

FY2015 Consolidated Results (Fiscal year ended March 31, 2016)

May 12, 2016

1. Topics for the FY2015

Semiconductor business / Wide format printer business

- ◆ Establishment of new semiconductor business company and transfer of semiconductor business to the new company.

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

September 2015 : Conclusion of definitive agreement with DBJ,
Establishment of new company

January 2016 : Joint investment (SII equity 60%)

Business transfer

- ◆ Transfer of Wide Format Printer Business

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

2. Business Results

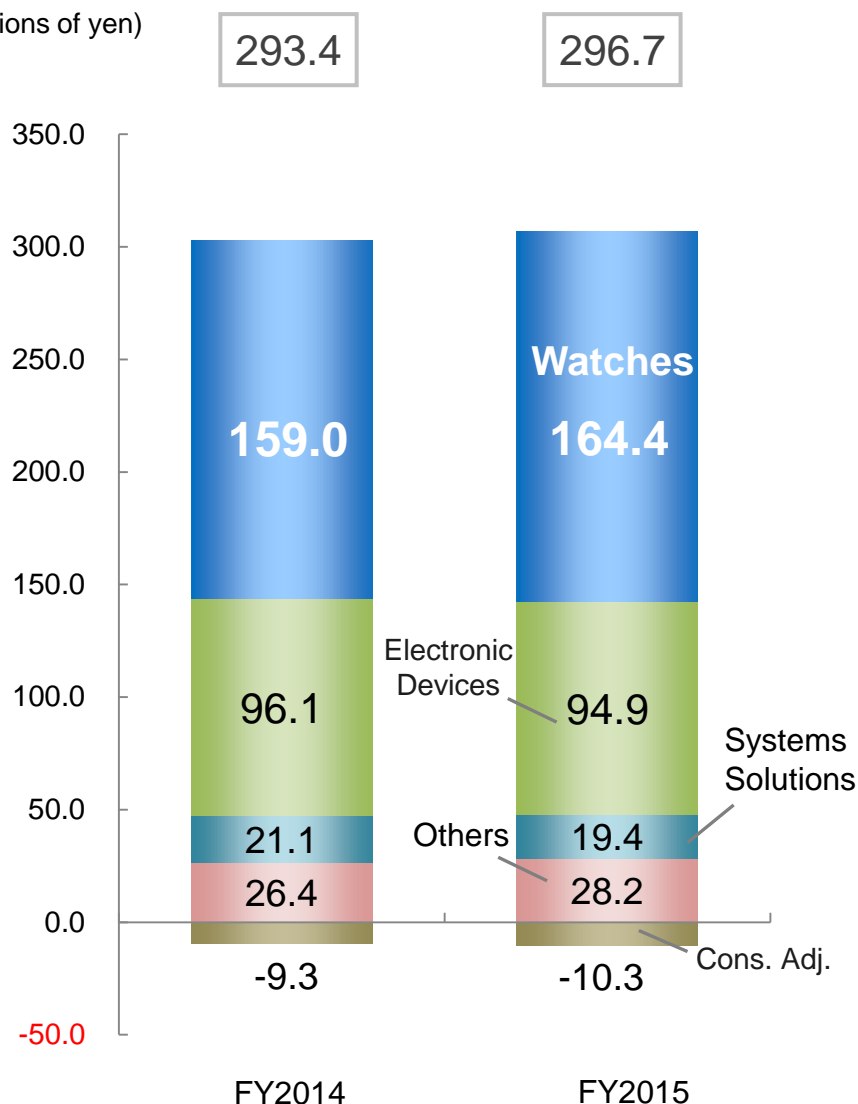
FY2015 Statement of Income (Apr.2015 - Mar.2016)

(Billions of yen)		FY2014 Full Year	FY2015 Full Year	Change	
				Amt.	%
Net Sales		293.4	296.7	+3.2	+1.1%
Gross Profit		104.2	108.5	+4.2	+4.1%
Operating Income		11.6	13.3	+1.6	+14.1%
%		4.0%	4.5%	+0.5p	—
Ordinary Income		12.3	11.8	-0.4	-4.0%
%		4.2%	4.0%	-0.2p	—
Profit before income taxes		24.6	8.8	-15.8	-64.2%
Profit attributable to owners of parent		21.7	12.1	-9.6	-44.2%
%		7.4%	4.1%	-3.3p	—
Exchange Rates (JPY)	USD	109.8	120.1	+10.2	+9.3%
	EUR	138.6	132.5	-6.0	-4.4%

Net Sales :	+3.2
Exchange rate fluctuations	+11.5
Operating Income :	+1.6
Increase in GP	+4.2
Increase in Selling, general and administrative expenses	-2.6
Ordinary Income :	-0.4
Increase in Operating Income	+1.6
Decrease in Interest expenses	+0.9
Increase in Foreign exchange losses	- 2.7
Decrease in Equity method Income	- 0.1
Others	- 0.1
Extraordinary Income/Losses :	-3.0
<u>Extraordinary Income</u>	<u>+0.4</u>
Gain on sales of non-current assets	+0.4
<u>Extraordinary Losses</u>	<u>- 3.5</u>
Loss on sales of non-current assets	- 0.1
Business structure improvement expenses	- 2.3
Impairment loss	- 0.4
Restructuring expenses	- 0.4
Loss on retirement of non-current assets	- 0.1

Sales by Reported Segments (Apr.2015 – Mar.2016)

