

9 February 2010

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2009

### Financial Highlights

For the nine months ended 31 December 2009 (3Q FY2009))

	3 Q FY2009		3Q FY2008
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	151,260	1,642,880	137,459
Operating income	26	282	1628
Ordinary income	(2,779)	(30,184)	344
Net income	(5,486)	(59,585)	(2,415)
Earnings per share (yen)	(40.81)	(\$0.44)	(20.89)
	31 December 2009		31 March 2009
Total assets	422,685	4,590,909	226,716
Net assets	41,883	454,904	32,486

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 92.07 yen/dollar.

### Business Results

#### 1. Overview

For the nine months ended 31 December 2009, SEIKO HOLDINGS CORPORATION reported consolidated net sales of 151.2 billion yen, an increase of 13.8 billion yen (a 10.0% increase from the same period in the previous year). Consolidated net sales includes 38.8 billion yen in net sales in the third quarter (1 October to 31 December 2009) by Seiko Instruments Inc., which was formerly subject to the equity method and became a wholly-owned subsidiary of the Company on 1 October 2009 through a share exchange, and its subsidiaries. Domestic sales were 78.3 billion yen (a 7.5% increase from the same period in the previous year), and overseas sales were 72.8 billion yen (a 12.9% increase from the same period in the previous year). As a result of further measures to reduce costs, operating income of 26 million yen (a 98.4% decline from the same period in the previous year) was reported, but ordinary losses of 2.7 billion yen (compared to ordinary income of 0.3 billion yen in the same

period of the previous year) were reported. In addition, extraordinary losses of 1.3 billion yen in business structure improvement expenses were reported, and the net loss for the quarter was 5.4 billion yen (compared to a net loss of 2.4 billion yen in the same period of the previous year).

## **Results by Business Segment**

### **a. Watch business**

The watch business reported sales of 49.4 billion yen, down 27.3 billion yen (a 35.6% decline) from the same period in the previous year, mainly because of sluggish personal consumption in Europe, the United States, and Japan and the transfer of Cronos Inc., a domestic retailer of watches and other products, from the watch business to the other businesses segment this term. In Japan, the business climate remains difficult including a downward trend in prices, but sales of newsworthy midrange and high-end products such as the Seiko Quartz Watch 40th Anniversary Model sold under the Grand Seiko brand and the Brightz Ananta global model were strong. Thus, there are signs of a recovery, although a slow one. Overseas, although markets in Asia are recovering, markets in Europe and the United States remain sluggish, and sales were down from the previous year. Efforts to reduce expenses are ongoing, and operating income was 2.8 billion yen (a 40.9% decline from the same period in the previous year).

### **b. Seiko Instruments business**

Seiko Instruments business reported net sales of 40.8 billion yen and operating income of 1.5 billion yen. The electronics components business, Seiko Instruments's main business line, performed well with steady sales of electronic components such as semiconductors for automobiles and flat-panel televisions, but the recovery of markets for other devices has been weak and future prospects remain uncertain. In the mechatronics business, sales of precision components for hard disk drives were brisk as a result of a recovery in demand for low-priced PCs such as netbooks, but business remains adverse for watch movements. In the system applications business, sales of large printers, the main products in this segment, were weak because of the slow recovery of sales to North America and Europe, but in the scientific instruments business, orders in the public sector for measuring and analysis instruments are returning and the recovery is solid.

**c. Precision products business**

The precision products business reported sales of 21.5 billion yen (a 3.4% decline from the same period in the previous year). In the electronic device business, sales of digital camera shutters remained brisk, but conditions in the computer system-related business are difficult as sales of application software to manufacturing companies were slow. In the semiconductor business, orders for IC chips used in crystal oscillators, the main products in this field, were steady and it appears that a full-scale recovery is underway. As a result, operating income was 72 million yen (compared to an operating loss of 0.7 billion yen in the same period of the previous year).

