

November 10, 2015

CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015

Financial Highlights

For the six months ended September 30, 2015 (2Q FY2015)

	2Q FY2015		2Q FY2014
	Millions of yen	Millions of US dollars	Millions of yen
Net sales	151,541	1,263.9	137,951
Operating income	11,330	94.5	7,547
Ordinary income	11,300	94.2	7,707
Profit attributable to owners of parent	7,519	62.7	13,246
Earnings per share (yen/USD)	¥ 36.39	US\$ 0.30	¥ 64.10
Cash dividends per share (yen/USD)	¥ 5.00	US\$ 0.04	¥ 2.50
	September 30, 2015		March 31, 2015
Total assets	325,029	2,710.8	333,701
Net assets	94,410	787.4	92,589

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 119.9 yen/dollar.

Business Results

1. Overview

During the six-month period ended September 30, 2015, in the world economy, the U.S. economy stagnated due to the effect of a delayed recovery in overseas economies as well as low oil prices and a strong dollar. In Europe, the service industry continued to improve against the backdrop of strong personal consumption. China's economy is believed to have entered a weak trend, reflecting a slowdown in capital investment, sluggish personal consumption and other factors, despite the implementation of economic-growth boosting measures including monetary easing. The Japanese economy is experiencing a moderate recovery led by personal consumption amid an upward trend in nominal wages. Conditions in the department store industry appear favorable mainly due to inbound demand at some stores in urban centers. In the electronic devices and semiconductor market, demand

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for smartphone and automobile related products is increasing. Further demand is expected in new domains where microfabrication and power-saving are increasingly required. The domestic information services market progressed steadily, due to a recovery in demand from manufacturing and other industries following improvements in corporate earnings, reform of systems at financial institutions and other factors.

For the six-month period ended September 30, 2015, the Company reported consolidated net sales of 151.5 billion yen, a year-on-year increase of 13.5 billion yen, or 9.9%. On a per-segment basis, sales under the Watches Business and the Electronic Devices Business grew year on year, while the Systems Solutions Business declined compared to the same period of the previous fiscal year. On an overall consolidated basis, domestic net sales came to 71.6 billion yen (a year-on-year increase of 12.3%), and overseas net sales were 79.8 billion yen (a year-on-year increase of 7.7%). Overseas net sales comprised 52.7% of net sales overall. In terms of income, operating income increased 3.7 billion yen compared to the previous fiscal year to become 11.3 billion yen (a year-on-year increase of 50.1%). Ordinary income increased by 3.5 billion yen over the same period of the previous fiscal year to become 11.3 billion yen (a year-on-year increase of 46.6%), although non-operating income and expenditures worsened slightly compared to the same period of the previous fiscal year. Furthermore, 1.5 billion yen in business structure improvement expenses associated with the transfer of the wide format printer business in the third quarter of fiscal year 2015 was posted as extraordinary losses. As a result of these factors, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests came to 7.5 billion yen (a year-on-year decrease of 43.2%).

2. Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business for the six-month period ended September 30, 2015 came to 85.2 billion yen, a year-on-year increase of 11.2 billion yen, or 15.2%. In Japan, sales of men's watch models were driven by Grand Seiko, ASTRON, Mechanical, and PROSPEX, while sales of ladies' watch models were driven by the LUKIA and TISSÉ. With support from inbound demand as well, overall sales for watch finished goods were up significantly year on year. On the overseas front, sales grew in Europe, mainly in Germany, the Netherlands and other countries on a local currency basis, and in Asia, mainly in Taiwan. Sales were slow in the United States primarily due to inventory adjustment by customers. During the six-month period under review, a Seiko Premium Boutique was opened in the Ginza area of Tokyo, and Seiko Boutiques were opened in Frankfurt and

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Moscow.

With regard to income, the increase in net sales yielded a year-on-year increase of 1.6 billion yen in operating income, bringing it to 9.6 billion yen (a year-on-year increase of 20.3%).

b. Electronic Devices Business

Net sales in the Electronic Devices Business came to 50.1 billion yen (a year-on-year increase of 5.7%), and operating income to 2.4 billion yen (a year-on-year increase of 144.0%). On a per-domain basis, sales of semiconductors performed favorably, particularly for automobiles and smartphones. Sales of quartz crystals increased for GPS, surveillance cameras and others. Printer-related sales also grew, although sales of radiation measuring equipment stagnated.

c. Systems Solutions Business

Net sales in the Systems Solutions Business came to 8.6 billion yen (a year-on-year decrease of 14.6%). Operating losses were 22 million yen (compared to operating losses of 67 million yen for the same period of the previous fiscal year). Sales of payment terminal-related products were steady, but communication modules and other products declined year on year.

d. Others

Net sales in Others amounted to 13.6 billion yen. Among segments included in Others, sales under the Clocks Business and the Wako Business grew compared to the same period of the previous fiscal year. Operating income came to 0.1 billion yen (compared to operating losses of 0.4 billion yen for the same period of the previous fiscal year).