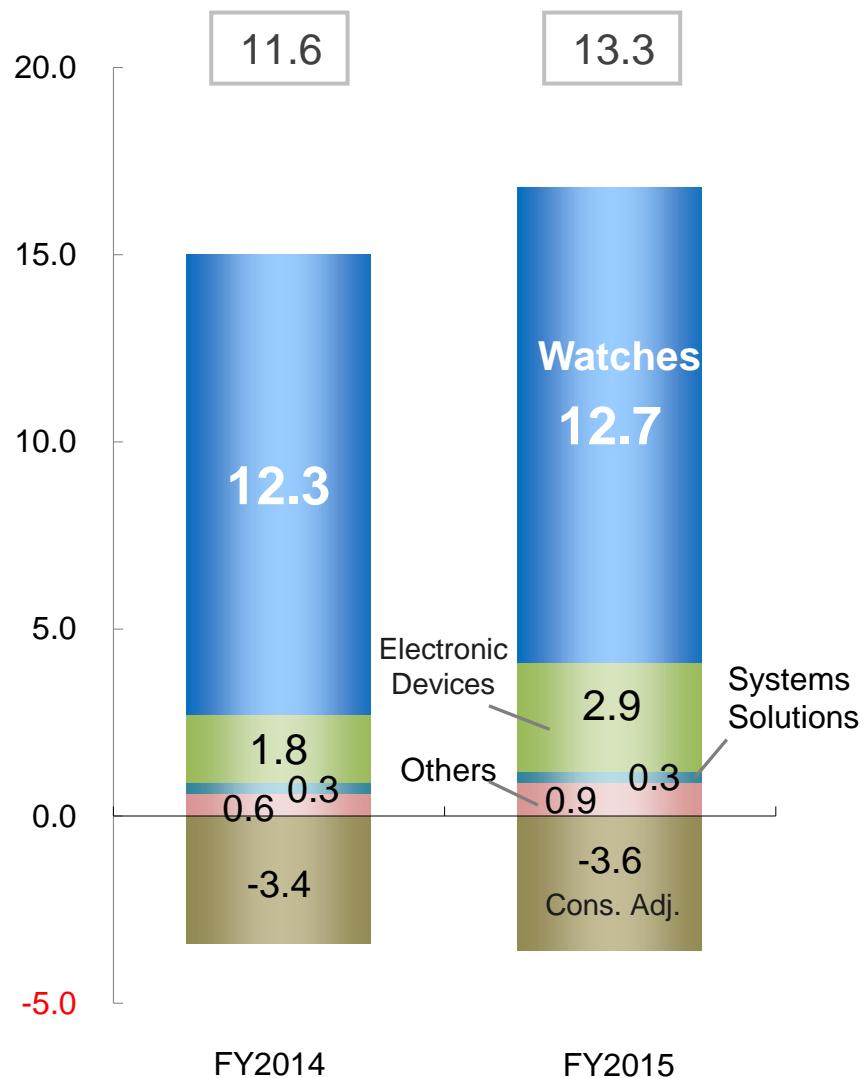
(Billions of yen)



(Billions of yen)	Net Sales		
	FY2014 Full Year	FY2015 Full Year	Change
Watches	159.0	164.4	+5.3
Electronic Devices	96.1	94.9	-1.2
Systems Solutions	21.1	19.4	-1.6
Sub Total	276.3	278.8	+2.4
Others	26.4	28.2	+1.7
Cons. Adj.	-9.3	-10.3	-0.9
Cons. Total	293.4	296.7	+3.2

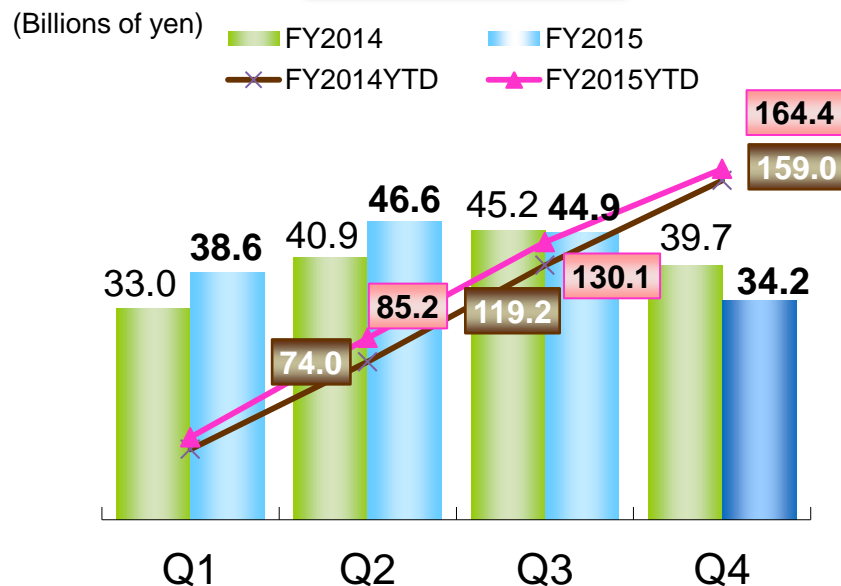
Operating Income by Reported Segments (Apr.2015 - Mar.2016)

(Billions of yen)

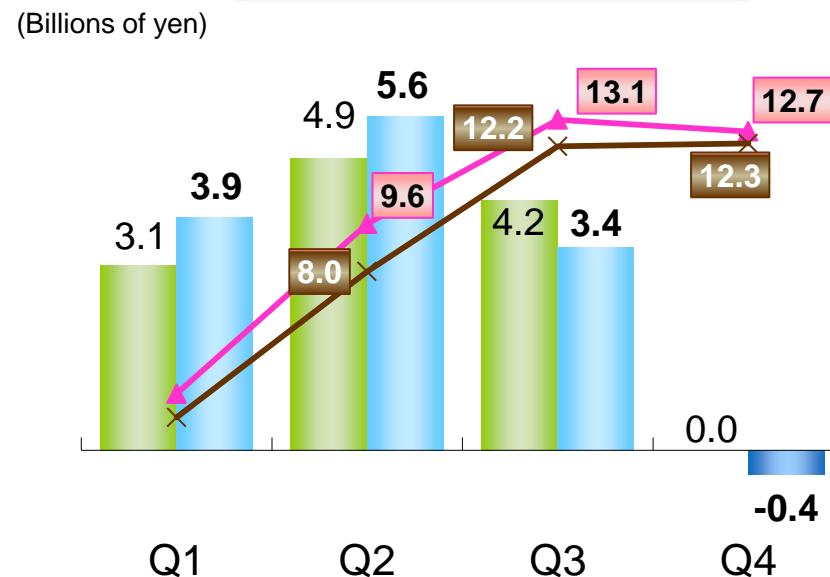


(Billions of yen)	Operating Income		
	FY2014 Full Year	FY2015 Full Year	Change
Watches	12.3	12.7	+0.3
Electronic Devices	1.8	2.9	+1.0
Systems Solutions	0.3	0.3	+0.0
Sub Total	14.5	16.0	+1.4
Others	0.6	0.9	+0.2
Cons. Adj.	-3.4	-3.6	-0.1
Cons. Total	11.6	13.3	+1.6

