

8 May 2009

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED 31 MARCH 2009

Financial Highlights

For the fiscal year ended 31 March 2009 (FY2008)

	FY2008		FY2007
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	174,031	1,771,128	213,966
Operating income	(3,500)	(35,620)	7,229
Ordinary income	(4,690)	(47,731)	7,265
Net income	(5,786)	(58,885)	3,216
Earnings per share (yen)	(50.11)	\$(0.51)	27.72
Cash dividends per share (yen)	5.00	\$0.05	15.00
	31 March 2009		31 March 2008
Total assets	226,716	2,307,307	227,000
Net assets	32,486	330,613	48,986

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 98.26 yen/dollar.

Business Results

1. Overview

For the fiscal year ended 31 March 2009, Seiko Holdings Corporation reported consolidated net sales of 174.0 billion yen, a decrease of 39.9 billion yen from the previous year (an 18.7% decline). Domestic sales were 95.1 billion yen (a 17.7% decline from the previous year) and overseas sales were 78.8 billion yen (a 19.9% decline from the previous year).

The watch business reported a substantial decline in overseas sales mainly due to the global economic downturn and extreme fluctuations in exchange rates. Domestic sales also fell starting in the third quarter. The precision products business reported a decrease in sales in the electronics device business as a

result of the withdrawal from the mobile phone camera module business and also experienced substantial drops in sales in the computer system-related business and the semiconductor business starting in the third quarter. The optical products business has been subjected to fierce competition with lenses for mass merchandisers as low-price eyeglass stores continue to expand in the domestic market, resulting in falling sales as revenues in overseas markets have been falling since the third quarter mainly because of rapid fluctuations in exchange rates. The clock business and other businesses both reported lower sales as a result of sluggish consumption in the key domestic market. With respect to income, the clock business has reduced manufacturing costs, resulting in improved profitability, and losses were lower than the previous year, but other businesses reported lower income because of a substantial decrease in sales.

As a result, the Company reported a consolidated operating loss of 3.5 billion yen compared to consolidated operating income of 7.2 billion yen in the previous year. With respect to non-operating income and loss, the equity in the earnings of affiliates increased, but rapid changes in exchange rates generated foreign exchange losses and other non-operating expenses, and the Company posted an ordinary loss of 4.6 billion yen (compared to ordinary income of 7.2 billion yen in the previous year). Extraordinary income from gains on the sale of investment securities of 1.6 billion yen was also reported, and a 0.6 billion yen loss on retirement of noncurrent assets and transfer to allowance for doubtful accounts to affiliated companies were recorded as extraordinary losses, resulting in a net loss after income taxes and minority interests for the fiscal year of 5.7 billion yen.

Results by Business Segment

a. Watch business

The watch business reported sales of 93.5 billion yen (a 20.2% decline from the previous year) and operating income of 1.6 billion yen (an 81.3% decline from the previous year). In Japan, reinforcing sales of high-priced products was made a priority, but the rapid decline in personal consumption starting in the third quarter caused a drop in sales. Under these circumstances, the Company expanded the lineup of high added value, multifunction radio-wave controlled watches that

retail for around hundred thousand yen, successfully raising sales. Overseas, the Company continued to promote its “innovation and refinement” brand vision and worked to increase sales through higher brand value, but both sales and income were down, particularly in Europe and the United States, because of the global recession starting in the third quarter.

b. Precision products business

The precision products business reported sales of 28.5 billion yen (an 18.9% decline from the previous year). Sales in the electronic device business were down as a result of the withdrawal from the mobile phone camera module business. Sales in the computer system-related business and the semiconductor business were also both down from the prior year as a result of the steep declines in demand starting in the third quarter because of the recession. Sales of sensor ICs, however, were up sharply in conjunction with the expansion of their application to game devices. Efforts to reduce costs and cut expenses in the semiconductor business produced an improvement in profits, but other businesses had lower profits, and as a result, an operating loss of 0.9 billion yen was posted in this segment (compared to an operating loss of 0.7 billion yen in the previous year).

