

8 August 2008

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2008

Financial Highlights

For the three months ended 30 June 2008 (1Q FY 2008)

	1Q FY2008		1Q FY2007
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	43,229	406,211	48,898
Operating income	(728)	(6,841)	993
Ordinary income	(303)	(2,847)	1,383
Net income	(95)	(893)	792
Earnings per share (yen)	(0.82)	\$0.01	6.83
Total assets	235,029	2,208,504	255,331
Net assets	52,490	493,234	66,566

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 106.42 yen/dollar.

Business Results

1. Overview

For the three months ended 30 June 2008, Seiko Holdings Corporation reported consolidated net sales of 43.2 billion yen, a decrease of 5.6 billion yen (an 11.6% decline) from the same period in the previous year. Domestic sales were 24.0 billion yen (a 14.8% decline from the same period in the previous year), and overseas sales were 19.1 billion yen (a 7.1% decline from the same period in the previous year).

Sales in the watch business and clock business in Japan were up from the previous year. The precision products business reported a decline in domestic sales as a result of withdrawal from the mobile phone camera module business, and the optical products business has lower domestic sales mainly because of sluggish sales of eyeglass lenses, particularly lenses for mass merchandisers. Overseas, the watch

business reported lower sales in Europe and the United States, but sales in the optical products business increased, particularly in Europe.

Both the precision products business and the clock business improved profitability and reduced operating losses, but falling sales overseas in the watch business resulted in a substantial fall in operating income. As a result, consolidated operating losses were 700 million yen (compared to operating income of 900 million yen in the same period in the previous year), ordinary losses were 300 million yen (compared to ordinary income of 1.3 billion yen in the same period in the previous year). Extraordinary income of 600 million yen from gains on the sale of investments in securities was reported, resulting in income before income taxes and adjustments of 200 million yen and a loss after income taxes and adjustments of 95 million yen (compared to net income of 700 million yen in the same period in the previous year).

2. Results by Business Segment

a. Watch business

The watch business reported sales of 23.0 billion yen (a 7.9% decline from the same period in the previous year), with strong sales of the Grand Seiko high-end line and the Seiko Brightz line in Japan. Overseas, business remained brisk in Asia, but sales in the United States and Europe experienced a drop. As a result of the fall in overseas sales, operating income was 100 million yen (an 87.7% decline from the same period in the previous year).

b. Precision products business

The precision products business reported sales of 7.1 billion yen (an 18.9% decline from the same period in the previous year). Sales in the electronic device business were down substantially in conjunction with the withdrawal from the mobile phone camera module business. Sales in the computer system-related business were nearly flat, while the semiconductor business increased significantly thanks to a recovery in sales of IC chips used in crystal oscillators, the main products in this field. As a result, operating losses in the precision products business were 300 million yen, an improvement of 200 million yen (compared to an operating loss of 600 million yen in the same period in the previous year).

c. Optical products business

The optical products business reported sales of 7.0 billion yen (a 2.0% decline from the same period in the previous year). In the domestic market, sales fell because of intensifying competition with lenses for mass merchandisers as low-price eyeglass stores continue to expand. In overseas markets, sales in Europe increased at a healthy pace and sales to major chain stores in the United States were solid. Profitability declined mainly because of falling sales prices, resulting in operating income of 83 million yen (a 65.7% decline from the same period in the previous year).

d. Clock business

The clock business reported sales of 3.0 billion yen (a 7.1% increase from the same period in the previous year). In the domestic market, sales of high-priced products and low- to mid-priced Pyxis clocks increased. Overseas, sales grew, mainly in Europe and Asia. As a result, operating losses were 100 million yen, an improvement of 200 million yen (compared to an operating loss of 400 million yen in the same period in the previous year).

e. Other businesses

Other businesses reported sales of 4.4 billion yen (a 34.1% decline from the same period in the previous year), down 2.2 billion yen primarily because of the withdrawal from the jewellery and consumer electronics businesses. Other businesses posted an operating loss of 700 million yen (compared to an operating loss of 100 million yen in the same period in the previous year).

Financial Condition

Total assets as of 30 June 2008 were 235.0 billion yen, an increase of 8.0 billion yen from the end of the previous fiscal year. The increase was primarily the result of a 1.4 billion yen increase in current assets mainly from a decrease in accounts receivable and an increase in inventories, and a 6.5 billion yen increase in non-current assets mainly from an increase in tangible fixed assets mainly because of earthquake proofing construction to the building in Ginza and the posting of lease assets, and an increase in differences arising from the valuation of securities. Liabilities were 182.5 billion yen, an increase of 4.5 billion yen from the end of

the previous fiscal year as a result of higher accounts payable and an increase in long- and short-term loans payable. Net assets increased 3.5 billion yen from the end of the previous fiscal year to 52.4 billion yen as a result of an increase in valuation difference on available-for-sale securities and foreign currency translation adjustment.