Net Sales



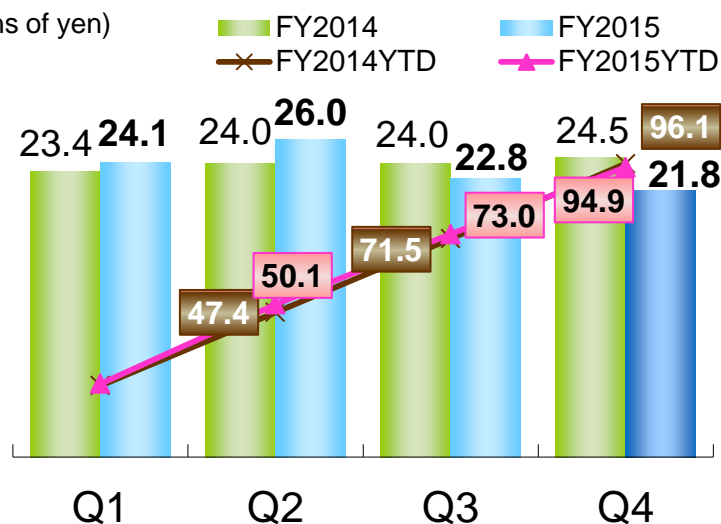
Operating Income



- Watches (In Japan)** : Performance was strong, driven by the Grand Seiko, Mechanical (Presage) and ladies' models by the Lukia and others. Sales also grew steadily for the Alba, an affordable- priced product.
- Watches (In Overseas)** : Germany, Taiwan and other markets continued to perform favorably. In addition, Australia, where a Seiko Boutique opened in Sydney in March, saw a year-on-year increase on a local currency basis. Sales in China and Hong Kong were sluggish from the impact of the slowdown in the Chinese economy.
- Movements** : The market for standard movements and value-added movements stagnated, and challenging conditions continued.

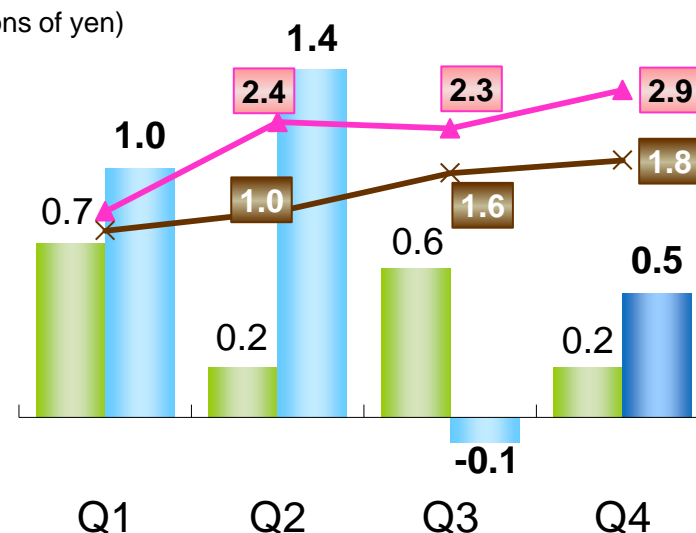
Net Sales

(Billions of yen)



Operating Income

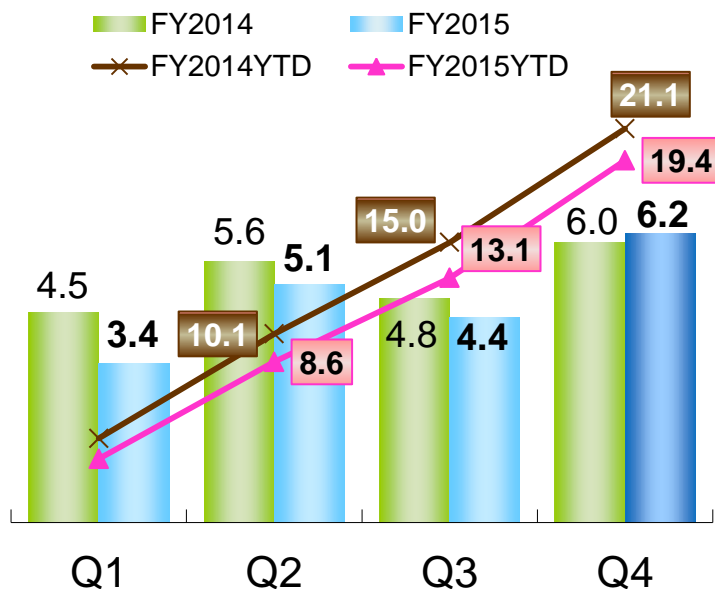
(Billions of yen)



- **Electronic Devices** : Sales of semiconductors were favorable during the first half, mainly for power management ICs for smartphones. However, oscillator ICs faced difficult conditions. Sales of quartz crystals were firm.
- **Mechatronics** : Sales performed steadily for the hard disc drive component business. The camera shutter-related business improved significantly year on year.
- **Others** : Net sales decreased due to the transfer of the wide format printer business to OKI Data Corporation on October 1, 2015, although sales of inkjet print heads and small thermal printers grew steadily.

