

9 August 2013

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2013

Financial Highlights

For the three months ended 30 June 2013 (1Q FY2013)

	1Q FY2013		1Q FY2012
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	70,387	713,647	70,601
Operating income	2,848	28,876	2,847
Ordinary income	2,902	29,423	1,436
Net income	3,454	35,020	941
Earnings per share	JPY 16.72	USD 0.17	JPY 5.15
	30 June 2013		31 March 2013
Total assets	368,077	3,731,897	355,308
Net assets	50,498	511,994	40,801

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 98.63 yen/dollar.

Business Results

1. Overview

During the three-month period ending 30 June 2013, the Japanese economy demonstrated an ongoing upswing in market conditions with visible signs of both a recovery in personal consumption and a halt in falling capital expenditure levels. These were propped up by higher stock prices and a depreciated yen fueled by expectations placed on "Abenomics." In the world economy, amid an improved personal consumption mentality in the United States and stable trends surrounding consumer prices in China, growth, while moderate, continued at levels near official targets. Conversely, Europe experienced negative growth as a whole despite the GDP in the United Kingdom and Germany entering positive territory since the previous fiscal year.

While continuing to adopt “Being a company trusted by society” as the basic philosophy of its group management, SEIKO HOLDINGS CORPORATION (“Company”) formulated its new three-year Fifth Mid-Term Management Plan, which commences this fiscal year. Under this plan, the Company has established “reconstructing business portfolio around our Watch segment as group’s core business to maximize profitability, as well as realizing the qualitative reinforcement of group’s management foundation” as its basic policy.

Additionally, as a result of changing business management methods at its organization as well as formulating the aforementioned Fifth Mid-Term Management Plan, as of this fiscal year, the Company has divided the preexisting Electronic Components Business into the following reported segments: the Electronic Device Business, which handles the likes of semiconductors, crystal oscillators, batteries and related materials, printers, hard disk components and shutters for cameras; and the System Solution Business, which handles the likes of data services, information network systems, and electronic dictionaries. Moreover, based on quantitative criteria surrounding each segment, the Company has disclosed data on its Watch Business, Electronic Device Business and the System Solution Business as reported segments. The Clock Business, Optical Products Business and Other Businesses have been collectively categorized and disclosed as “Others.”

For the three-month period ending 30 June 2013, the Company reported consolidated net sales of 70.3 billion yen, a year-on-year decrease of 0.2 billion yen. This was largely impacted by the sale of the scientific instruments business that took place during the fourth quarter of the previous fiscal year. On a per-segment basis, sales under the Watch Business grew briskly both within Japan and overseas. The Electronic Device Business also got off to a strong start as exhibited chiefly by the recovery in orders for semiconductors. At the same time, the System Solution Business performed sluggishly due mainly to delays in new product development. On an overall consolidated basis, domestic net sales came to 33.6 billion yen (a year-on-year decrease of 11.5%) and overseas net sales to 36.6 billion yen (a year-on-year increase of 12.8%), with the latter comprising 52.1% of net sales overall (relative to 46.1% for the same period last fiscal year). In terms of income, operating income came to 2.8 billion yen, which is on par with levels for

the same period last fiscal year. Additionally, due to improvements in non-operating income resulting largely from the posting of foreign exchange gains, ordinary income increased by 1.4 billion yen over the same period last fiscal year to become 2.9 billion yen. While 0.8 billion yen was posted under extraordinary income as gains on sales of investment securities resulting from the sale of stocks of subsidiaries and affiliates, 0.6 billion yen was posted under extraordinary losses as a provision of reserve for loss on lease contracts. As a result of the above, quarterly net income minus income taxes and minority interests in income came to 3.4 billion yen (a year-on-year increase of 267.0%).