c. Optical products business

The optical products business reported sales of 26.6 billion yen (a 6.5% decline from the previous year) and an operating loss of 0.3 billion yen (compared to operating income of 0.4 billion yen in the previous year). In the domestic market, the Company made additional efforts to compete against low-price eyeglass stores by increasing sales of low-price items in new channels such as shops that emphasize price, but sales of high added value items such as back-surface progressive addition lenses and double-sided aspherical single-vision lenses declined, mainly because the sales of major buyers fell. As a result, domestic sales overall were down compared to the previous year. In overseas markets, sales to major chains in the United States were steady, but the rapid changes in exchange rates caused a year-on-year decline in sales after conversion to yen. Sales were up in Europe and Asia. The decrease in average prices for glasses in the domestic market pushed down income, causing a decline in income compared to the previous year.

d. Clock business

The clock business reported sales of 11.4 billion yen (a 13.6% decline from the previous year). In the domestic market, the Company has worked to enhance the salability of solar clocks and sales were strong, but sales of high-priced products fell in a result of the rapid downturn of the economy. In overseas markets, sales in Asia and the Middle East were up, but sales in the United States fell substantially, and as a result overseas sales overall were down compared to the previous year. With respect to income, thanks to ongoing efforts to reduce manufacturing costs, operating losses improved by 0.6 billion yen from the previous year to just 0.2 billion yen.

e. Other businesses

Other businesses reported sales of 20.2 billion yen, down 23.1% from the previous year because of the withdrawal from the jewellery and consumer electronics businesses and the downturn of the domestic economy. Other businesses posted an operating loss of 2.5 billion yen (compared to an operating loss of 2.0 billion yen in the previous year). Each business company continues to make diligent efforts to improve profitability.

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

Total assets as of 31 March 2009 were 226.7 billion yen, a decrease of 0.2 billion yen from the end of the previous fiscal year. The decrease was primarily the result of a 5.6 billion yen decrease in current assets mainly from a decline in notes and accounts receivable-trade and deferred tax assets, investments and other assets decreased mainly from a decline in valuation difference on investment securities, and a 5.3 billion yen increase in fixed assets mainly from acquisition of tangible fixed assets such as real estate. Liabilities were 194.2 billion yen, up 16.2 billion yen from the end of the previous fiscal year as a result of increased short-term loans payable, although notes and accounts payable-trade and accounts payable-other were down. Net assets fell 16.4 billion yen from the end of the previous fiscal year to 32.4 billion yen as a primarily result of decreases in retained earnings,

valuation difference on available-for-sale securities, and foreign currency translation adjustment.

Cash Flows in the Current Fiscal Year Are Summarised as Follows

Cash flows from operating activities

Net cash outflow in operating activities amounted to 5.9 billion yen, a decrease of 9.9 billion yen from the previous year. Depreciation and amortisation expenses of 5.6 billion yen, a 5.7 billion yen decrease in notes and accounts receivable-trade contributed to an increase in cash flows, while a 3.7 billion yen net loss before income taxes and minority interests, a 4.6 billion yen increase in inventory assets, a 2.2 billion yen decrease in notes and accounts payable-trade, and payment of 1.5 billion yen in income taxes contributed to a decrease in cash flows.

Cash flows from investing activities

Net cash outflow in investing activities were 13.2 billion yen compared to 12.7 billion yen in the previous year. Cash flows used in investing activities included 10.2 billion yen in purchase of property, plant and equipment, 7.2 billion yen in purchase of investment securities, and 6.1 billion yen in proceeds from sales of investment securities.

Cash flows from financing activities

Net Cash inflow from financing activities were 21.8 billion yen, up 15.6 billion yen from the previous year, including a 23.5 billion yen increase in loans payable and 1.4 billion yen in dividends paid.

As a result of the above activities, the balance of cash and cash equivalents at the end of the current year stood at 16.8 billion yen, an increase of 1.7 billion yen from the end of the previous year.