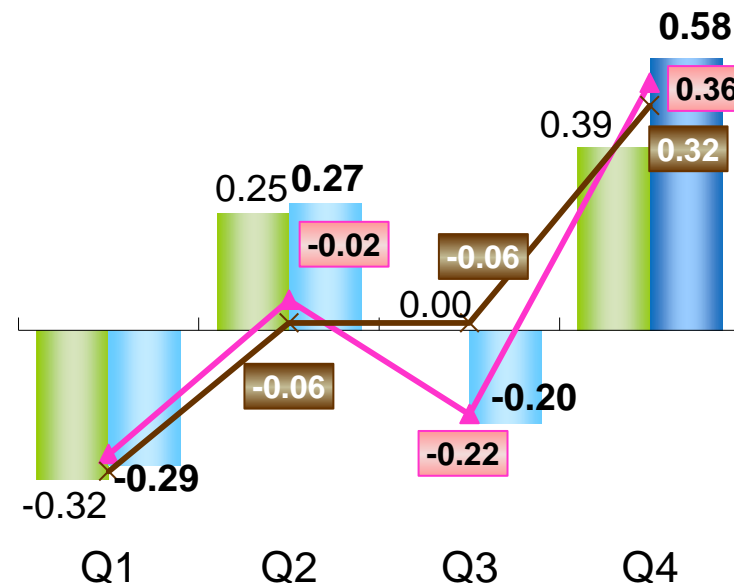
Net Sales

(Billions of yen)



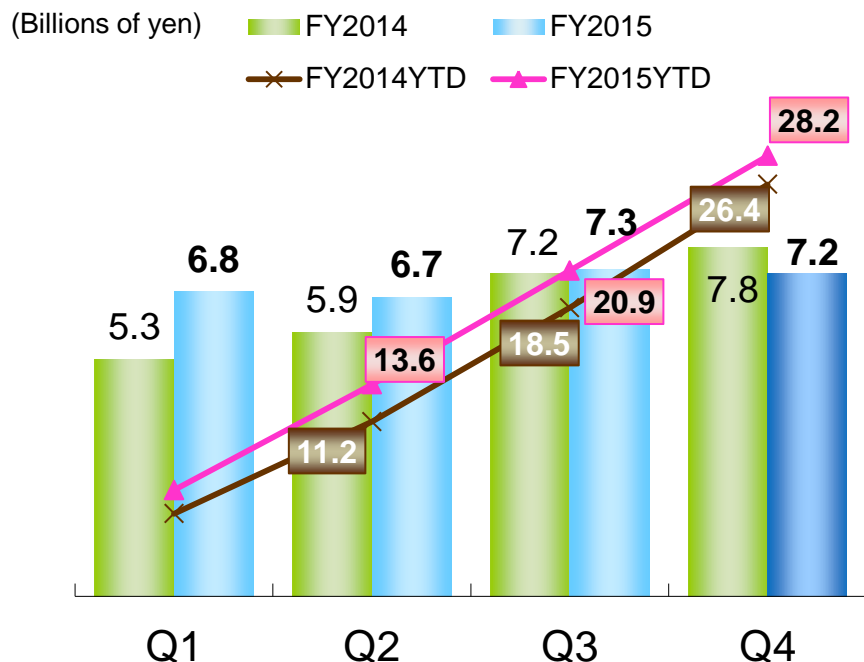
Operating Income

(Billions of yen)

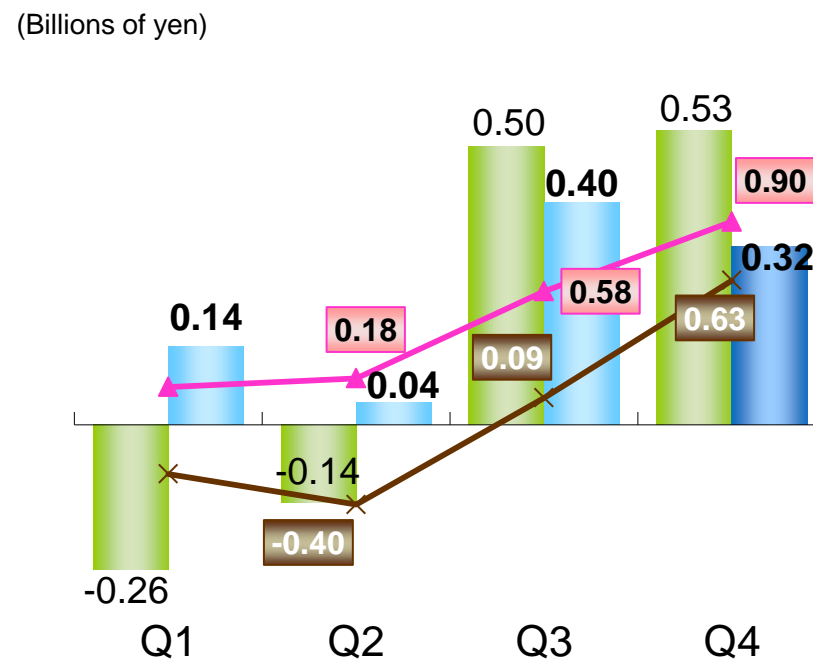


- In the payment-related business, sales in the data service business expanded, particularly in mobile payment intermediary centers. However, in the communications-related business, sales of products for consumers plunged, and sales of products for the restaurant industry declined due to the impact of a slump in the industry overall.

Net Sales



Operating Income



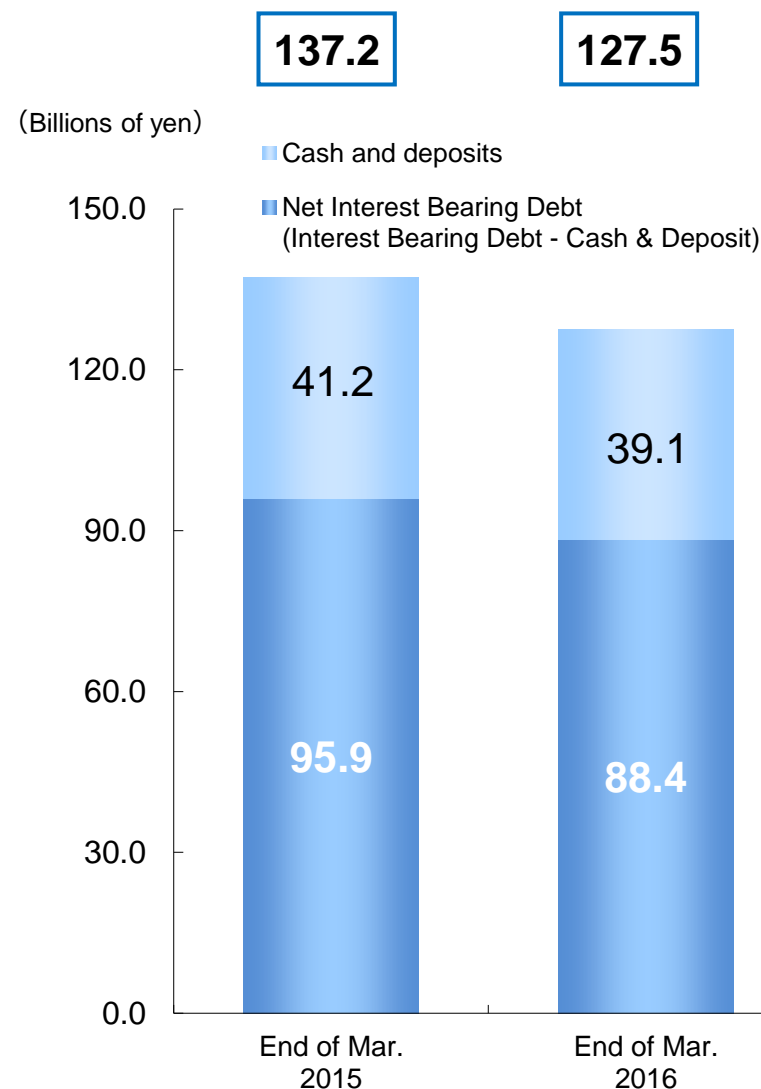
- Clocks : Income grew steadily, mainly in Japan.
- Others : The Wako Business performed steadily for the full year. Even so, signs of a change in purchasing trends among tourists visiting Japan were seen in sales of high-priced products from the beginning of the fourth quarter.