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2. Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets at the close of the six-month period ended September 30, 2015 amounted to 325.0 billion yen, a decrease of 8.6 billion yen from the close of the previous fiscal year. Current assets amounted to 163.3 billion yen, a decline of 1.5 billion yen. This was mainly due to decreases of 3.9 billion yen in cash and deposits and 2.1 billion yen in accounts receivable-other, offsetting a 7.2 billion-yen increase in inventories. Under non-current assets, investments and other assets decreased by 6.2 billion yen, resulting in total non-current assets of 161.7 billion yen, a decline of 7.0 billion yen.

For liabilities, the Company posted 230.6 billion yen in total liabilities, a decrease of 10.4 billion yen over the close of the previous fiscal year. This was mainly attributable to decreases of 10.9 billion yen in long- and short-term loans payable, 3.1 billion yen in accounts payable-other and 2.5 billion yen in deferred tax liabilities, which offset increases of 5.7 billion yen in notes and accounts payable-trade.

Additionally, total net assets increased by 1.8 billion yen over the close of the previous year to become 94.4 billion yen, due to an increase of 5.9 billion yen in shareholders' equity mainly due to the recording of profit attributable to owners of parent, despite certain factors such as a decrease of 3.6 billion yen in total accumulated other comprehensive income.

Cash Flows in the Current Fiscal Year Are Summarized as Follows:

The balance of cash and cash equivalents at the end of the six-month period ended September 30, 2015 came to 37.1 billion yen, a decline of 3.1 billion yen relative to the end of the previous fiscal year.

This is primarily due to the following factors:

-Cash flow from operating activities

Net cash flow from operating activities came to 11.0 billion yen, an increase of 0.8 billion yen over the same period of the previous fiscal year (compared to a positive cash flow of 10.1 billion yen). This was the result of the Company posting 9.7 billion yen in income before income taxes and minority interests; factoring mainly in depreciation amounting to 4.8 billion yen and a 6.9 billion-yen increase in notes and accounts payable-trade that were added to cash flow, as well as a 7.8 billion-yen increase in inventories and a 3.0 billion-yen decrease in accounts payable-other that were deducted from cash flow.

-Cash flow from investment activities

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Net cash flow from investment activities came to negative 0.3 billion yen (compared to a positive cash flow of 41.2 billion yen for the same period of the previous fiscal year) due to cash inflows consisting mostly of 5.2 billion yen in sales of property, plant and equipment and outflows consisting mainly of 6.4 billion yen in purchase of property, plant and equipment.

-Cash flow from financing activities

Net cash flow from financing activities came to negative 13.5 billion yen (compared to a negative cash flow of 41.7 billion yen for the same period of the previous fiscal year) due mainly to repayments and borrowings of short- and long-term loans payable.

Outlook for the Year Ending March 31, 2016

Business performance was steady during the six-month period ended September 30, 2015, mainly in the Watches Business in Japan. However, with regard to the future outlook, the Company has not revised the previous forecast for the consolidated business results or for the results by segment for the year ending March 31, 2016 since economic trends in each market appear to be uncertain at the moment.

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

■ Forecast for the consolidated business results for the year ending March 31, 2016 (FY2015)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	320.0	109.0
Operating income	16.0	137.1
Ordinary income	16.0	129.3
Profit attributable to owners of parent	12.0	55.1

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■ Forecasted results by segment for the year ending March 31, 2016 (FY2015)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)
Watches Business	175.0	13.5
Electronic Devices Business	100.0	4.0
Systems Solutions Business	24.0	1.0
Total for all business segments	299.0	18.5
Others	30.0	1.0
Consolidated total	320.0	16.0

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

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.