Basic Policy Relating to Profit Distribution and Dividends in the Current and Next Term

With regard to profit distribution, the Company places a strong emphasis on the continued payment of stable dividends as its basic policy on corporate dividends.

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As a result of the deterioration in financial results based on the rapid economic downturn this fiscal year, the Company declared a two point five-yen per share interim dividend and plans to declare a two point five-yen per share year-end dividend for a total annual dividend of five yen per share. The Company anticipates that the current difficult economic conditions will continue next fiscal year and plans to declare a five-yen per share year-end dividend.

■ Non-consolidated business results for the year ended 31 March 2009 (FY2008)

	FY2008		FY2007
	Millions of yen	Thousands of US dollars	Millions of yen
Revenue	10,486	106,717	9,428
Operating income	7,152	72,786	6,211
Ordinary income	4,035	41,065	5,230
Net income	(2)	(20)	621
Total assets	176,049	1,791,665	158,628
Net assets	18,970	193,059	29,050

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 98.26 yen/dollar.

3. Outlook for the Next Fiscal Year

In the next fiscal year, Seiko Holdings plans to make Seiko Instruments Inc. a wholly-owned subsidiary through a share exchange on October 1, 2009. The outlook for the next fiscal year taking into consideration this acquisition in the third quarter is as follows.

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

	Amount	Year-on-year
	(Billions of yen)	change (%)
Net sales	280.0	+60.9
Operating income	6.0	–
Ordinary income	3.0	–
Net income	1.0	–
Earnings per share (yen)	6.78	–

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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 March 2009

	Millions of yen	
	31 March 2009	31 March 2008
	Amount	Amount
Assets		
Current Assets:		
Cash and deposits	17,484	15,175
Notes and accounts receivable-trade	26,031	34,375
Inventories	–	32,203
Merchandise and finished goods	31,058	–
Work in process	1,962	–
Raw materials and supplies	1,500	–
Accounts receivable-other	3,109	2,450
Deferred tax assets	1,396	3,196
Other	3,394	3,852
Allowance for doubtful accounts	(1,508)	(1,205)
Total current assets	84,430	90,049
Noncurrent Assets:		
Property, plant, and equipment:		
Buildings and structures	40,335	35,873
Machinery, equipment, and vehicles	16,909	18,583
Tools, furniture and fixtures	13,870	13,904
Accumulated depreciation	(38,882)	(40,165)
Land	52,576	50,253
Construction in progress	173	499
Other	560	–
Subtotal	85,543	78,947
Intangible assets:		
Leasehold right and other intangible assets		9,185
Goodwill	656	–
Other	9,337	–
Subtotal	9,994	9,185
Investments and other assets:		
Investment securities	40,279	42,997
Deferred tax assets	1,696	1,083
Other	5,112	5,255
Allowance for doubtful accounts	(341)	(519)
Subtotal	46,747	48,817
Total noncurrent assets	142,285	136,950
Total assets	226,716	227,000

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	Millions of yen	
	31 March 2009	31 March 2008
	Amount	Amount
Liabilities		
Current Liabilities:		
Notes and accounts payable-trade	15,642	19,656
Short-term loans payable	41,452	30,508
Current portion of long-term loans payable	43,007	11,013
Accounts payable-other	5,104	6,767
Income taxes payable	303	820
Deferred tax liabilities	67	24
Provision for bonuses	1,232	1,829
Provision for product warranties	618	772
Other provision	72	-
Other	4,985	5,764
Total current liabilities	112,487	77,157
Noncurrent Liabilities:		
Long-term loans payable	57,573	76,155
Deferred tax liabilities	1,822	4,275
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	10,323	10,497
Provision for directors' retirement benefits	606	665
Allowance for gift certificate exchange losses	258	284
Provision for long-term goods warranties	142	168
Other provision	63	-
Negative goodwill	1,704	-
Other	3,757	3,321
Total noncurrent liabilities	81,742	100,856
Total liabilities	194,229	178,014

