

11 November 2008

CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Financial Highlights

For the six months ended 30 September 2008 (2Q FY2008)

	2Q FY2008		2Q FY2007
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	90,746	875,673	102,824
Operating income	1,040	10,036	4,029
Ordinary income	542	5,230	4,369
Net income	3	29	2,132
Earnings per share (yen)	0.03	\$0.0003	18.38
Total assets	241,433	2,329,760	252,271
Net assets	51,177	493,843	60,732

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 103.63 yen/dollar.

Business Results

1. Overview

For the six months ended 30 September 2008, Seiko Holdings Corporation reported consolidated net sales of 90.7 billion yen, a decrease of 12.0 billion yen (an 11.7% decline from the same period in the previous year). Domestic sales were 48.0 billion yen (a 13.9% decline from the same period in the previous year), and overseas sales were 42.6 billion yen (a 9.2% decline from the same period in the previous year).

In Japan, sales in the watch business and clock business were up from the same period of the previous year. The precision products business saw sales decline because of the withdrawal from the mobile phone camera module business, and the optical products business had lower sales as a result of falling sales of eyeglass lenses, particularly lenses for mass merchandisers. Overseas, sales in the watch

business dropped substantially in Europe and North America. Sales in the optical products business rose in Europe.

The precision products business and clock business improved profitability and reduced operating losses, but flagging overseas sales in the watch business and domestic sales in the optical products business caused operating income to decline, and as a result, consolidated operating income was 1.0 billion yen (a 74.2% decline from the same period in the previous year) and ordinary income was 0.5 billion yen (an 87.6% decline from the same period in the previous year). Extraordinary income of 0.6 billion yen from the sale of investment securities was reported, resulting in income before income taxes and minority interests of 1.1 billion yen and income after income taxes and minority interests of 3 million yen (a 99.8% decline from the same period in the previous year).

Results by Business Segment

a. Watch business

The watch business reported sales of 49.7 billion yen (a 10.0% decline from the same period in the previous year). In Japan, sales of the Seiko Brightz line were brisk, but sales of the high-end Credor line and low-priced Alba line fell from the previous year. Overseas, business remained steady in Asia, but sales in the United States and Europe fell substantially. Consequently, operating income was 2.8 billion yen (a 44.5 % decline from the same period in the previous year).

b. Precision products business

The precision products business reported sales of 15.3 billion yen (an 11.1% decline from the same period in the previous year). Sales in the electronic device business were down in conjunction with the withdrawal from the mobile phone camera module business, and sales in the computer system-related business also fell from the previous year. The semiconductor business grew 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 0.3 billion yen, an improvement of 0.5 billion yen (compared to an operating loss of 0.9 billion yen in the same period in the previous year).

c. Optical products business

The optical products business reported sales of 14.0 billion yen (a 4.5% 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 and Asia were brisk. Profitability declined mainly due to falling sales prices, resulting in operating income of 7 million yen (a 98.6% decline from the same period in the previous year).

d. Clock business

The clock business reported sales of 5.8 billion yen (a 1.6% decline from the same period in the previous year). In the domestic market, sales increased from the previous year, mainly of high-priced products. In overseas, sales declined. With regard to profitability, as a result of efforts to reduce manufacturing costs, operating losses were 0.3 billion yen, an improvement of 0.4 billion yen (compared to an operating loss of 0.7 billion yen in the same period in the previous year).

e. Other businesses

Other businesses reported sales of 8.6 billion yen (a 34.0% decline from the same period in the previous year), down 4.4 billion yen, primarily because of the withdrawal from the jewellery and consumer electronics businesses. Other businesses posted an operating loss of 1.6 billion yen (compared to an operating loss of 0.6 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 September 2008 were 241.4 billion yen, an increase of 14.4 billion yen from the end of the previous fiscal year. The increase was primarily the result of a 2.9 billion yen increase in current assets mainly from a decrease in accounts receivable and a seasonal increase in inventories, and an 11.5 billion yen increase in fixed assets mainly from an increase in holdings of the shares of affiliates and consolidated subsidiaries. Liabilities were 190.2 billion yen, an

increase of 12.2 billion yen from the end of the previous fiscal year, as a result of a seasonal increase in accounts payable and an increase in borrowings. Net assets increased 2.1 billion yen from the end of the previous fiscal year to 51.1 billion yen as a result of a decrease in foreign currency translation adjustment accounts and an increase in minority interests.