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Balance Sheets

Seiko Holdings Corporation and Consolidated Subsidiaries

September 30, 2015

	Millions of yen	
	September 30, 2015	March 31, 2015
	Amount	Amount
Assets		
Current assets:		
Cash and deposits	37,339	41,292
Notes and accounts receivable - trade	43,396	44,755
Inventories	70,197	62,910
Accounts receivable - other	2,074	4,244
Deferred tax assets	5,229	6,423
Other	6,897	7,038
Allowance for doubtful accounts	(1,815)	(1,763)
Total current assets	163,318	164,901
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	73,830	73,412
Machinery, equipment and vehicles	103,441	102,894
Tools, furniture and fixtures	35,589	34,943
Other	4,255	4,244
Accumulated depreciation	(172,334)	(170,229)
Land	49,634	50,447
Construction in progress	1,472	917
Total property, plant and equipment	95,889	96,630
Intangible assets:		
Goodwill	7,949	8,236
Other	7,354	7,157
Total intangible assets	15,304	15,393
Investments and other assets:		
Investment securities	41,615	48,116
Deferred tax assets	2,011	1,737
Other	7,114	7,101
Allowance for doubtful accounts	(224)	(179)
Total investments and other assets	50,517	56,776
Total non-current assets	161,711	168,799
Total assets	325,029	333,701

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	Millions of yen	
	September 30, 2015	March 31, 2015
	Amount	Amount
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	31,805	26,019
Electronically recorded obligations - operating	8,139	7,358
Short-term loans payable	49,234	43,585
Current portion of long-term loans payable	31,043	35,771
Accounts payable - other	11,445	14,603
Income taxes payable	2,137	1,584
Deferred tax liabilities	31	26
Provision for bonuses	4,849	4,346
Other provision	888	1,172
Asset retirement obligations	97	12
Other	10,692	10,637
Total current liabilities	150,365	145,118
Non-current liabilities:		
Long-term loans payable	42,659	54,498
Deferred tax liabilities	8,517	11,091
Deferred tax liabilities for land revaluation	3,808	3,812
Other provision	697	897
Net defined benefit liability	17,896	18,441
Asset retirement obligations	446	522
Other	6,229	6,729
Total non-current liabilities	80,254	95,993
Total liabilities	230,619	241,112

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	Millions of yen	
	September 30, 2015	March 31, 2015
	Amount	Amount
Net assets		
Shareholders' equity:		
Capital stock	10,000	10,000
Capital surplus	7,416	7,414
Retained earnings	53,734	47,765
Treasury shares	(155)	(151)
Total shareholders' equity	70,995	65,027
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	9,701	13,007
Deferred gains or losses on hedges	76	39
Revaluation reserve for land	7,996	7,991
Foreign currency translation adjustment	4,419	4,796
Remeasurements of defined benefit plans	(437)	(452)
Total accumulated other comprehensive income	21,756	25,383
Non-controlling interests	1,658	2,178
Total net assets	94,410	92,589
Total liabilities and net assets	325,029	333,701

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Statements of Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended September 30, 2015

	Millions of yen	
	2Q FY 2015	2Q FY 2014
	Amount	Amount
Net sales	151,541	137,951
Cost of sales	95,510	88,780
Gross profit	56,031	49,171
Selling, general and administrative expenses	44,700	41,624
Operating income	11,330	7,547
Non-operating income:		
Interest income	97	118
Dividend income	490	304
Other	1,137	1,948
Total non-operating income	1,725	2,370
Non-operating expenses:		
Interest expenses	1,095	1,808
Other	660	401
Total non-operating expenses	1,755	2,210
Ordinary income	11,300	7,707
Extraordinary income:		
Gain on sales of non-current assets	-	8,433
Total extraordinary income	-	8,433
Extraordinary losses:		
Business structure improvement expenses	1,536	-
Loss on business withdrawal	-	589
Total extraordinary losses	1,536	589
Income before income taxes	9,763	15,552
Income taxes	2,155	2,155
Profit	7,608	13,396
Profit attributable to non-controlling interests	89	150
Profit attributable to owners of parent	7,519	13,246

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Statements of Comprehensive Income

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended September 30, 2015

	Millions of yen	
	2Q FY 2015	2Q FY 2014
	Amount	Amount
Profit	7,608	13,396
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,625)	10,559
Deferred gains or losses on hedges	36	129
Revaluation reserve for land	4	-
Foreign currency translation adjustment	(963)	1,882
Remeasurements of defined benefit plans, net of tax	29	16
Share of other comprehensive income of entities accounted for using equity method	826	296
Total other comprehensive income	(3,692)	12,883
Comprehensive income	3,916	26,280
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,892	26,028
Comprehensive income attributable to non- controlling interests	23	251