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	Millions of yen	
	31 March 2009	31 March 2008
	Amount	Amount
Net Assets		
Stockholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	447	453
Retained earnings	21,283	27,045
Treasury stock	(593)	(182)
Subtotal	31,137	37,316
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	663	10,179
Deferred gains or losses on hedges	31	(91)
Revaluation reserve for land	3,095	3,095
Foreign currency translation adjustment	(6,449)	(1,971)
Subtotal	(2,659)	11,213
Minority interests	4,008	456
Total net assets	32,486	48,986
Total liabilities and net assets	226,716	227,000

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Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries

For year ended 31 March 2009

	Millions of yen	
	FY 2008	FY 2007
	Amount	Amount
Net sales	174,031	213,966
Cost of sales	107,684	132,713
Gross profit	66,347	81,253
Selling, general, and administrative expenses	69,848	74,023
Operating income (loss)	(3,500)	7,229
Non-operating income:		
Interest income	257	385
Dividends income	552	414
House rent and other rental revenues	–	578
Equity in earnings of affiliates	2,035	1,111
Other	1,079	1,378
Subtotal	3,924	3,867
Non-operating expenses:		
Interest expenses	2,637	2,436
Foreign exchange losses	1,371	–
Other	1,104	1,394
Subtotal	5,113	3,831
Ordinary income (loss)	(4,690)	7,265
Extraordinary income:		
Gain on sales of investment securities	1,625	1,884
Subtotal	1,625	1,884
Extraordinary losses		
Loss on business withdrawal	–	1,549
Music copyright fees for prior years	–	780
Transfers to the allowance for gift certificate exchange losses	–	325
Loss on retirement of noncurrent assets	467	–
Provision of allowance for doubtful accounts for subsidiaries and affiliates	204	–
Subtotal	671	2,655
Income (loss) before income taxes and minority interests	(3,736)	6,495
Income taxes-current	1,151	2,382
Income taxes-deferred	556	775
Subtotal	1,707	3,158
Minority interests in income	342	120
Net income (loss)	(5,786)	3,216

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Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For year ended 31 March 2009

	Millions of yen	
	FY 2008	FY2007
Net cash provided by (used in) operating activities:		
Income (loss) before income taxes and minority interests	(3,736)	6,495
Depreciation and amortization	5,664	4,713
Increase (decrease) in provision for retirement benefits	(59)	411
Increase (decrease) in provision for directors' retirement benefits	(95)	(37)
Increase (decrease) in allowance for doubtful accounts	133	(174)
Interest and dividends income	(809)	(799)
Dividends income from equity method affiliate	262	552
Interest expenses	2,637	2,436
Foreign exchange losses (gains)	687	(75)
Equity in (earnings) losses of affiliates	(2,035)	(1,111)
Loss (gain) on sales of investment securities	(1,625)	(1,884)
Loss on retirement of noncurrent assets	489	138
Decrease (increase) in notes and accounts receivable-trade	5,775	1,132
Decrease (increase) in inventories	(4,603)	2,998
Increase (decrease) in notes and accounts payable-trade	(2,261)	(6,034)
Other, net	(3,114)	(704)
Subtotal	(2,688)	8,056
Interest and dividends income received	809	800
Interest expenses paid	(2,570)	(2,389)
Income taxes paid	(1,540)	(2,459)
Net cash provided by (used in) operating activities	(5,989)	4,007
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(10,262)	(13,252)
Proceeds from sales of property, plant and equipment	1,133	1,393
Purchase of investment securities	(7,276)	(2,170)
Proceeds from sales of investment securities	6,148	2,481
Payments of loans receivable	(2,367)	(318)
Collection of loans receivable	2,121	277
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,106)	-
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	34
Other, net	(1,634)	(1,171)
Net cash provided by (used in) investment activities	(13,245)	(12,726)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	204,131	219,409
Decrease in short-term loans payable	(192,540)	(220,555)
Proceeds from long-term loans payable	24,500	19,000
Repayment of long-term loans payable	(12,588)	(9,898)
Cash dividends paid	(1,451)	(1,742)
Other, net	(235)	(42)
Net cash provided by (used in) financing activities	21,816	6,171
Effect of exchange rate change on cash and cash equivalents	(804)	(890)
Net increase (decrease) in cash and cash equivalents	1,776	(3,437)
Cash and cash equivalents at beginning of period	15,122	18,717
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(99)	(157)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	41	-
Cash and cash equivalents at end of period	16,841	15,122

