

13 November 2012

CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

Financial Highlights

For the six months ended 30 September 2012 (2Q FY2012)

	2Q FY2012		2Q FY2011
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	144,631	1,863,561	149,803
Operating income	6,072	78,237	4,620
Ordinary income	3,752	48,344	603
Net income	(1,077)	(13,877)	(2,395)
Earnings per share (yen)	(5.89)	\$(0.08)	(13.11)
	30 September 2012		31 March 2012
Total assets	372,336	4,797,526	386,128
Net assets	31,337	403,775	31,965

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 77.61yen/dollar.

Business Results

1. Overview

For the six-month period ending 30 September 2012, on a consolidated basis, SEIKO HOLDINGS CORPORATION ("Company") reported domestic net sales of 74.6 billion yen (a year-on-year increase of 4.5%) and overseas net sales of 69.9 billion yen (a year-on-year decrease of 10.7%), with the latter comprising 48.4% of net sales overall (relative to 52.3% for the same period last fiscal year). In terms of income, reductions in the cost of sales achieved in part through restructuring efforts conducted during the last fiscal year combined with cutbacks in sales, general and administrative expenses to yield operating income of 6.0 billion yen, a 1.4 billion-yen increase over the same period last fiscal year. Moreover, due to a year-on-year improvement in non-operating income and expenditure, ordinary income increased by 3.1 billion yen over the same period last fiscal year to become 3.7 billion yen. However, although 3.4 billion yen in

insurance income and 1.5 billion yen in gains on sales of noncurrent assets were posted under extraordinary income, a total of 7.5 billion yen consisting mainly of 6.4 billion yen in losses on valuation of investments in securities and 0.6 billion yen in losses on disasters was posted under extraordinary losses. Consequently, quarterly net losses minus income taxes and minority interests in income came to 1.0 billion yen (relative to net losses of 2.3 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 six-month period ending 30 September 2012 came to 57.8 billion yen, a year-on-year increase of 3.8 billion yen, or 7.2%. In Japan, sales across a wide spectrum of price ranges, from the GRAND SEIKO, CREDOR and other high-value range products to 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. Upon its simultaneous worldwide release in September 2012, the ASTRON, which represents the world's first solar GPS watch, was highly received by the market. On the overseas front, sales to China and other Asian countries as well as those to South America progressed satisfactorily. Sales also exceeded those during the same period last fiscal year for numerous countries in Europe and the United States as well. Watch movement sales also progressed at a favorable pace.

With regards to income, the increase in net sales yielded a year-on-year increase of 0.9 billion yen in operating income, bringing it to 5.3 billion yen.

b. Electronic components business

Net sales in the electronic components business came to 69.2 billion yen (a year-on-year decrease of 12.2%), with operating income coming to 1.4 billion yen (a year-on-year decrease of 7.5%). 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 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 4.3 billion yen (a year-to-year decrease of 14.1%). 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 0.4 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 11.0 billion yen (a year-on-year decrease of 3.1%). In Japan, sales of both high value-added single-vision lenses and the SEIKO PURSUIT PV, which boasts the world's first Cross Surface Design® (double-sided control design), progressed on a favorable note, causing sales of lens products to significantly exceed those for the same period last fiscal year. Meanwhile, 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 13 million yen in operating income, a year-on-year decrease of 157 million yen, or 92.2%.

e. Other businesses

In other businesses, net sales came to 6.1 billion yen (a year-on-year decrease of 2.9%) and operating losses to 0.2 billion yen (relative to operating losses of 0.5 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 at the close of the six-month period ending 30 September 2012 amounted to 372.3 billion yen, a decline of 13.7 billion yen relative to the end of the previous fiscal year. Total current assets came to 176.1 billion yen, an

increase of 1.0 billion yen. This was mainly the culmination of a 2.6 billion-yen decrease in notes and accounts-receivable trade and a 4.2 billion-yen decrease in accounts receivable-other, which negated a 2.4 billion-yen increase in cash and deposits and a 5.7 billion-yen increase in inventories. Under noncurrent assets, a 5.2 billion-yen decrease in property, plant and equipment and a 4.1 billion-yen decrease in intangible assets were compounded by a 5.4 billion-yen decrease in investment and other assets, causing total noncurrent assets to decrease by 14.8 billion yen to 196.2 billion yen.