Balance Sheet as of Mar. 31, 2016

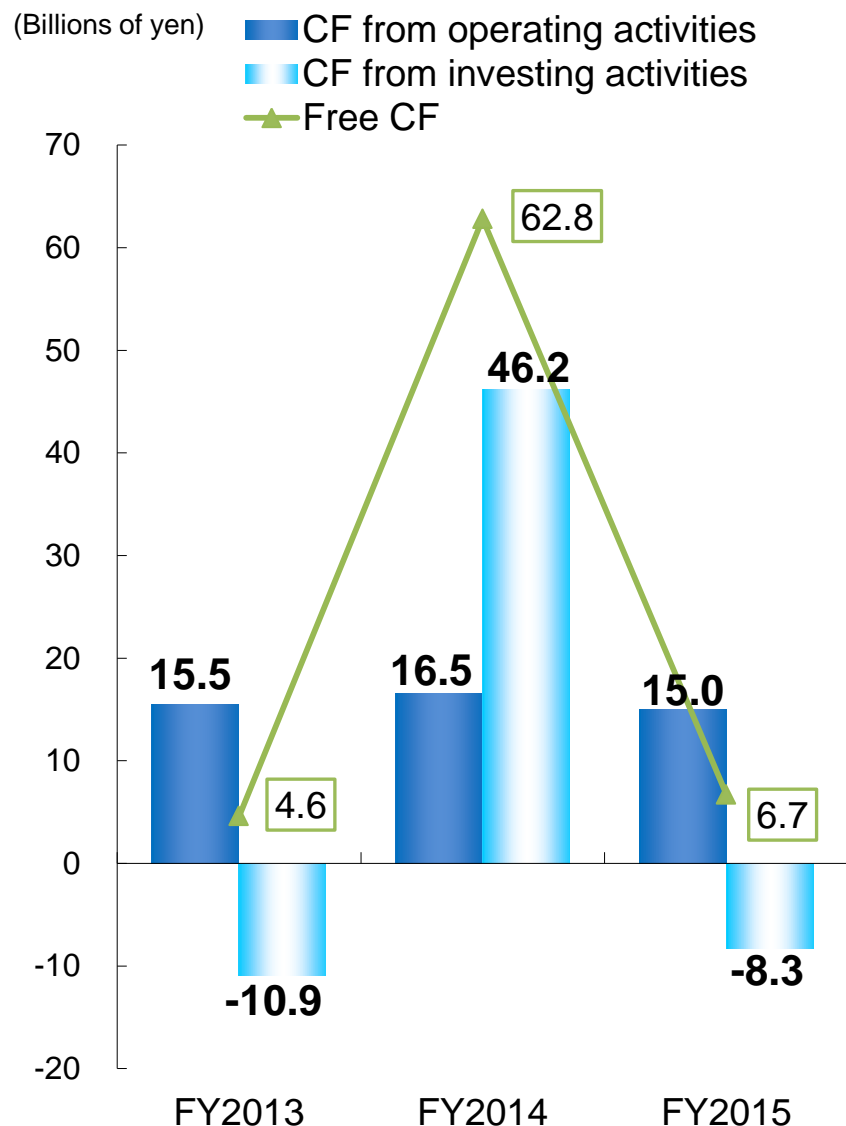
(Billions of yen)	Mar. 31 2015 (a)	Mar. 31 2016 (b)	Change (b) – (a)
Inventories	62.9	65.1	+2.2
Interest Bearing Debt	137.2	127.5	-9.6
Net Assets	92.5	102.6	+10.1
Total Assets	333.7	329.1	-4.5

Equity Capital Ratio	27.1%	28.7%	+1.6p
Net Debt Equity Ratio	1.0	0.8	-0.2
Number of Employees	13,565	13,437	-128

Interest Bearing Debt



Statements of Cash Flow



(Billions of yen)

	FY2013	FY2014	FY2015
Profit before income taxes	8.7	24.6	8.8
Depreciation	12.2	10.8	10.3
Others	-5.4	-19.0	-4.0
Net cash provided by (used in) operating activities	15.5	16.5	15.0
Purchase of property, plant and equipment	-11.0	-9.3	-13.0
Others	0.0	55.6	4.7
Net cash provided by (used in) investing activities	-10.9	46.2	-8.3
Net increase (decrease) in loans payable	-2.4	-62.9	-8.7
Others	-1.0	-3.8	2.0
Net cash provided by (used in) financing activities	-3.5	-66.8	-6.6
Effect of exchange rate change on cash and cash equivalents etc.	-1.3	1.7	-1.4
Cash and cash equivalents	42.5	40.2	38.9
Free cash flow	4.6	62.8	6.7