Segment Information

1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	FY 2008	FY 2007	FY 2008	FY 2007
Watch Business	93,582	117,199	1,690	9,046
Precision Products Business	28,523	35,183	(998)	(794)
Optical Products Business	26,671	28,532	(394)	483
Clock Business	11,405	13,208	(234)	(883)
Other businesses	20,272	26,353	(2,552)	(2,099)
Total for all business segments	180,456	220,476	(2,489)	5,753
Eliminations and common	(6,424)	(6,510)	(1,011)	1,476
Total	174,031	213,966	(3,500)	7,229

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

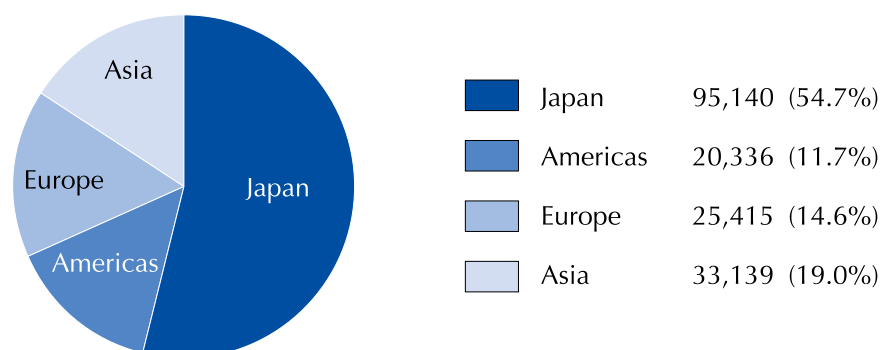
Business Segment	Main Products
Watch Business	Watches
Precision Products Business	Network systems, shutters for cameras, and semiconductors
Optical Products Business	Optical lenses and frames
Clock Business	Clocks
Other businesses	Golf clubs, musical accessories, high-end clothing and miscellaneous goods,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

- Operating expenses include the amount of operating expenses which can not be allocated and have been recognised as eliminations and common corporate items. This amount stood at 6,575 million yen in the current fiscal year and 4,939 million yen in the same period in the previous year. The majority of these figures were comprised of expenses associated with the parent company (holding company).
- Assets include the amount of companywide assets which have been recognised as eliminations and common corporate items. This amount stood at 180,152 million yen in the current fiscal year and 162,414 million yen in the previous year. The majority of these figures were comprised of the excess operating capital and long-term investment capital (investment securities) held by the parent company (holding company).

2. Net Sales by Region

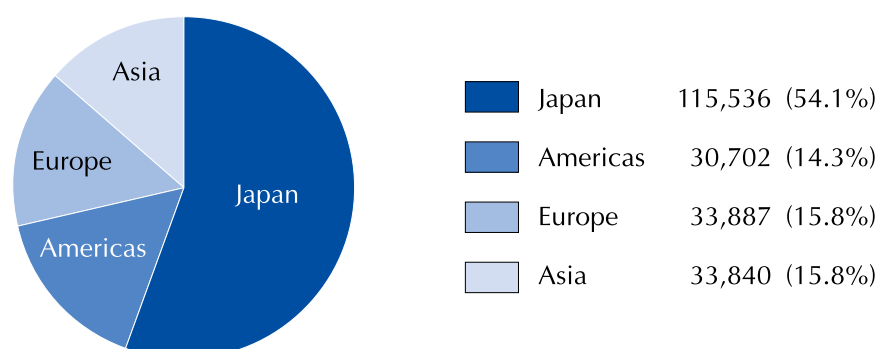
FY 2008

Millions of yen



FY 2007

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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