

11 August 2009

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2009

Financial Highlights

For the three months ended 30 June 2009 (1Q FY2009))

	1Q FY2009		1Q FY2008
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	33,154	345,282	43,229
Operating income	(2,826)	(29,431)	(728)
Ordinary income	(3,573)	(37,211)	(303)
Net income	(3,478)	(36,222)	(95)
Earnings per share (yen)	(30.25)	\$(0.32)	(0.82)
	30 June 2009		31 March 2009
Total assets	225,053	2,343,814	226,716
Net assets	29,641	308,696	32,486

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 96.02 yen/dollar.

Business Results

1. Overview

For the three months ended 30 June 2009, Seiko Holdings Corporation reported consolidated net sales of 33.1 billion yen, a decrease of 10.0 billion yen from the same period of the previous year (a 23.3% decline). Domestic sales were 19.6 billion yen (an 18.4% decline from the same period in the previous year), and overseas sales were 13.4 billion yen (a 29.5% decline from the same period in the previous year). Measures to reduce costs and expenses continued, but an operating loss of 2.8 billion yen (compared to an operating loss of 0.7 billion yen in the same period in the previous year) in conjunction with the substantial decreases in sales. In addition, lower income by equity method affiliates resulted in a non-operating loss of 0.4 billion yen from equity in the losses of affiliates (compared to equity in the earnings of affiliates of 0.3 billion yen in the same

period in the previous year). Consequently, an ordinary loss of 3.5 billion yen was reported (compared to an ordinary loss of 0.3 billion yen in the same period in the previous year). There were no item of extraordinary income or loss, and quarterly net loss after income taxes and minority interests was 3.4 billion yen (compared to a quarterly net loss of 0.1 billion yen in the same period in the previous year).

Results by Business Segment

a. Watch business

The watch business reported sales of 13.5 billion yen, down 9.4 billion yen (a 41.1% decline from the same period in the previous year) mainly due to economic downturns in Japan and abroad, the transfer of Cronos Inc., a domestic retailer of watches and other products, from the watch business to the other businesses segment starting this term. In Japan, sales of high-priced products fell substantially and overall sales were below the previous year's level. Despite the adverse conditions, however, sales of the new, high-end Grand Seiko high-beat (36000 vph [vibrations per hour]) mechanical watch and the new low-priced Wired women's watch were brisk. Overseas, sales were down, particularly in the United States and Europe. Efforts to reduce expenses continued, but an operating loss of 0.5 billion yen was reported because of the large decline in sales (compared to operating income of 0.1 billion yen in the same period in the previous year).

b. Precision products business

The precision products business reported sales of 6.0 billion yen (a 16.1% decline from the same period in the previous year). Sales in the electronic device business were down as a result of lower sales of shutters for compact cameras, and sales in the computer system-related business were down primarily because of lower sales of application software to manufacturing companies. In the semiconductor business, sales of IC chips used in crystal oscillators, the Company's main products in this field, hit bottom in the fourth quarter of the previous year and started to recover, but still failed to reach the level of the first quarter of the previous year. As a result, the precision products business reported an operating loss of 0.6 billion yen (compared to an operating loss of 0.3 billion yen in the same period in the previous year).

c. Optical products business

The optical products business reported sales of 6.2 billion yen (a 12.2% decline from the same period in the previous year). In the domestic market, sales fell because of intensifying competition with lenses for mass merchandisers. Sales in overseas markets also declined from the previous year because of falling sales to the Company's major customers in the United States and the effects of exchange rate translations in Europe. As a result, the optical products business reported an operating loss of 0.1 billion yen (compared to operating income of 0.1 billion yen in the same period in the previous year).

d. Clock business

The clock business reported sales of 2.0 billion yen (a 31.7% decline from the same period in the previous year). Sales of low- to mid-priced products increased, but sales of high-priced products fell substantially as a result of the economic downturn. With respect to income, efforts to reduce manufacturing costs continued, but an operating loss of 0.1 billion yen was reported, nearly the same as in the same period in the previous year.

e. Other businesses

Other businesses reported sales of 6.9 billion yen (a 56.7% increase from the same period in the previous year). The increase was mainly the result of the transfer of Cronos Inc., a domestic retailer of watches and other products, from the watch business to the other businesses segment starting this term. Income improved by 0.3 billion yen from the same period in the previous year, and an operating loss of 0.4 billion yen was reported (compared to an operating loss of 0.7 billion yen in the same period in the previous year).

2. Financial Condition**Status of Assets, Liabilities, and Net Assets**

Total assets as of 30 June 2009 were 225.0 billion yen, a decrease of 1.6 billion

yen from the end of the previous fiscal year. The decline was primarily the result of a drop in current assets of 1.5 billion yen mainly from a decline in cash and deposits, a decline in notes and accounts receivable-trade, and an increase in inventories. Liabilities were 195.4 billion yen, up 1.1 billion yen from the end of the previous fiscal year primarily because of lower accounts payable-other and higher loans payable. Net assets fell 2.8 billion yen from the end of the previous fiscal year to 29.6 billion yen mainly due to a higher valuation difference on available-for-sale securities and lower retained earnings.