3. Financial Forecast for FY2016

Summary of Financial Forecast for FY2016

(Billions of yen)	FY2015 Actual	FY2016		Change Full Year
		1 st Half	Full Year	
Net Sales	296.7	140.0	290.0	-6.7
Operating Income	13.3	8.0	12.0	-1.3
%	4.5%	5.7%	4.1%	-0.4p
Ordinary Income	11.8	8.0	12.0	+0.2
%	4.0%	5.7%	4.1%	+0.1p
Profit attributable to owners of parent	12.1	5.0	10.0	-2.1
%	4.1%	3.6%	3.4%	-0.7p

Financial Forecast for FY2016 by Reported Segments

(Billions of yen)	Net Sales			Operating Income		
	FY2015 Actual	FY2016 Forecast	Change	FY2015 Actual	FY2016 Forecast	Change
Watches	164.4	160.0	-4.4	12.7	12.0	-0.7
Electronic Devices	94.9	90.0	-4.9	2.9	3.0	+0.1
Systems Solutions	19.4	20.0	+0.6	0.3	1.0	+0.7
Sub Total	278.8	270.0	-8.8	16.0	16.0	±0.0
Others	28.2	29.0	+0.8	0.9	1.0	+0.1
Cons. Total	296.7	290.0	-6.7	13.3	12.0	-1.3

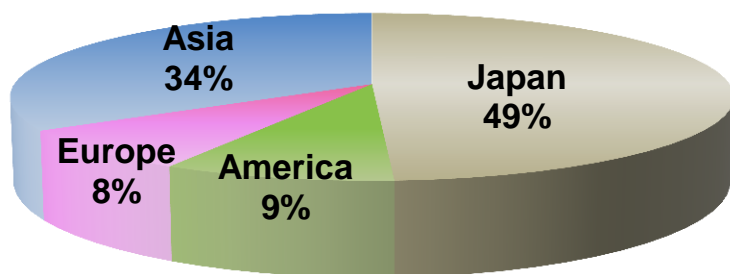
Sensitivity by Exchange Rate of FY2016

	USD	EUR
Forecast Exc. Rate	JPY 110.0	JPY 125.0
For Sales (Millions of yen)	1,300	150
For Income (Millions of yen)	250	50

FY2015 Actual

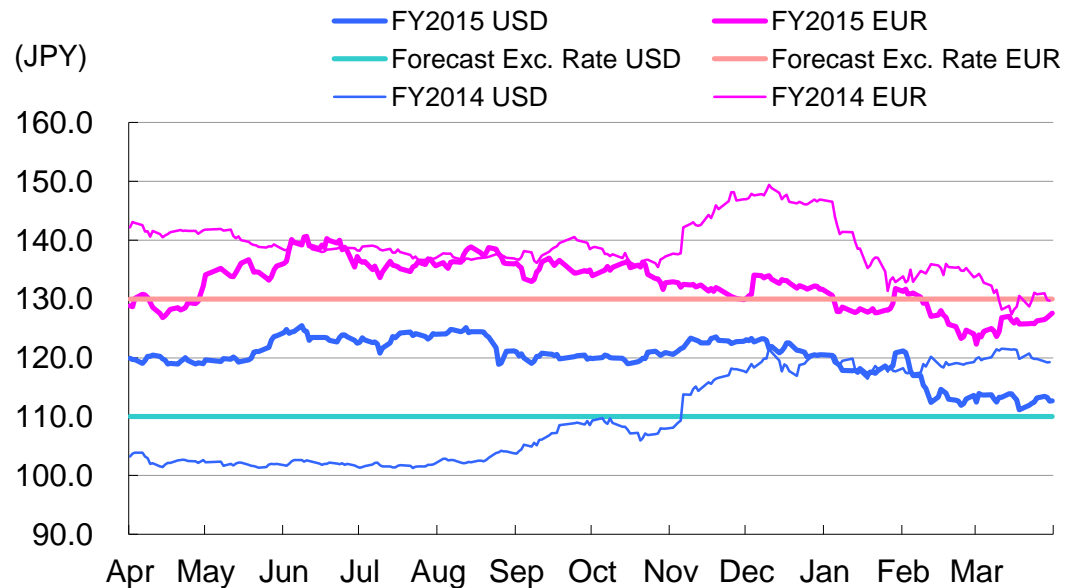
		Q1	Q2	Q3	Q4	Average (Q1-Q4)
Average	USD	121.4	122.3	121.4	115.3	120.1
	EUR	134.2	136.0	133.0	127.1	132.5
Closing Date	USD	122.4	119.9	120.5	112.6	—
	EUR	137.2	134.9	131.6	127.5	—

Sales Ratio by Area



* FY2015 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

FY2015 Statement of Income 4th Quarter (Jan.2016 - Mar.2016)

(Billions of yen)	FY2014 Q4	FY2015 Q4	Change		
			Amt.	%	
Net Sales	76.0	67.7	-8.3	-11.0%	
Gross Profit	25.7	24.4	-1.2	-5.0%	
Operating Income	0.3	-0.3	-0.6	-198.0%	
%	0.4%	-0.5%	-0.9p	—	
Ordinary Income	-0.2	-2.2	-1.9	—	
%	-0.3%	-3.3%	-3.0p	—	
Profit before income taxes	-3.6	-3.8	-0.2	—	
Profit attributable to owners of parent	-2.2	-0.5	+1.6	—	
%	-2.9%	-0.8%	+2.1p	—	
Exchange Rates (JPY)	USD	119.1	115.3	-3.8	-3.2%
	EUR	134.0	127.1	-6.8	-5.1%