2. Results by Segment

Results for each segment are as follows:

a. Watch Business

Net sales under the Watch Business for the three-month period ending 30 June 2013 came to 32.2 billion yen, a year-on-year increase of 6.0 billion yen, or 23.3%. 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 improved sales growth over the same period last fiscal year. Following its release in September 2012, the ASTRON, which represents the world's first solar GPS watch, also enjoyed brisk improvements in sales that were driven by the release of new products. Additionally, after entering the current fiscal year, the Company opened two new "Seiko Premium Watch Salon" locations. This series of stores is intended to strategically develop the Company's three high-end watch brands (CREDOR, GALANTE and GRAND SEIKO). The Company also continues to focus on its differentiation strategy for these stores, starting with developing up to a total of 24 locations. On the overseas front, while sales to department stores progressed favorably in the United States, sales in Europe, particularly in the United Kingdom, France and Germany, also grew. In Asia, sales in China decreased year on year, but grew in Taiwan and other countries. This, coupled with the effects of the depreciated yen, propelled sales in the American, European, and Asian regions well over those for the same period last fiscal year.

following conversion into yen. With regards to watch movement, amid intensified price competition caused by the progressively weaker yen, sales, particularly those to large clients dealing high value-added products, grew.

With regards to income, the increase in net sales yielded a year-on-year increase of 0.3 billion yen in operating income, bringing it to 2.3 billion yen.

b. Electronic Device Business

Net sales in the Electronic Device Business came to 23.9 billion yen, and operating income to 0.8 billion yen. On a per-domain basis, orders of semiconductors, particularly those for automobiles, grew. Sales of batteries for smartphones also progressed on a favorable note. Demand for printers increased with particular growth in markets for building materials targeting emerging countries. Sales of hard disk components also recovered over the same period last year, which had been impacted by damage inflicted by the floods in Thailand.

c. System Solution Business

Net sales in the System Solution Business came to 5.0 billion yen, and operating losses to 0.1 billion yen. Sales of payment terminal-related products, particularly new such products, grew; however, sales of mobile-related products decreased due mainly to delays in product development.

d. Others

Among segments included in Others, sales under the Optical Product and Clock Businesses increased due to the impact of the depreciated yen. Sales under the Wako business, particularly those at the main building, also grew. Conversely, the depreciated yen resulted in cost increases under the Clock Business, which, among other factors, brought operating losses under Others to 0.1 billion yen.

Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets at the close of the three-month period ending 30 June 2013 amounted to 368.0 billion yen, an increase of 12.7 billion yen relative to the close of the previous fiscal year. Current assets increased by 5.7 billion yen to become 162.6 billion yen. This was mainly the culmination of a 1.1 billion-yen increase in cash and deposits, a 4.0 billion-yen increase in inventories and a 1.5 billion-yen increase in deferred tax assets, which offset a 1.6 billion-yen decrease in notes and accounts receivable-trade. Under noncurrent assets, a 2.7 billion-yen increase in property, plant and equipment and a 4.2 billion-yen increase in investment and other assets caused total noncurrent assets to increase by 7.0 billion yen to 205.4 billion yen.

For liabilities, the Company posted 317.5 billion yen in total liabilities, an increase of 3.0 billion yen over the close of the previous fiscal year. This was driven chiefly by an increase of 6.5 billion yen in long- and short-term loans payable and an increase of 2.2 billion yen in other current liabilities, which negated a decrease of 5.4 billion yen in accounts payable-other.

Additionally, due to an increase of 2.6 billion yen in shareholders' equity and an increase of 6.4 billion yen in total accumulated other comprehensive income, total net assets increased by 9.6 billion yen over the close of the previous fiscal year to become 50.4 billion yen.

Outlook for the Year Ending 31 March 2014

Due to the balance of non-operating income and expenditure having improved beyond expectations during the first quarter of the current fiscal year, ordinary income and net income for the six-month period ending 30 September 2013 are likely to exceed previously-issued forecasts. However, the Company has elected to keep its previous forecast for consolidated business results for the full fiscal year unchanged.