Cash Flows in the 1st Quarter Are Summarized as Follows

Cash flows from operating activities

Net cash outflow in operating activities amounted to 1.7 billion yen, a decrease of 2.8 billion yen from the same period in the previous year. Depreciation and amortisation expenses of 1.4 billion yen, a 2.2 billion yen decrease in notes and accounts receivable-trade contributed to an increase in cash flows, while a 3.5 billion yen net loss before income taxes and minority interests, a 1.4 billion yen decrease in accounts payable-other contributed to a decrease in cash flows.

Cash flows from investing activities

Net cash outflow in investing activities amounted to 0.3 billion yen, including purchase of property, plant and equipment. Net cash outflow in investing activities in the same period of the previous year amounted to 2.1 billion yen, including purchase of property, plant and equipment.

Cash flows from financing activities

Net cash inflow from financing activities amounted to 1.4 billion yen including a 1.7 billion yen increase in loans payable and 0.2 million yen in dividends paid. Net cash inflow from financing activities in the same period of the previous year amounted to 0.9 billion yen, including increased loans payable.

As a result of the above activities, the balance of cash and cash equivalents at the end of the current quarter stood at 16.2 billion yen (compared to 15.2 billion yen at the end of the same quarter of the previous year).

3. Outlook for the Year Ending 31 March 2010

There are no changes to the outlook for consolidated financial results announced on May 8, 2009.

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 2009

	Millions of yen	
	30 June 2009	31 March 2009
	Amount	Amount
Assets		
Current Assets:		
Cash and deposits	16,847	17,484
Notes and accounts receivable-trade	23,870	26,031
Merchandise and finished goods	31,462	31,058
Work in process	2,051	1,962
Raw materials and supplies	1,613	1,500
Accounts receivable-other	3,079	3,109
Deferred tax assets	1,497	1,396
Other	4,018	3,394
Allowance for doubtful accounts	(1,580)	(1,508)
Total current assets	82,860	84,430
Noncurrent Assets:		
Property, plant, and equipment:		
Buildings and structures	40,531	40,335
Machinery, equipment, and vehicles	16,795	16,909
Tools, furniture and fixtures	14,040	13,870
Accumulated depreciation	(39,984)	(38,882)
Land	52,798	52,576
Construction in progress	208	173
Other	567	560
Subtotal	84,956	85,543
Intangible assets:		
Goodwill	604	656
Other	9,246	9,337
Subtotal	9,851	9,994
Investments and other assets:		
Investment securities	40,827	40,279
Deferred tax assets	1,803	1,696
Other	5,103	5,112
Allowance for doubtful accounts	(349)	(341)
Subtotal	47,385	46,747
Total noncurrent assets	142,193	142,285
Total assets	225,053	226,716

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	Millions of yen	
	30 June 2009	31 March 2009
	Amount	Amount
Liabilities		
Current Liabilities:		
Notes and accounts payable-trade	15,605	15,642
Short-term loans payable	40,571	41,452
Current portion of long-term loans payable	43,405	43,007
Accounts payable-other	3,682	5,104
Income taxes payable	286	303
Deferred tax liabilities	47	67
Provision for bonuses	645	1,232
Other provision	653	691
Other	5,961	4,985
Total current liabilities	110,856	112,487
Noncurrent Liabilities:		
Long-term loans payable	59,870	57,573
Deferred tax liabilities	2,622	1,822
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	10,215	10,323
Other provision	1,057	1,071
Negative goodwill	1,609	1,704
Other	3,690	3,757
Total noncurrent liabilities	84,554	81,742
Total liabilities	195,411	194,229

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	Millions of yen	
	30 June 2009	31 March 2009
	Amount	Amount
Net Assets		
Stockholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	447	447
Retained earnings	17,495	21,283
Treasury stock	(593)	(593)
Subtotal	27,349	31,137
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,766	663
Deferred gains or losses on hedges	(82)	31
Revaluation reserve for land	3,095	3,095
Foreign currency translation adjustment	(6,440)	(6,449)
Subtotal	(1,661)	(2,659)
Minority interests	3,953	4,008
Total net assets	29,641	32,486
Total liabilities and net assets	225,053	226,716

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Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries

For the three months ended 30 June 2009

	Millions of yen	
	1Q FY 2009	1Q FY 2008
	Amount	Amount
Net sales	33,154	43,229
Cost of sales	21,543	26,620
Gross profit	11,611	16,609
Selling, general, and administrative expenses	14,437	17,337
Operating loss	(2,826)	(728)
Non-operating income:		
Interest income	22	75
Dividends income	173	398
Equity in earnings of affiliates	–	386
Other	390	490
Subtotal	586	1,351
Non-operating expenses:		
Interest expenses	716	613
Equity in losses of affiliates	467	–
Other	148	313
Subtotal	1,332	926
Ordinary loss	(3,573)	(303)
Extraordinary income:		
Gain on sales of investment securities	–	600
Subtotal	–	600
Income (loss) before income taxes and minority interests	(3,573)	296
Income taxes-current	168	356
Income taxes-deferred	(249)	21
Subtotal	(80)	378
Minority interests in income	(15)	13
Net loss	(3,478)	(95)

