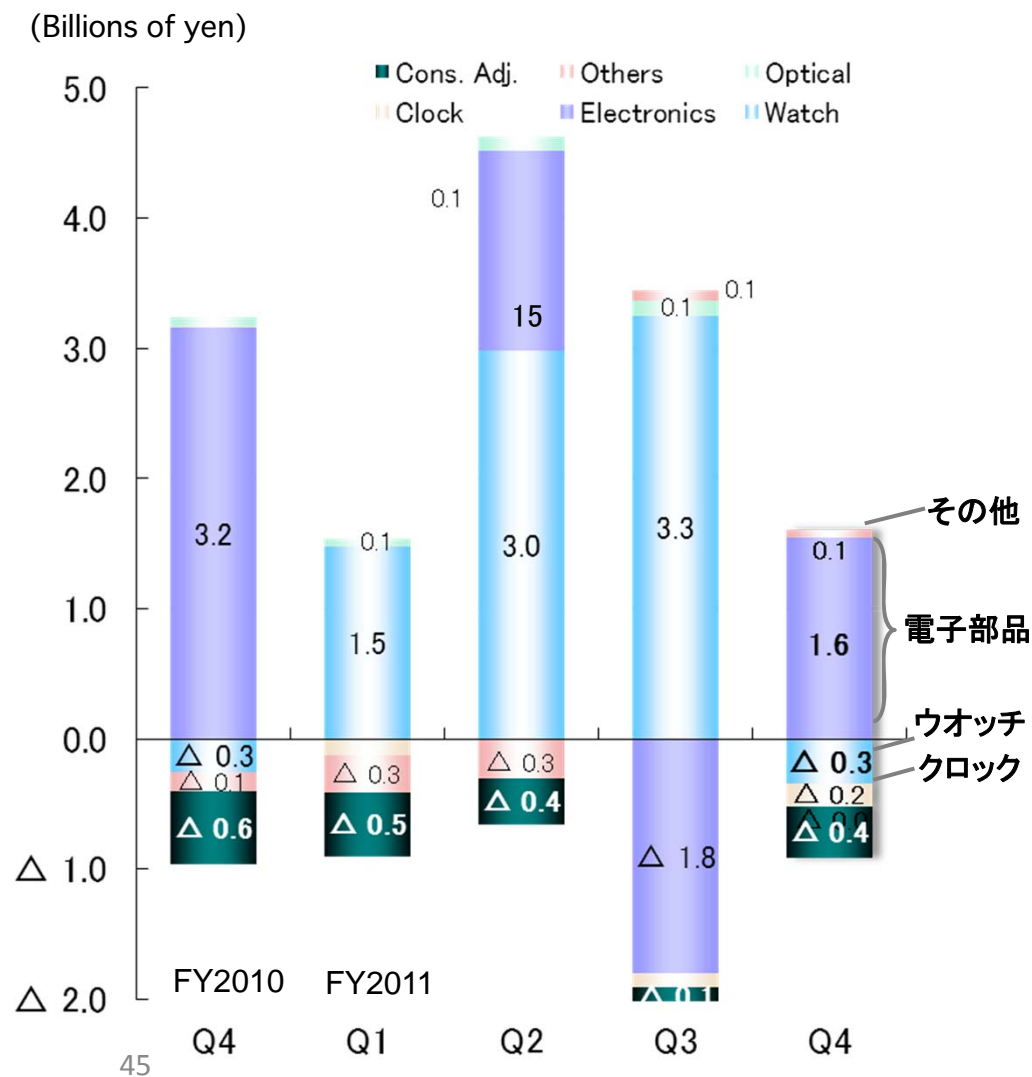
Appendix

Sales by Reported Segments 4th Quarter (Jan.-Mar.2012)



(Billions of yen)	FY2010 Q4	FY2011 Q4	Change	
Watch	235	265	+29	
Electronics Components	431	348	-83	
Clock	26	22	-4	
Optical Products	56	59	+2	
Others	45	40	-5	
Cons. Total	773	717	-56	
Exc. Rates (JPY)	USD	82.3	79.4	-2.9
	EUR	112.7	104.2	-8.5