Outlook for the Year Ending 31 March 2009

Feelings of uncertainty concerning financial performance in the fiscal year ending 31 March 2009 are increasing and difficult economic conditions will continue in both domestic and overseas markets, and as a result, current forecasts have been revised as set forth below.

■ Forecast for the consolidated business results for the year ending 31 March 2009 (FY2008)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	207.0	-3.3
Operating income	7.5	+3.7
Ordinary income	7.0	-3.7
Net income	5.5	+71.0

■ Forecasted results by business segment for the year ending 31 March 2009 (FY2008)

	Billions of yen			
	Net Sales		Operating Income	
	FY2008	FY2007	FY2008	FY2007
Watch Business	111.0	117.1	7.2	9.0
Precision Products Business	35.0	35.1	0.2	(0.7)
Optical Products Business	30.0	28.5	0.5	0.4
Clock Business	13.0	13.2	(0.2)	(0.8)
Other businesses	24.0	26.3	(1.0)	(2.0)
Total for all business segments	213.0	220.4	6.7	5.7
Consolidated total	207.0	213.9	7.5	7.2

Note: Consolidated total represents figures after consolidation adjustments such as the elimination of inter-segment 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 2008

	Millions of yen	
	30 June 2008	31 March 2008
	Amount	Amount
Assets		
Current Assets:		
Cash and deposits	15,315	15,175
Notes and accounts receivable-trade	30,824	34,375
Merchandise and finished goods	32,408	28,346
Work in process	2,313	2,266
Raw materials and supplies	1,690	1,590
Accounts receivable-other	2,698	2,450
Deferred tax assets	3,117	3,196
Other	4,449	3,852
Allowance for doubtful accounts	(1,299)	(1,205)
Total current assets	91,520	90,049
Noncurrent Assets:		
Property, plant, and equipment:		
Buildings and structures	36,106	35,873
Machinery, equipment, and vehicles	18,251	18,583
Tools, furniture and fixtures	14,255	13,904
Accumulated depreciation	(40,707)	(40,165)
Land	50,406	50,253
Construction in progress	1,797	499
Other	461	-
Subtotal	80,570	78,947
Intangible assets:		
Goodwill	812	864
Other	8,514	8,321
Subtotal	9,327	9,185
Investments and other assets:		
Investment securities	47,479	42,997
Deferred tax assets	1,342	1,083
Other	5,299	5,255
Allowance for doubtful accounts	(510)	(519)
Subtotal	53,611	48,817
Total noncurrent assets	143,509	136,950
Total assets	235,029	227,000

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	Millions of yen	
	30 June 2008	31 March 2008
	Amount	Amount
Liabilities		
Current Liabilities:		
Notes and accounts payable-trade	22,277	19,656
Short-term loans payable	30,661	30,508
Current portion of long-term loans payable	12,118	11,013
Accounts payable-other	4,847	6,767
Income taxes payable	802	820
Deferred tax liabilities	18	24
Provision for bonuses	948	1,829
Other provision	881	795
Other	7,040	5,741
Subtotal	79,595	77,157
Noncurrent Liabilities:		
Long-term loans payable	77,268	76,155
Deferred tax liabilities	4,876	4,275
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	10,675	10,497
Other provision	1,130	1,179
Other	3,501	3,260
Subtotal	102,943	100,856
Total liabilities	182,539	178,014

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	Millions of yen	
	30 June 2008	31 March 2008
	Amount	Amount
Net Assets		
Stockholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	453	453
Retained earnings	27,046	27,045
Treasury stock	(240)	(182)
Subtotal	37,258	37,316
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	12,567	10,179
Deferred gains or losses on hedges	(102)	(91)
Revaluation reserve for land	3,095	3,095
Foreign currency translation adjustment	(797)	(1,971)
Subtotal	14,762	11,213
Minority interests	469	456
Total net assets	52,490	48,986
Total liabilities and net assets	235,029	227,000

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Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries
For the three months ended 30 June 2008

		Millions of yen
		1Q FY 2008
		Amount
Net sales		43,229
Cost of sales		26,620
Gross profit		16,609
Selling, general, and administrative expenses		17,337
Operating loss		(728)
Non-operating income:		
Interest income		75
Dividends income		398
Equity in earnings of affiliates		386
Other		490
	Subtotal	1,351
Non-operating expenses:		
Interest expenses		613
Other		313
	Subtotal	926
Ordinary loss		(303)
Extraordinary income:		
Gain on sales of investment securities		600
	Subtotal	600
Income before income taxes and minority interests		296
Income taxes-current		356
Income taxes-deferred		21
	Subtotal	378
Minority interests in income		13
Net loss		(95)

Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For the three months ended 30 June 2008

	Millions of yen
	1Q FY 2008
Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	296
Depreciation and amortization	1,268
Increase (decrease) in provision for retirement benefits	72
Increase (decrease) in provision for directors' retirement benefits	(50)
Increase (decrease) in allowance for doubtful accounts	35
Interest and dividends income	(474)
Proceeds from dividends income from equity method affiliate	6
Interest expenses	613
Foreign exchange losses (gains)	4
Equity in (earnings) losses of affiliates	(386)
Loss (gain) on sales of investment securities	(600)
Loss (gain) on sales of noncurrent assets	—
Loss on retirement of noncurrent assets	55
Decrease (increase) in notes and accounts receivable-trade	4,447
Decrease (increase) in inventories	(3,576)
Increase (decrease) in notes and accounts payable-trade	2,116
Increase (decrease) in accounts payable-other	(2,046)
Other, net	(225)
Subtotal	1,557
Interest and dividends income received	473
Interest expenses paid	(524)
Income taxes paid	(396)
Net cash provided by (used in) operating activities	1,109
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(2,246)
Proceeds from sales of property, plant and equipment	131
Purchase of investment securities	(3,150)
Proceeds from sales of investment securities	3,600
Payments of loans receivable	(278)
Collection of loans receivable	28
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—
Other, net	(223)
Net cash provided by (used in) investment activities	(2,139)
Net cash provided by (used in) financing activities	
Increase in short-term loans payable	39,868
Decrease in short-term loans payable	(39,925)
Proceeds from long-term loans payable	5,000
Repayment of long-term loans payable	(2,782)
Cash dividends paid	(1,161)
Other, net	(70)
Net cash provided by (used in) financing activities	928
Effect of exchange rate change on cash and cash equivalents	244
Net increase (decrease) in cash and cash equivalents	143
Cash and cash equivalents at beginning of period	15,122
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—
Cash and cash equivalents at end of period	15,266

Segment Information

1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	1Q FY2008	1Q FY2007	1Q FY2008	1Q FY2007
Watch Business	23,006	24,979	183	1,492
Precision Products Business	7,165	8,832	(397)	(637)
Optical Products Business	7,075	7,219	83	243
Clock Business	3,021	2,820	(184)	(440)
Other businesses	4,419	6,702	(775)	(130)
Total for all business segments	44,687	50,544	(1,090)	527
Eliminations and common	(1,458)	(1,656)	362	465
Total	43,229	48,898	(728)	993

Notes:

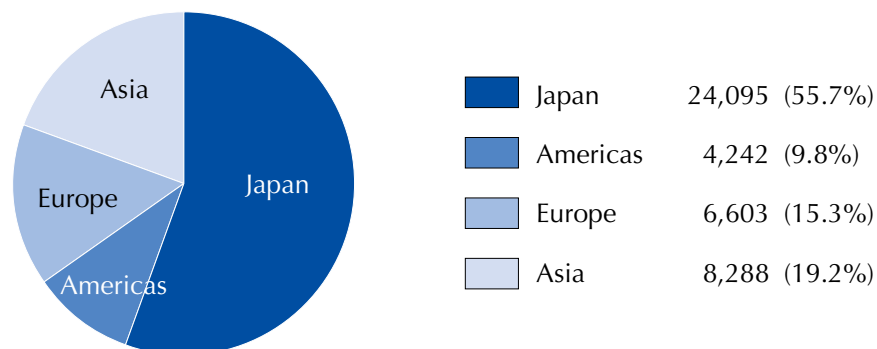
- The segmentation of businesses is based on the consolidated business management system that is employed by the Company.
- Main products of each business segment

Business Segment	Main Products
Watch Business	Watches
Precision Products Business	Shutters for cameras, network systems, and semiconductors
Optical Products Business	Optical lenses and frames
Clock Business	Clocks
Other businesses	Golf clubs, musical accessories, high-end clothing and miscellaneous goods, system clocks, sports timing equipment, and repair and after-sale services for watches

2. Net Sales by Region

1Q FY 2008

Millions of yen



Notes:

1. The segment of sales according to country or region is determined by geographic proximity.
2. The key countries or regions included in each of the above segments are as follows:
Americas: North America, Central America, and South America regions
Europe: Europe and Africa regions
Asia: Asia, Oceania, and Middle East regions
3. Overseas sales represent the sales of our products reported by Seiko Holdings Corporation and its consolidated subsidiaries to external customers in countries or regions other than Japan.

For further information, please contact:

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