For liabilities, while notes and accounts payable-trade increased by 6.2 billion yen, long- and short-term loans payable decreased by 15.3 billion yen and accounts payable-other decreased by 5.5 billion yen. These were the prime factors in the Company's posting of 340.9 billion yen in total liabilities, a decrease of 13.1 billion yen over the end of the previous fiscal year.

The posting of quarterly net losses was the main contributor to a decrease of 0.7 billion yen posted in shareholders' equity. Additionally, accumulated other comprehensive income declined by 0.2 billion yen, causing total net assets to decrease by 0.6 billion yen over the end of the previous fiscal year to 31.3 billion yen.

Status of Cash Flows

The balance of cash and cash equivalents at the close of the six-month period ending 30 September 2012 came to 54.0 billion yen, an increase of 2.7 billion yen relative to the end of the year ending 31 March 2012. This can be primarily attributed to the following factors.

(Cash Flow from Operating Activities)

Cash flow from operating activities improved by 13.2 billion yen over the previous fiscal year, yielding positive cash flow of 11.8 billion yen (relative to negative cash flow of 1.3 billion yen for the same period last fiscal year). This was primarily the cumulation of 1.1 billion yen in quarterly net income before taxes and minority interests, 6.2 billion yen in depreciation and amortization, 6.4 billion yen in losses on valuation of investments in securities, and 3.7 billion yen in proceeds from insurance income that were added to cash flow and 5.6 billion yen in payments for extra retirement payments that were deducted from cash flow.

(Cash Flow from Investment Activities)

Cash flow from investment activities was positive at 4.6 billion yen (relative to negative cash flow of 4.2 billion yen for the same period last fiscal year). This was due to income consisting mainly of 8.6 billion yen from sales of property, plant and equipment and 3.8 billion yen from sales of intangible assets, which offset expenditure consisting mainly of 7.7 billion yen in acquisitions of property, plant and equipment.

(Cash Flow from Financing Activities)

Cash flow from financing activities was negative at 13.2 billion yen (relative to negative cash flow of 1.7 billion yen for the same period last fiscal year). This was mainly due to borrowings and the repayment of long-term and short-term loans payable.

Outlook for the Year Ending 31 March 2013

For the third quarter of the current fiscal year and beyond, based mainly on numerous sources of concern such as decelerated economic growth in China and other developing countries and the resulting deep sense of uncertainty regarding conditions of the electronic device-related market, the Company has revised its business results forecast for the full fiscal year.

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

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

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	290.0	-2.3
Operating income	9.5	41.1
Ordinary income	5.0	290.5
Net income	2.5	—

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

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watch Business	115.0	8.5
Electronic Components Business	135.0	2.0
Clock Business	9.0	0.0
Optical Products Business	24.0	0.5
Other Businesses	15.0	0.5
Total for all business segments	298.0	11.5
Consolidated total	290.0	9.5

Note: Consolidated total represents figures after consolidation adjustment such as the elimination of intersegment sales.

The forecasted results that appear above have been prepared based on information currently available to the Company and on certain assumptions determined by the Company to be reasonable. Actual business results, etc. may largely differ from forecasted figures due to a number of factors.