**d. Optical products business**

The optical products business reported sales of 18.2 billion yen (a 10.4% decline from the same period in the previous year). In the domestic market, sales to low-price eyeglass stores were up, leading to increased sales volume, but average unit prices were down sharply, and as a result both net sales and income fell. In overseas markets, sales to major mass merchandisers in the United States remain sluggish but sales of low-priced products to specialty chains were robust, while in Europe sales to large chains steadily increased. Income was pushed downward because of the poor sales in Japan and the rising value of the yen, and as a result, an operating loss of 0.2 billion yen (compared to an operating loss of 0.1 billion yen in the same period of the previous year) was reported.

**e. Clock business**

The clock business reported sales of 6.5 billion yen (a 26.7% decline from the same period in the previous year). Sales of high-end products remained slow and greater effort was put into the sale of low- to mid-priced products, resulting in higher sales volume, but average unit prices fell throughout the market, and net sales remained low. As a result, an operating loss of 0.6 billion yen (compared to an operating loss of 0.3 billion yen in the same period of the previous year) was reported.

**f. Other businesses**

Other businesses reported sales of 21.8 billion yen (a 63.1% 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 this term. An operating loss was 1.0 billion yen (compared to an operating loss of 2.6 billion yen in the same period of the previous year).

## **2. Financial Condition**

### **Status of Assets, Liabilities, and Net Assets**

Total assets as of 31 December 2009 were 422.6 billion yen, a substantial increase of 195.9 billion yen from the end of the previous fiscal year. This figure includes 166.9 billion yen in assets held by Seiko Instruments Inc., which was formerly subject to the equity method and became a wholly-owned subsidiary of the Company on 1 October 2009 through a share exchange, and its subsidiaries (collectively referred to as "Seiko Instruments"). The main factors behind the increase were a 102.3 billion yen increase in current assets primarily from the effect of Seiko Instruments being included in consolidated accounting and an increase in cash and deposits by other consolidated subsidiaries, as well as a 93.6 billion yen increase in noncurrent assets primarily from the effect of Seiko Instruments being included in consolidated accounting and an increase in land holdings as a result of Shirakawa Estate Co., Ltd. being included in consolidated accounting. Liabilities were 380.8 billion yen, up 186.5 billion yen, including 168.0 billion yen in liabilities in conjunction with Seiko Instruments being included in consolidated accounting. Net assets were 41.8 billion yen, an increase 9.3 billion yen from the end of the previous fiscal year, mainly as a result of increases in capital surplus and treasury shares in conjunction with Seiko Instruments becoming a wholly-owned subsidiary through a share exchange as well as an increase in valuation difference on available-for-sale securities and decreases in retained earnings and foreign currency translation adjustment.

**Cash Flows in the 3rd Quarter Are Summarized as Follows****Cash flows from operating activities**

Net cash inflow in operating activities amounted to 11.2 billion yen. Depreciation and amortisation expenses of 7.1 billion yen, a 2.2 billion yen decrease in accounts receivable-other, and an 8.2 billion yen increase in notes and accounts payable-trade contributed to an increase in cash flows, while a 4.4 billion yen net loss before income taxes and minority interests and a 3.6 billion yen increase in notes and accounts receivable-trade contributed to a decrease in cash flows.

**Cash flows from investing activities**

Net cash inflow from investing activities amounted to 2.5 billion yen, including 1.9 billion yen in expenditures for the purchase of property, plant and equipment and 3.6 billion yen in gains from the redemption of investment securities.

**Cash flows from financing activities**

Net cash outflow from financing activities amounted to 3.2 billion yen, including 2.6 billion yen in loans paid.

In addition to the above, cash and cash equivalents increased by 25.4 billion yen in conjunction with a change in the scope of consolidation, and the balance of cash and cash equivalents as of 31 December 2009 was 52.9 billion yen (compared to 12.3 billion yen at the end of the same quarter of the previous year).

### 3. Outlook for the Year Ending 31 March 2010

The outlook for consolidated financial results for the fiscal year ending 31 March 2010 is as follows.