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

■ Forecast for the consolidated business results for the year ending 31 March 2014 (FY2013)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	300.0	105.7
Operating income	10.0	181.1
Ordinary income	6.0	185.0
Net income	5.0	90.4
Earnings per share	JPY 24.19	—

■ Forecasted results by segment for the year ending 31 March 2014 (FY2013)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watch Business	135.0	10.0
Electronic Device Business	95.0	2.0
System Solution Business	28.0	1.0
Total for all business segments	258.0	13.0
Others	48.0	1.0
Consolidated total	300.0	10.0

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

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

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Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

30 June 2013

	Millions of yen	
	30 June 2013	31 March 2013
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	43,938	42,830
Notes and accounts receivable-trade	41,933	43,583
Inventories	64,653	60,638
Accounts receivable-other	3,248	2,557
Deferred tax assets	5,002	3,454
Other	5,391	5,258
Allowance for doubtful accounts	(1,557)	(1,453)
Total current assets	162,610	156,867
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	102,588	101,285
Machinery, equipment and vehicles	106,599	102,312
Tools, furniture and fixtures	34,186	33,407
Other	3,760	3,567
Accumulated depreciation	(179,054)	(174,473)
Land	76,260	76,148
Construction in progress	5,516	4,817
Subtotal	149,858	147,065
Intangible assets:		
Goodwill	9,367	9,541
Other	6,377	6,262
Subtotal	15,744	15,803
Investments and other assets:		
Investment securities	32,433	28,191
Deferred tax assets	1,894	1,786
Other	8,889	8,941
Allowance for doubtful accounts	(3,354)	(3,348)
Subtotal	39,863	35,571
Total noncurrent assets	205,466	198,440
Total assets	368,077	355,308

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	Millions of yen	
	30 June 2013	31 March 2013
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	33,145	38,840
Electronically recorded obligations-operating	8,954	3,333
Short-term loans payable	59,611	54,065
Current portion of long-term loans payable	68,179	65,352
Accounts payable-other	9,337	14,833
Income taxes payable	1,378	1,416
Deferred tax liabilities	107	104
Provision for bonuses	1,594	2,003
Other provision	1,046	779
Asset retirement obligations	16	16
Other	16,382	14,139
Total current liabilities	199,754	194,885
Noncurrent liabilities:		
Long-term loans payable	77,721	79,571
Deferred tax liabilities	5,485	4,946
Deferred tax liabilities for land revaluation	4,218	4,218
Provision for retirement benefits	19,542	19,974
Other provision	1,282	1,079
Asset retirement obligations	339	338
Negative goodwill	94	189
Other	9,138	9,303
Total noncurrent liabilities	117,823	119,621
Total liabilities	317,578	314,507

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	Millions of yen	
	30 June 2013	31 March 2013
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,414	7,414
Retained earnings	24,907	22,301
Treasury stock	(135)	(134)
Subtotal	42,186	39,580
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,232	(2,276)
Deferred gains or losses on hedges	(294)	(332)
Revaluation reserve for land	7,617	7,617
Foreign currency translation adjustment	(2,630)	(5,575)
Subtotal	5,925	(567)
Minority interests	2,386	1,787
Total net assets	50,498	40,801
Total liabilities and net assets	368,077	355,308

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended 30 June 2013

	Millions of yen	
	1Q FY 2013	1Q FY 2012
	Amount	Amount
Net sales	70,387	70,601
Cost of sales	47,133	48,524
Gross profit	23,253	22,076
Selling, general and administrative expenses	20,405	19,229
Operating income	2,848	2,847
Non-operating income:		
Interest income	26	57
Dividends income	67	116
Foreign exchange gains	575	–
Other	620	503
Subtotal	1,290	677
Non-operating expenses:		
Interest expenses	1,055	1,272
Other	180	817
Subtotal	1,236	2,089
Ordinary income	2,902	1,436
Extraordinary income:		
Gain on sales of investment securities	857	–
Insurance income	–	1,145
Subtotal	857	1,145
Extraordinary loss:		
Provision of reserve for loss on lease contracts	613	–
Loss on disaster	–	356
Loss on valuation of investment securities	–	256
Other	–	422
Subtotal	613	1,035
Income before income taxes and minority interests	3,146	1,545
Income taxes	(486)	353
Income before minority interests	3,632	1,191
Minority interests in income	178	250
Net income	3,454	941

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Three Months Ended 30 June 2013