Net Sales :	-8.3
Exchange rate fluctuations	-1.5

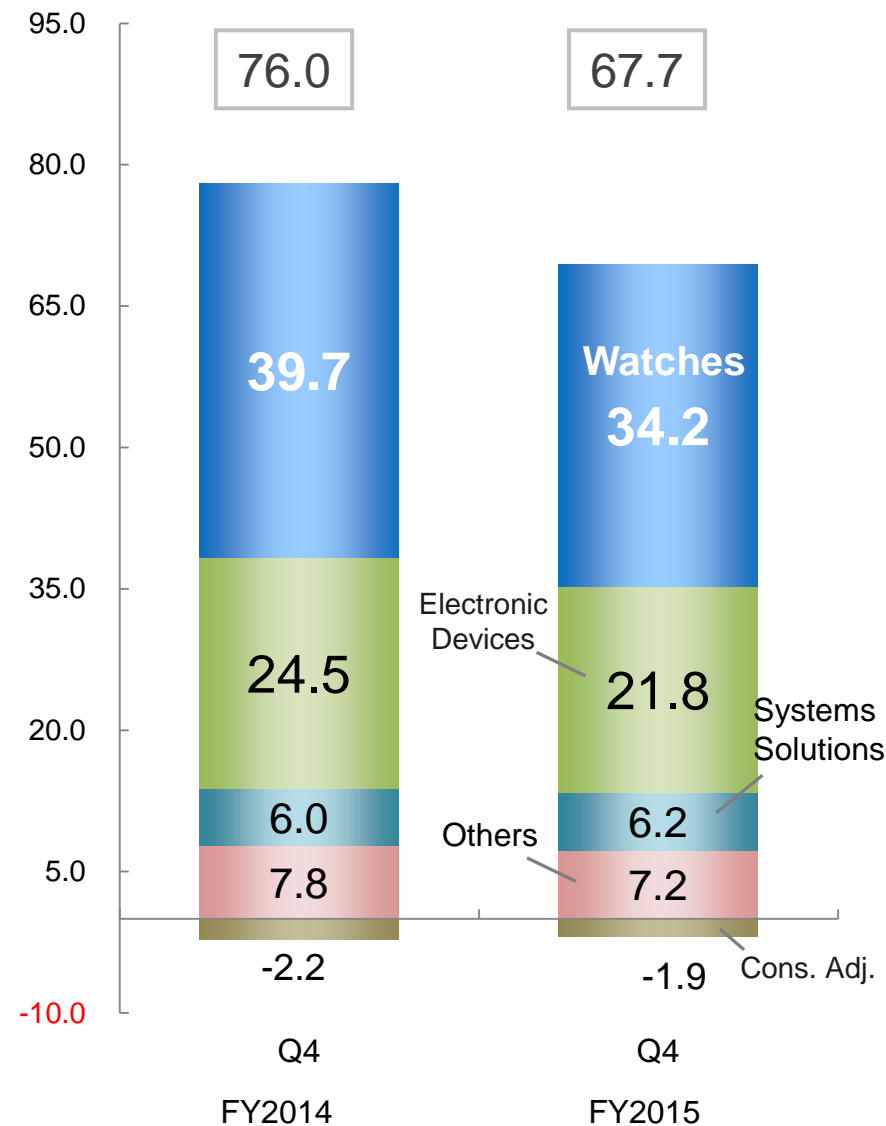
Operating Income :	-0.6
Decrease in GP	-1.2
Decrease in Selling, general and administrative expenses	+0.6

Ordinary Income :	-1.9
Decrease in Operating Income	- 0.6
Decrease in Interest expenses	+0.0
Increase in Foreign exchange losses	- 0.8
Decrease in Equity method Income	- 0.0
Others	- 0.4

Extraordinary Income/Losses : -1.6	
Extraordinary Income	+0.1
Gain on sales of non-current assets	+0.1
Extraordinary Losses	- 1.8
Loss on sales of non-current assets	- 0.1
Business structure improvement expenses	- 0.7
Impairment loss	- 0.4
Restructuring expenses	- 0.4
Loss on retirement of non-current assets	- 0.0

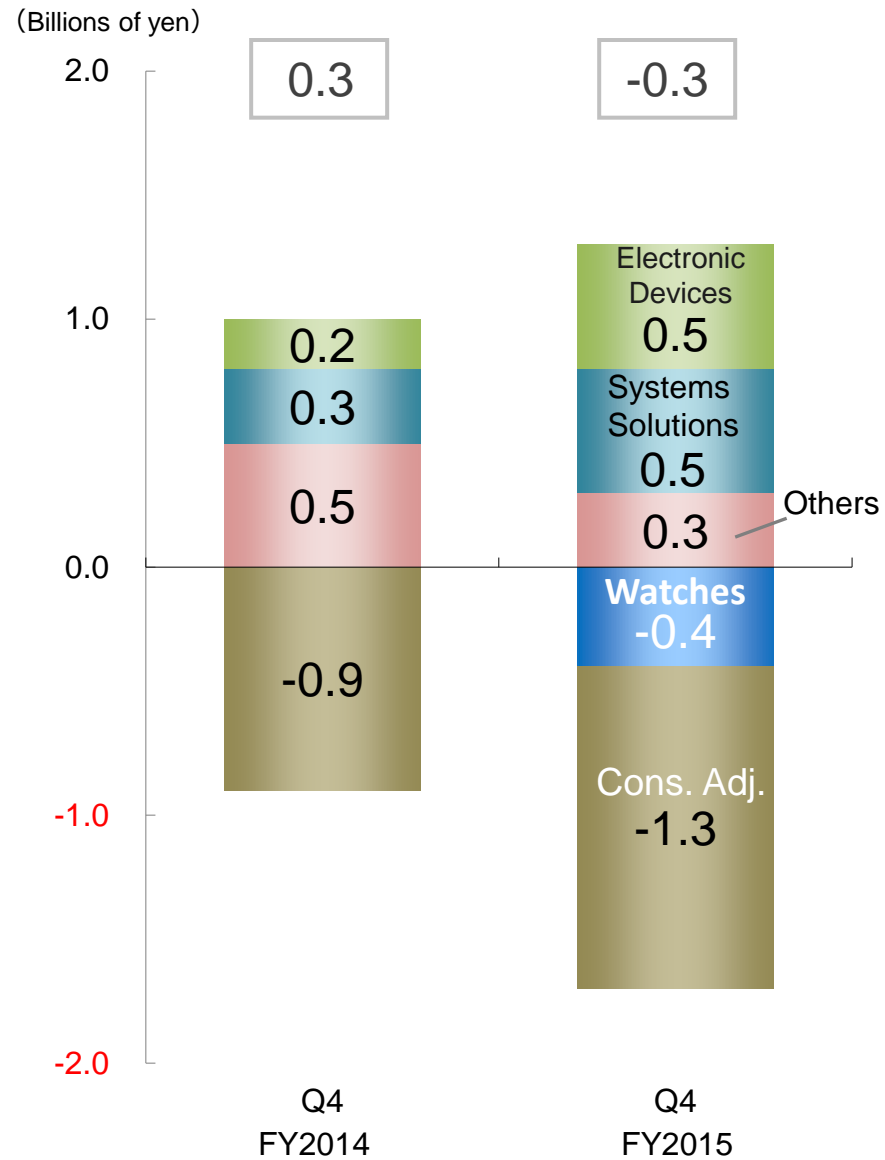
Sales by Reported Segments (Jan.2016 – Mar.2016)