#### ■ Forecast for the consolidated business results for the year ending 31 March 2010 (FY2009)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	234.0	+34.5
Operating income	1.1	–
Ordinary income	(3.6)	–
Net income	(7.3)	–

#### ■ Forecasted results by business segment for the year ending 31 March 2010 (FY2009)

	Billions of yen			
	Net Sales		Operating Income	
	FY 2009	FY 2008	FY 2009	FY 2008
Watch Business	65.0	93.5	1.7	1.6
SEIKO Instruments Business	87.5	–	4.6	–
Precision Products Business	29.5	28.5	0.3	(0.9)
Optical Products Business	24.0	26.6	(0.3)	(0.3)
Clock Business	9.0	11.4	(0.8)	(0.2)
Other businesses	29.5	20.2	(1.4)	(2.5)
Total for all business segments	244.5	180.4	4.1	(2.4)
Consolidated total	234.0	174.0	1.1	(3.5)

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

31 December 2009

	Millions of yen	
	31 December 2009	31 March 2009
	Amount	Amount
<b>Assets</b>		
Current Assets:		
Cash and deposits	59,915	17,484
Notes and accounts receivable-trade	53,106	26,031
Merchandise and finished goods	42,429	31,058
Work in process	11,122	1,962
Raw materials and supplies	9,623	1,500
Accounts receivable-other	2,976	3,109
Deferred tax assets	2,880	1,396
Other	6,417	3,394
Allowance for doubtful accounts	(1,716)	(1,508)
<b>Total current assets</b>	<b>186,754</b>	<b>84,430</b>
Noncurrent Assets:		
Property, plant, and equipment:		
Buildings and structures	112,707	40,335
Machinery, equipment, and vehicles	96,787	16,909
Tools, furniture and fixtures	35,526	13,870
Accumulated depreciation	(161,531)	(38,882)
Land	80,585	52,576
Construction in progress	2,430	173
Other	876	560
Subtotal	167,383	85,543
Intangible assets:		
Goodwill	12,405	656
Other	12,368	9,337
Subtotal	24,774	9,994
Investments and other assets:		
Investment securities	33,642	40,279
Deferred tax assets	3,632	1,696
Other	10,040	5,112
Allowance for doubtful accounts	(3,541)	(341)
Subtotal	43,772	46,747
<b>Total noncurrent assets</b>	<b>235,930</b>	<b>142,285</b>
<b>Total assets</b>	<b>422,685</b>	<b>226,716</b>

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	Millions of yen	
	31 December 2009	31 March 2009
	Amount	Amount
<b>Liabilities</b>		
Current Liabilities:		
Notes and accounts payable-trade	46,219	15,642
Short-term loans payable	100,156	41,452
Current portion of long-term loans payable	76,662	43,007
Accounts payable-other	9,451	5,104
Income taxes payable	791	303
Deferred tax liabilities	65	67
Provision for bonuses	1,498	1,232
Other provision	655	691
Other	9,865	4,985
<b>Total current liabilities</b>	<b>245,366</b>	<b>112,487</b>
Noncurrent Liabilities:		
Long-term loans payable	89,137	57,573
Deferred tax liabilities	6,185	1,822
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	27,084	10,323
Other provision	1,503	1,071
Negative goodwill	1,420	1,704
Other	4,613	3,757
<b>Total noncurrent liabilities</b>	<b>135,435</b>	<b>81,742</b>
<b>Total liabilities</b>	<b>380,802</b>	<b>194,229</b>



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	Millions of yen	
	31 December 2009	31 March 2009
	Amount	Amount
<b>Net Assets</b>		
Stockholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	14,770	447
Retained earnings	15,482	21,283
Treasury stock	(2,985)	(593)
Subtotal	37,267	31,137
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,615	663
Deferred gains or losses on hedges	(30)	31
Revaluation reserve for land	3,095	3,095
Foreign currency translation adjustment	(7,741)	(6,449)
Subtotal	(3,060)	(2,659)
Minority interests	7,676	4,008
<b>Total net assets</b>	<b>41,883</b>	<b>32,486</b>
<b>Total liabilities and net assets</b>	<b>422,685</b>	<b>226,716</b>

# SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: 3Q FY09

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## Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries

For the nine months ended 31 December 2009

	Millions of yen	
	3Q FY 2009	3Q FY 2008
	Amount	Amount
<b>Net sales</b>	151,260	137,459
Cost of sales	99,376	82,915
Gross profit	51,884	54,544
Selling, general, and administrative expenses	51,857	52,916
<b>Operating income</b>	26	1,628
<b>Non-operating income:</b>		
Interest income	96	207
Dividends income	176	522
Equity in earnings of affiliates	-	1,185
Other	1,292	930
Subtotal	1,565	2,845
<b>Non-operating expenses:</b>		
Interest expenses	2,906	1,938
Foreign exchange losses		1,216
Other	1,464	974
Subtotal	4,371	4,129
<b>Ordinary income (loss)</b>	(2,779)	344
<b>Extraordinary income:</b>		
Gain on the sale of noncurrent assets	221	-
Gain on sales of investment securities	-	600
Subtotal	221	600
<b>Extraordinary loss:</b>		
Loss on retirement of noncurrent assets	-	467
Impairment loss	456	-
Business structure improvement expenses	1,336	-
Provision of allowance for doubtful accounts for subsidiaries and affiliates	110	111
Subtotal	1,903	578
<b>Income (loss) before income taxes and minority interests</b>	(4,461)	366
Income taxes-current	1,141	1,326
Income taxes-deferred	(262)	1,304
Subtotal	878	2,631
Minority interests in income	146	151
<b>Net loss</b>	(5,486)	(2,415)

# SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: 3Q FY09

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## Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For the nine months ended 31 December 2009

	Millions of yen	
	3Q FY 2009	3Q FY 2008
<b>Net cash provided by (used in) operating activities:</b>		
Income (loss) before income taxes and minority interests	(4,461)	366
Depreciation and amortization	7,153	4,031
Increase (decrease) in provision for retirement benefits	(500)	(66)
Increase (decrease) in provision for directors' retirement benefits	1	(95)
Increase (decrease) in allowance for doubtful accounts	124	69
Interest and dividends income	(273)	(729)
Proceeds from dividends income from affiliates accounted for by equity method	204	12
Interest expenses	2,906	1,938
Foreign exchange losses (gains)	(225)	613
Equity in (earnings) losses of affiliates	845	(1,185)
Impairment loss	456	-
Loss (gain) on sales of investment securities	-	(600)
Loss on the sale of noncurrent assets	(221)	-
Loss on retirement of noncurrent assets	95	440
Decrease (increase) in notes and accounts receivable-trade	(3,601)	(885)
Decrease (increase) in inventories	1,953	(8,850)
Decrease (increase) in accounts receivable-other	2,217	
Increase (decrease) in notes and accounts payable-trade	8,293	8,135
Other, net	(452)	(322)
Subtotal	14,514	2,873
Interest and dividends income received	273	729
Interest expenses paid	(2,619)	(1,866)
Income taxes paid	(941)	(1,419)
Net cash provided by (used in) operating activities	11,227	316
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(1,963)	(4,936)
Proceeds from sales of property, plant and equipment	471	288
Purchase of investment securities	(264)	(3,305)
Proceeds from sales of investment securities	46	3,764
Proceeds from redemption of investment securities	3,600	-
Payments of loans receivable	(572)	(2,173)
Collection of loans receivable	548	501
Purchase of investments in subsidiaries resulting in charge in scope of consolidation	-	(1,106)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	174	-
Other, net	558	(1,761)
Net cash provided by (used in) investment activities	2,598	(8,728)

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	Millions of yen	
	3Q FY 2009	3Q FY 2008
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	349,224	130,047
Decrease in short-term loans payable	(357,001)	(119,169)
Proceeds from long-term loans payable	31,380	7,000
Repayment of long-term loans payable	(26,291)	(9,301)
Cash dividends paid	(290)	(1,451)
Other, net	(248)	(180)
Net cash provided by (used in) financing activities	(3,227)	6,944
<b>Effect of exchange rate change on cash and cash equivalents</b>	26	(1,296)
<b>Net increase (decrease) in cash and cash equivalents</b>	10,625	(2,763)
<b>Cash and cash equivalents at beginning of period</b>	16,841	15,122
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	25,442	(87)
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	–	41
<b>Cash and cash equivalents at end of period</b>	52,909	12,312