	Millions of yen	
	1Q FY 2013	1Q FY 2012
	Amount	Amount
Income before minority interests	3,632	1,191
Other comprehensive income		
Valuation difference on available-for-sale securities	3,291	(2,674)
Deferred gains or losses on hedges	37	(18)
Revaluation reserve for land	–	283
Foreign currency translation adjustment	2,499	(642)
Share of other comprehensive income of associates accounted for using equity method	689	(110)
Subtotal	6,518	(3,162)
Comprehensive income	10,151	(1,970)
Comprehensive income attributable to owners of the parent	9,947	(2,244)
Comprehensive income attributable to minority interests	203	274

Segment Information

1. Information about Sales and Income (Loss) by Reported Segment (For the Three Months Ended 30 June 2012)

	Sales 1Q FY 2012	Operating Income 1Q FY 2012
Watch Business	26,162	1,987
Electronic Components Business	35,399	1,188
Clock Business	1,937	(223)
Optical Products Business	5,562	47
Other businesses	3,198	(107)
Total for all business segments	72,260	2,893
Eliminations and common	(1,659)	(45)
Total	70,601	2,847

- Notes: 1. Adjustments to segment income in the amount of -45 million yen include -182 million yen in the amortization of goodwill, 449 million yen that mainly consists of the elimination of intra-segment transactions, and -312 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).
2. Segment income has been adjusted for alongside operating income on the consolidated quarterly statements of income.
3. The above data was computed based on reported segments prior to the change in segmentation methods as of the three-month period ending 30 June 2013.

2. Information about Sales and Income (Loss) by Reported Segment (For the Three Months Ended 30 June 2013)

	Sales 1Q FY 2013	Operating Income 1Q FY 2013
Watch Business	32,261	2,374
Electronic Device Business	23,903	848
System Solution Business	5,041	(181)
Total for reported segments	61,206	3,042
Others	11,490	(107)
Total for all business segments	72,697	2,935
Eliminations and common	(2,310)	(86)
Total	70,387	2,848

- Notes: 1. The "Others" category denotes business segments not included among reported segments, such as the Clock Business and the Optical Products Business.
2. Adjustments to segment income in the amount of -86 million yen include -173 million yen in the amortization of goodwill, 376 million yen that mainly consists of the elimination of intra-segment transactions, and -289 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).
3. Segment income has been adjusted for alongside operating income on the consolidated quarterly statements of income.

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Notes:

1. Matters pertaining to changes, etc. in reported segments

As of the three-month period ending 30 June 2013, the Company has divided the Electronic Components Business into the Electronic Device Business and the System Solution Business. Additionally, the Company has collectively disclosed data on its Clock Business, Optical Products Business and other non-reported segments as the "Others" category.

The main finished goods and merchandise belonging to each reported segment are as follows:

Reported Segment	Main Products
Watch Business	Watches, watch movements
Electronic Device Business	Semiconductors, quartz crystals, micro batteries and materials, printers, hard disk components, and shutters for cameras
System Solution Business	Data services, information network systems, and IC dictionaries
Others	Clocks, optical lenses and frames, high-end clothing and miscellaneous goods, system clocks, etc.

Moreover, due mainly to the fact that the accurate computation of segment data for the three-month period ending 30 June 2012 using segmentation methods for the three-month period ending 30 June 2013 requires a tremendous burden, segment data for the three-month period ending 30 June 2013 has been indicated below based on the treatment of segment data for the three-month period ending 30 June 2012.

	Millions of yen	
	Sales 1Q FY 2013	Operating Income 1Q FY 2013
Watch Business	32,261	2,374
Electronic Components Business	28,818	699
Clock Business	2,234	(255)
Optical Products Business	5,887	111
Other businesses	3,363	32
Total for all business segments	72,564	2,963
Eliminations and common	(2,177)	(115)
Total	70,387	2,848

Notes: 1. Adjustments to segment income in the amount of -115 million yen include -173 million yen in the amortization of goodwill, 348 million yen that mainly consists of the elimination of intra-segment transactions, and -289 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).

2. Segment income has been adjusted for alongside operating income on the consolidated quarterly statements of income.

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