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Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

30 September 2012

	Millions of yen	
	30 September 2012	31 March 2012
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	54,210	51,765
Notes and accounts receivable-trade	47,808	50,483
Inventories	65,168	59,370
Accounts receivable-other	2,287	6,554
Deferred tax assets	3,162	3,759
Other	5,395	4,760
Allowance for doubtful accounts	(1,909)	(1,600)
Total current assets	176,124	175,092
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	100,698	107,138
Machinery, equipment and vehicles	97,806	95,607
Tools, furniture and fixtures	34,031	34,369
Other	5,190	4,781
Accumulated depreciation	(172,150)	(171,802)
Land	79,028	81,289
Construction in progress	3,111	1,601
Subtotal	147,716	152,985
Intangible assets:		
Goodwill	9,905	10,269
Other	6,246	9,993
Subtotal	16,151	20,263
Investments and other assets:		
Investment securities	25,409	30,190
Deferred tax assets	1,526	1,620
Other	8,841	9,415
Allowance for doubtful accounts	(3,433)	(3,439)
Subtotal	32,344	37,786
Total noncurrent assets	196,212	211,035
Total assets	372,336	386,128

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	Millions of yen	
	30 September 2012	31 March 2012
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	50,263	44,005
Short-term loans payable	75,065	76,454
Current portion of long-term loans payable	75,016	55,188
Accounts payable-other	11,370	16,962
Income taxes payable	1,690	1,751
Deferred tax liabilities	71	63
Provision for bonuses	1,330	1,337
Other provision	621	833
Asset retirement obligations	17	35
Other	10,650	9,854
Total current liabilities	226,097	206,487
Noncurrent liabilities:		
Long-term loans payable	72,024	105,807
Deferred tax liabilities	5,693	5,555
Deferred tax liabilities for land revaluation	4,218	4,808
Provision for retirement benefits	21,567	21,843
Other provision	1,022	998
Asset retirement obligations	341	338
Negative goodwill	378	568
Other	9,655	7,753
Total noncurrent liabilities	114,901	147,675
Total liabilities	340,998	354,162

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	Millions of yen	
	30 September 2012	31 March 2012
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	2,853	7,550
Retained earnings	15,717	11,746
Treasury stock	(880)	(880)
Subtotal	27,690	28,416
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	506	(338)
Deferred gains or losses on hedges	(269)	(273)
Revaluation reserve for land	7,617	7,835
Foreign currency translation adjustment	(12,458)	(11,560)
Subtotal	(4,603)	(4,336)
Minority interests	8,251	7,885
Total net assets	31,337	31,965
Total liabilities and net assets	372,336	386,128

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended 30 September 2012

	Millions of yen	
	2Q FY 2012	2Q FY 2011
	Amount	Amount
Net sales	144,631	149,803
Cost of sales	99,804	104,838
Gross profit	44,827	44,964
Selling, general and administrative expenses	38,754	40,344
Operating income	6,072	4,620
Non-operating income:		
Interest income	116	154
Dividends income	116	91
Equity in earnings of affiliates	506	176
Other	749	748
Subtotal	1,488	1,169
Non-operating expenses:		
Interest expenses	2,508	2,742
Other	1,300	2,444
Subtotal	3,808	5,186
Ordinary income	3,752	603
Extraordinary income:		
Insurance income	3,418	–
Gain on sales of noncurrent assets	1,560	252
Reversal of provision for loss on disaster	–	367
Subtotal	4,979	620
Extraordinary loss:		
Loss on valuation of investment securities	6,432	–
Loss on disaster	639	–
Loss on valuation of inventories	–	1,578
Loss on sales of investment securities	–	136
Other	501	301
Subtotal	7,573	2,017
Income (loss) before income taxes and minority interests	1,159	(793)
Income taxes	1,870	1,205
Loss before minority interests	(711)	(1,998)
Minority interests in income	365	397
Net loss	(1,077)	(2,395)

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended 30 September 2012

	Millions of yen	
	2Q FY 2012	2Q FY 2011
	Amount	Amount
Loss before minority interests	(711)	(1,998)
Other comprehensive income		
Valuation difference on available-for-sale securities	862	(2,517)
Deferred gains or losses on hedges	4	(158)
Revaluation reserve for land	283	–
Foreign currency translation adjustment	(1,141)	(2,062)
Share of other comprehensive income of associates accounted for using equity method	291	81
Subtotal	300	(4,656)
Comprehensive income	(410)	(6,655)
Comprehensive income attributable to owners of the parent	(842)	(6,950)
Comprehensive income attributable to minority interests	432	295