## Segment Information

### 1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	3Q FY 2009	3Q FY 2008	3Q FY 2009	3Q FY 2008
Watch Business	49,481	76,821	2,856	4,834
Seiko Instruments Business	40,805	–	1,582	–
Precision Products Business	21,584	22,349	72	(703)
Optical Products Business	18,295	20,409	(287)	(177)
Clock Business	6,529	8,903	(611)	(300)
Other businesses	21,867	13,405	(1,026)	(2,669)
Total for all business segments	158,563	141,890	2,586	983
Eliminations and common	(7,303)	(4,430)	(2,560)	644
Total	151,260	137,459	26	1,628

Notes:

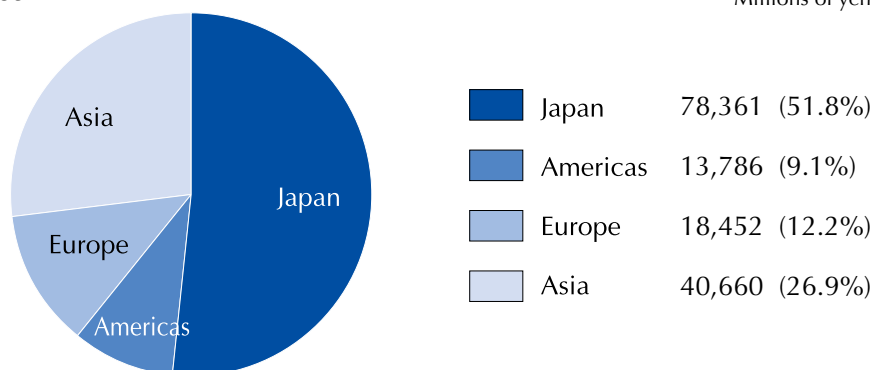
- The segmentation of businesses is based on the consolidated business management system that is employed by the Company.
- Seiko Instruments Inc., formerly an equity method affiliate, became a wholly-owned subsidiary of Seiko Holdings Corporation through a share exchange, and management of the two companies was integrated effective 1 October 2009. In conjunction with this change, Seiko Instruments business was added as a new business segment in the consolidated financial results for the third quarter. The value of assets in Seiko Instruments's business is 203,814 million yen.
- 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 from the first quarter of the fiscal year 2009. As a result of this change, sales to external customers in the watch business decreased by 8,003 million yen and internal sales or transfers among segments increased by 1,018 million yen. Also sales to external customers in the other businesses segment increased by 8,003 million yen and internal sales or transfers among segments decreased by 1,103 million yen. In addition, the operating income of the watch business increased by 282 million yen and the operating loss of the other businesses segment increased by 170 million yen.
- Main products of each business segment

Business Segment	Main Products
Watch Business	Watches
Seiko Instruments Business	Watch movements, hard disk components, CMOS ICs, quartz crystals, LCD devices, micro batteries, materials, information systems, IC dictionaries, printers, and scientific instruments
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 equipments

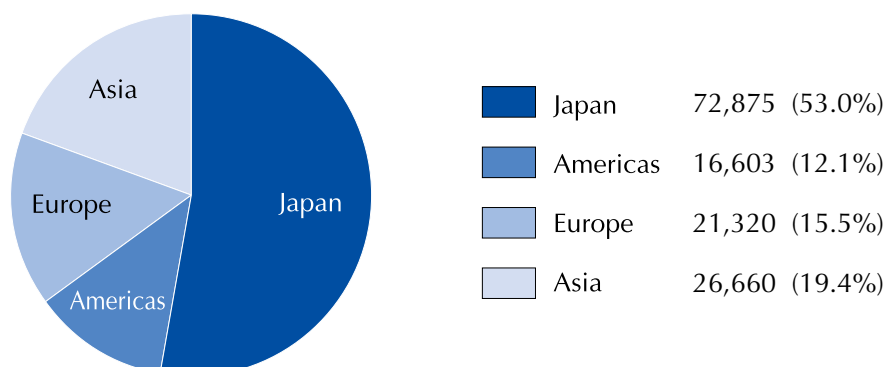
## 2. Net Sales by Region

### 3Q FY 2009

Millions of yen



### 3Q FY 2008



#### 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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