(Billions of yen)



(Billions of yen)	Net Sales		
	FY2014 Q4	FY2015 Q4	Change
Watches	39.7	34.2	-5.5
Electronic Devices	24.5	21.8	-2.7
Systems Solutions	6.0	6.2	+0.1
Sub Total	70.4	62.3	-8.0
Others	7.8	7.2	-0.6
Cons. Adj.	-2.2	-1.9	+0.3
Cons. Total	76.0	67.7	-8.3

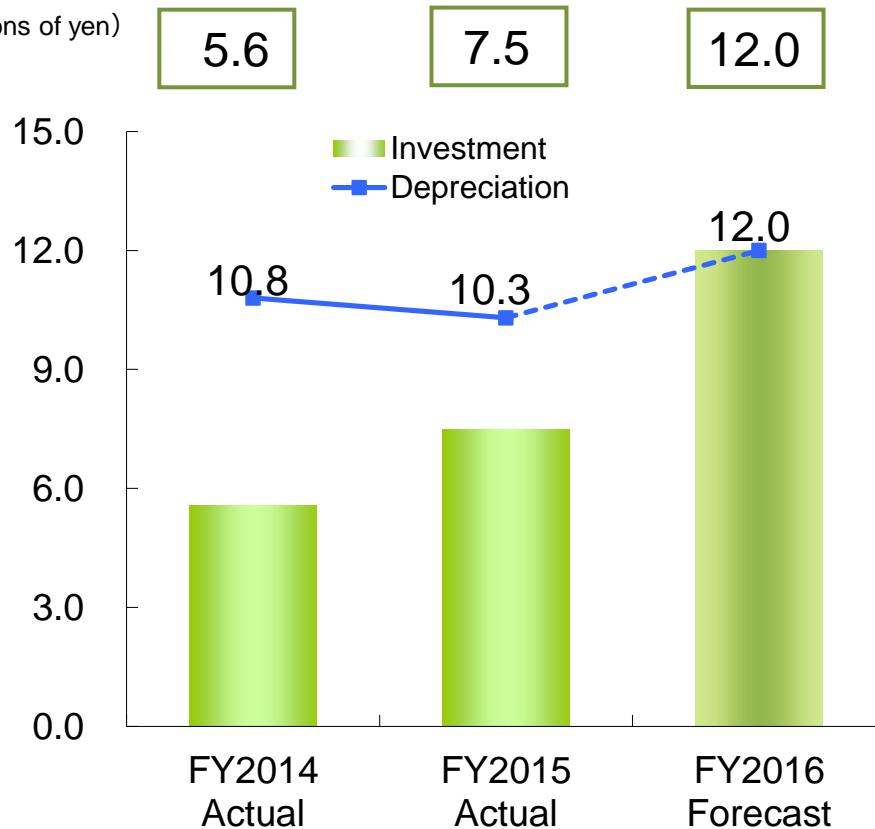
Operating Income by Reported Segments (Jan.2016 – Mar.2016)



(Billions of yen)	Operating Income		
	FY2014 Q4	FY2015 Q4	Change
Watches	0.0	-0.4	-0.5
Electronic Devices	0.2	0.5	+0.3
Systems Solutions	0.3	0.5	+0.1
Sub Total	0.7	0.7	+0.0
Others	0.5	0.3	-0.2
Cons. Adj.	-0.9	-1.3	-0.4
Cons. Total	0.3	-0.3	-0.6

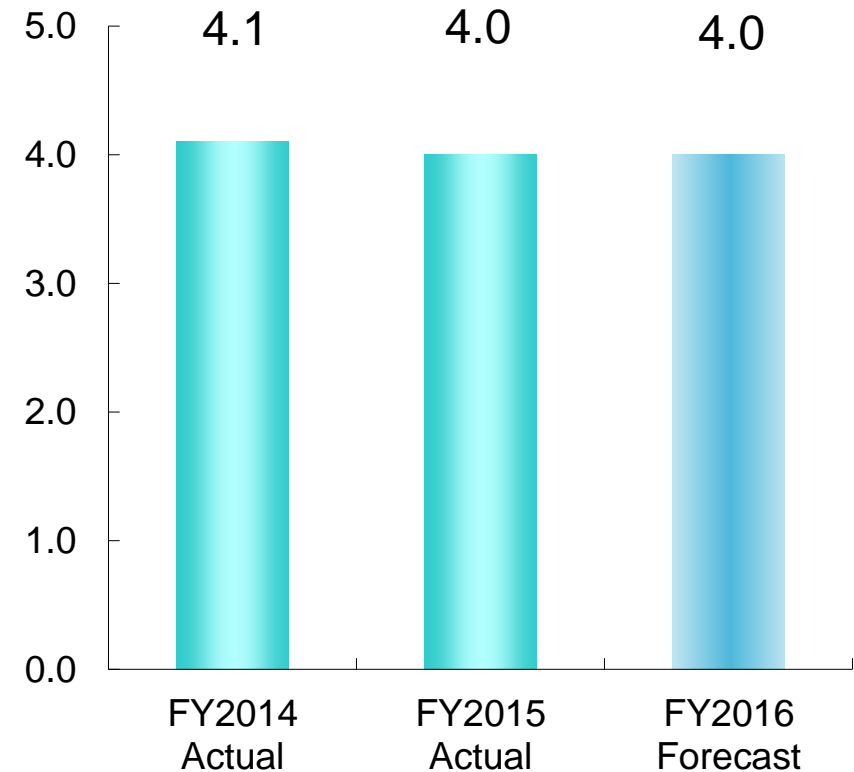
Investment / Depreciation

(Billions of yen)



Research and Development Cost

(Billions of yen)



*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