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Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For the three months ended 30 June 2009

	Millions of yen	
	1Q FY 2009	1Q FY 2008
Net cash provided by (used in) operating activities:		
Income (loss) before income taxes and minority interests	(3,573)	296
Depreciation and amortization	1,440	1,268
Increase (decrease) in provision for retirement benefits	(84)	72
Increase (decrease) in provision for directors' retirement benefits	(7)	(50)
Increase (decrease) in allowance for doubtful accounts	75	35
Interest and dividends income	(195)	(474)
Dividends income from equity method affiliate	99	6
Interest expenses	716	613
Foreign exchange losses (gains)	(122)	4
Equity in (earnings) losses of affiliates	467	(386)
Loss (gain) on sales of investment securities	–	(600)
Loss on retirement of noncurrent assets	12	55
Decrease (increase) in notes and accounts receivable-trade	2,262	4,447
Decrease (increase) in inventories	(503)	(3,576)
Increase (decrease) in notes and accounts payable-trade	(57)	2,116
Increase (decrease) in accrued expenses	(1,417)	(2,046)
Other, net	(218)	(225)
Subtotal	(1,105)	1,557
Interest and dividends income received	195	473
Interest expenses paid	(686)	(524)
Income taxes paid	(193)	(396)
Net cash provided by (used in) operating activities	(1,789)	1,109
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(363)	(2,246)
Proceeds from sales of property, plant and equipment	3	131
Purchase of investment securities	0	(3,150)
Proceeds from sales of investment securities	0	3,600
Payments of loans receivable	(108)	(278)
Collection of loans receivable	149	28
Other, net	(60)	(223)
Net cash provided by (used in) investment activities	(378)	(2,139)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	115,504	39,868
Decrease in short-term loans payable	(116,402)	(39,925)
Proceeds from long-term loans payable	6,000	5,000
Repayment of long-term loans payable	(3,305)	(2,782)
Cash dividends paid	(290)	(1,161)
Other, net	(56)	(70)
Net cash provided by (used in) financing activities	1,449	928
Effect of exchange rate change on cash and cash equivalents	178	244
Net increase (decrease) in cash and cash equivalents	(540)	143
Cash and cash equivalents at beginning of period	16,841	15,122
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(84)	–
Cash and cash equivalents at end of period	16,216	15,266

Segment Information

1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	1Q FY 2009	1Q FY 2008	1Q FY 2009	1Q FY 2008
Watch Business	13,546	23,006	(576)	183
Precision Products Business	6,012	7,165	(624)	(397)
Optical Products Business	6,210	7,075	(191)	83
Clock Business	2,064	3,021	(186)	(184)
Other businesses	6,926	4,419	(442)	(775)
Total for all business segments	34,760	44,687	(2,022)	(1,090)
Eliminations and common	(1,605)	(1,458)	(804)	362
Total	33,154	43,229	(2,826)	(728)

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

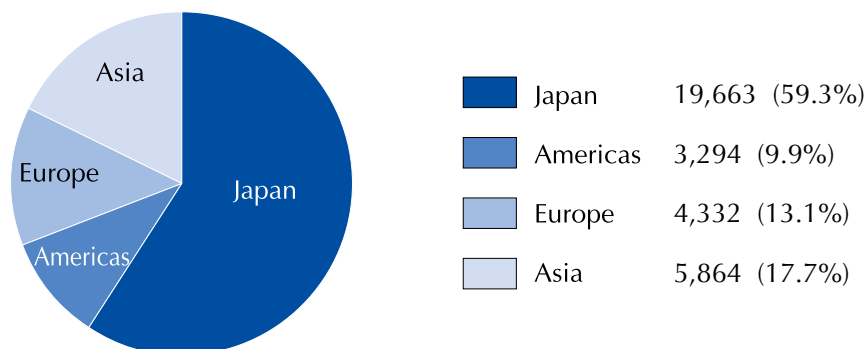
Business Segment	Main Products
Watch Business	Watches
Precision Products Business	Network systems, shutters for cameras, and semiconductors
Optical Products Business	Optical lenses and frames
Clock Business	Clocks
Other businesses	Golf clubs, musical accessories, high-end clothing and miscellaneous goods, real estate rental, system clocks, and sports timing equipment

- In conjunction with changes in consolidated business management structures, Cronos Inc., which was included in the watch business segment, was moved to the other businesses segment, and Seiko Service Center Co., Ltd. which was included in the other businesses segment, is included in watch business segment. As a result of this change, sales to external customers in the watch business decreased by 2,505 million yen and internal sales or transfers among segments increased by 330 million yen. Also sales to external customers in the other businesses segment increased by 2,505 million yen and internal sales or transfers among segments decreased by 349 million yen. In addition, the operating loss of the watch business decreased by 136 million yen and the operating loss of the other businesses segment increased by 18 million yen.

2. Net Sales by Region

1Q FY 2009

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.

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