Operating Income by Reported Segments 4th Quarter (Jan.-Mar. 2012)



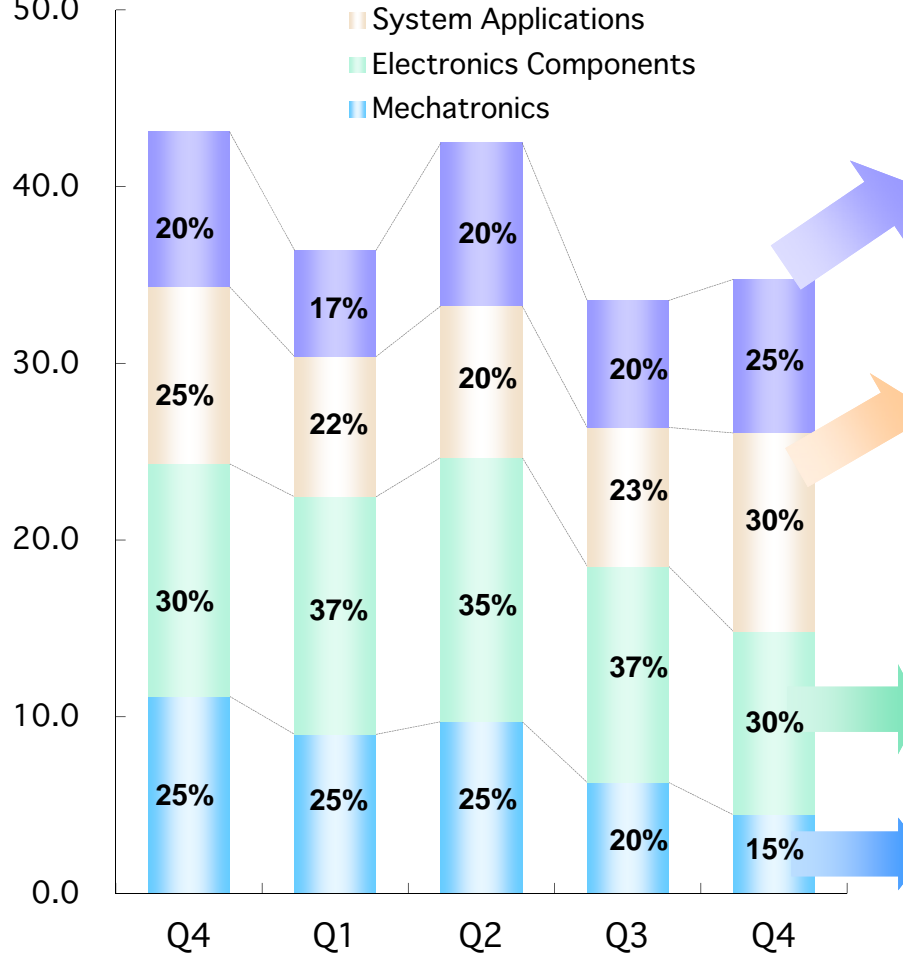
(Billions of yen)	FY2010 Q4	FY2011 Q4	Change
Watch	-3	-3	-1
Electronics Components	32	16	-16
Clock	0	-2	-2
Optical Products	1	-0	-1
Others	-1	1	+2
Business Total	28	11	-17
Cons. Adj.	-6	-4	+2
Cons. Total	23	7	-16

Electronic Components Business

Composition of Sales

(Billions of yen)
50.0

- Scientific Instruments & Others
- System Applications
- Electronics Components
- Mechatronics



Scientific Instruments & Others

Measurement and analysis instruments, Radiation detection and measurement Systems, Mobile display, etc.

System Applications

Order Entry Systems, Electronic dictionaries, Color printers, and Network system etc.

Electronics Components

CMOS ICs, Quartz crystals, Micro batteries, LCD devices, and Oscillator ICs, etc.

Mechatronics

Hard disk component, Precision mechanical devices, Thermal printer unit, Camera Shutters and assembly of precision machinery, etc.

End