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Statements of Cash Flows

Seiko Holdings Corporation and Consolidated Subsidiaries
For the Six Months Ended 30 September 2012

	Millions of yen	
	2Q FY 2012	2Q FY 2011
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	1,159	(793)
Depreciation and amortization	6,290	7,286
Increase (decrease) in provision for retirement benefits	(158)	182
Increase (decrease) in provision for directors' retirement benefits	(15)	(60)
Increase (decrease) in allowance for doubtful accounts	326	(31)
Interest and dividends income	(232)	(245)
Interest expenses	2,508	2,742
Foreign exchange losses (gains)	33	414
Equity in (earnings) losses of affiliates	(506)	(176)
Loss (gain) on sales of investment securities	–	136
Loss (gain) on valuation of investment securities	6,432	–
Loss (gain) on sales of noncurrent assets	(1,560)	(252)
Insurance income	(3,418)	–
Loss on retirement of noncurrent assets	248	111
Decrease (increase) in notes and accounts receivable-trade	2,049	(1,463)
Decrease (increase) in inventories	(6,491)	(6,417)
Increase (decrease) in notes and accounts payable-trade	6,794	1,826
Other, net	632	(658)
Subtotal	14,090	2,601
Interest and dividends income received	233	245
Proceeds from dividends income from affiliates accounted for by equity method	9	11
Interest expenses paid	(2,483)	(2,756)
Proceeds from insurance income	7,179	–
Payments for extra retirement payments	(5,661)	–
Income taxes paid	(1,495)	(1,459)
Net cash provided by (used in) operating activities	11,872	(1,357)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7,733)	(6,873)
Proceeds from sales of property, plant and equipment	8,686	2,154
Proceeds from sales of intangible assets	3,851	0
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	0	984
Payments of loans receivable	(283)	(292)
Collection of loans receivable	334	267
Other, net	(212)	(446)
Net cash provided by (used in) investing activities	4,641	(4,205)

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	Millions of yen	
	2Q FY 2012	2Q FY 2011
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	264,471	234,459
Decrease in short-term loans payable	(265,838)	(237,638)
Proceeds from long-term loans payable	26,300	23,000
Repayment of long-term loans payable	(40,266)	(21,920)
Proceeds from sales and redemption by installment payment	2,530	–
Cash dividends paid	–	(363)
Other, net	(407)	663
Net cash provided by (used in) financing activities	(13,209)	(1,799)
Effect of exchange rate change on cash and cash equivalents	(500)	(1,109)
Net increase (decrease) in cash and cash equivalents	2,804	(8,472)
Cash and cash equivalents at beginning of period	51,289	51,901
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(106)	(458)
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries	95	–
Cash and cash equivalents at end of period	54,082	42,970

Segment Information

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

Millions of yen

	Sales 2Q FY 2011	Operating Income 2Q FY 2011
Watch Business	53,922	4,465
Electronic Components Business	78,859	1,538
Clock Business	5,104	(114)
Optical Products Business	11,427	170
Other Businesses	6,320	(583)
Total for all business segments	155,634	5,476
Eliminations and common	(5,831)	(856)
Total	149,803	4,620

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

Millions of yen

	Sales 2Q FY 2012	Operating Income 2Q FY 2012
Watch Business	57,821	5,377
Electronic Components Business	69,228	1,422
Clock Business	4,382	(472)
Optical Products Business	11,068	13
Other Businesses	6,134	(233)
Total for all business segments	148,635	6,107
Eliminations and common	(4,003)	(35)
Total	144,631	6,072

Notes:

- Adjustments to segment income in the amount of -35 million yen include -364 million yen in the amortization of goodwill, 841 million yen that mainly consists of the elimination of intra-segment transactions, and -512 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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