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Statements of Cash Flows

Seiko Holdings Corporation and Consolidated Subsidiaries

For the Six Months Ended September 30, 2015

	Millions of yen	
	2Q FY 2015	2Q FY 2014
Cash flows from operating activities		
Income before income taxes	9,763	15,552
Depreciation	4,894	5,357
Increase (decrease) in provision for directors' retirement benefits	(111)	(2)
Increase (decrease) in allowance for doubtful accounts	209	59
Increase (decrease) in net defined benefit liability	(453)	(237)
Interest and dividend income	(587)	(422)
Interest expenses	1,095	1,808
Foreign exchange losses (gains)	62	(372)
Share of (profit) loss of entities accounted for using equity method	(197)	(282)
Loss (gain) on sales of non-current assets	-	(8,433)
Loss on retirement of non-current assets	44	28
Decrease (increase) in notes and accounts receivable - trade	891	3,916
Decrease (increase) in inventories	(7,857)	(6,305)
Increase (decrease) in notes and accounts payable - trade	6,916	3,819
Increase (decrease) in accounts payable - other	(3,000)	(2,853)
Other, net	2,264	3,175
Subtotal	13,934	14,808
Interest and dividend income received	587	423
Proceeds from dividend income from entities accounted for using equity method	14	11
Interest expenses paid	(1,114)	(1,829)
Payments for extra retirement payments	(377)	(1,136)
Income taxes paid	(2,000)	(2,086)
Net cash provided by (used in) operating activities	11,043	10,190

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	Millions of yen	
	2Q FY 2015	2Q FY 2014
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,489)	(4,095)
Proceeds from sales of property, plant and equipment	5,219	47,502
Purchase of investment securities	(0)	(10)
Proceeds from sales of investment securities	100	27
Payments of loans receivable	(337)	(368)
Collection of loans receivable	456	597
Other, net	691	(2,392)
Net cash provided by (used in) investing activities	(360)	41,260
Cash flows from financing activities		
Increase in short-term loans payable	212,725	227,899
Decrease in short-term loans payable	(207,025)	(228,279)
Proceeds from long-term loans payable	15	14,677
Repayments of long-term loans payable	(16,581)	(54,352)
Cash dividends paid	(1,550)	(1,033)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(338)	-
Other, net	(801)	(640)
Net cash provided by (used in) financing activities	(13,556)	(41,730)
Effect of exchange rate change on cash and cash equivalents	(273)	816
Net increase (decrease) in cash and cash equivalents	(3,146)	10,537
Cash and cash equivalents at beginning of period	40,279	42,568
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries	-	2
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	45	-
Cash and cash equivalents at end of period	37,179	53,108

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Segment Information

1. Information about Sales and Income (Loss) by Reported Segment

(For the Six Months Ended September 30, 2014)

	Millions of yen	
	Sales 2Q FY 2014	Operating Income 2Q FY 2014
Watches Business	74,031	8,028
Electronic Devices Business	47,498	1,016
Systems Solutions Business	10,160	(67)
Total for reported segments	131,689	8,977
Others	11,296	(409)
Total for all business segments	142,986	8,568
Adjustments	(5,035)	(1,020)
Total	137,951	7,547

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 - Adjustments to segment income in the amount of -1,020 million yen include -347 million yen in the amortization of goodwill, 304 million yen that mainly consists of the elimination of intra-segment transactions, and -977 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 (loss) has been adjusted for alongside operating income on the consolidated quarterly statements of income.

2. Information about Sales and Income (Loss) by Reported Segment

(For the Six Months Ended September 30, 2015)

	Millions of yen	
	Sales 2Q FY 2015	Operating Income 2Q FY 2015
Watches Business	85,278	9,660
Electronic Devices Business	50,191	2,479
Systems Solutions Business	8,673	(22)
Total for reported segments	144,143	12,117
Others	13,616	181
Total for all business segments	157,759	12,299
Adjustments	(6,217)	(968)
Total	151,541	11,330

- Notes:
- The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 - Adjustments to segment income in the amount of -968 million yen include -283 million yen in the amortization of goodwill, 244 million yen that mainly consists of the elimination of intra-segment transactions, and -929 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 (loss) has been adjusted for alongside operating income on the consolidated quarterly statements of income.