Cash Flows in the 2nd Quarter Are Summarised as Follows

Cash flows from operating activities

Cash flows from operating activities amounted to 600 million yen. Income before income taxes and minority interests of 1.1 billion yen, depreciation and amortization expenses of 2.5 billion yen, a 1.6 billion yen decrease in accounts receivable, and a 4.8 billion yen increase in notes accounts payable-trade contributed to an increase in cash flows, while a 6.7 billion yen increase in inventory assets and a 1.8 billion yen decrease in accounts payable-other contributed to a decrease in cash flows.

Cash flows from investing activities

Cash flows used in investing activities were 3.8 billion yen. Cash flows used in investing activities included 2.9 billion yen in expenditures for the acquisition of tangible fixed assets, 3.1 billion yen in expenditures for the acquisition of investment securities, and 3.6 billion yen in proceeds from the sale of investment securities.

Cash flows from financing activities

Cash flows from financing activities were 3.9 billion yen including a 5.2 billion yen increase in borrowings and 1.1 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 2nd quarter period stood at 15.4 billion yen.

3. Outlook for the Year Ending 31 March 2009

The outlook for consolidated business results for the current fiscal year ending 31 March 2009 is as follows.

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

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	195.0	-8.9
Operating income	3.5	-51.6
Ordinary income	1.5	-79.4
Net income	0.5	-84.5

■ 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	106.0	117.1	5.5	9.0
Precision Products Business	33.0	35.1	(0.4)	(0.7)
Optical Products Business	27.0	28.5	(0.1)	0.4
Clock Business	12.0	13.2	(0.3)	(0.8)
Other businesses	23.0	26.3	(2.0)	(2.0)
Total for all business segments	201.0	220.4	2.7	5.7
Consolidated total	195.0	213.9	3.5	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 September 2008

	Millions of yen	
	30 September 2008	31 March 2008
	Amount	Amount
Assets		
Current Assets:		
Cash and deposits	15,547	15,175
Notes and accounts receivable-trade	32,229	34,375
Merchandise and finished goods	34,480	28,346
Work in process	2,226	2,266
Raw materials and supplies	1,677	1,590
Accounts receivable-other	1,441	2,450
Deferred tax assets	2,804	3,196
Other	3,874	3,852
Allowance for doubtful accounts	(1,311)	(1,205)
Total current assets	92,971	90,049
Noncurrent Assets:		
Property, plant, and equipment:		
Buildings and structures	36,857	35,873
Machinery, equipment, and vehicles	18,056	18,583
Tools, furniture and fixtures	13,538	13,904
Accumulated depreciation	(40,754)	(40,165)
Land	53,808	50,253
Construction in progress	1,792	499
Other	455	-
Subtotal	83,754	78,947
Intangible assets:		
Goodwill	760	864
Other	9,246	8,321
Subtotal	10,006	9,185
Investments and other assets:		
Investment securities	48,582	42,997
Deferred tax assets	1,401	1,083
Other	5,210	5,255
Allowance for doubtful accounts	(493)	(519)
Subtotal	54,700	48,817
Total noncurrent assets	148,461	136,950
Total assets	241,433	227,000

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	Millions of yen	
	30 September 2008	31 March 2008
	Amount	Amount
Liabilities		
Current Liabilities:		
Notes and accounts payable-trade	24,165	19,656
Short-term loans payable	34,442	30,508
Current portion of long-term loans payable	24,378	11,013
Accounts payable-other	4,925	6,767
Income taxes payable	1,093	820
Deferred tax liabilities	30	24
Provision for bonuses	1,893	1,829
Other provision	743	795
Other	5,129	5,741
Subtotal	96,802	77,157
Noncurrent Liabilities:		
Long-term loans payable	65,401	76,155
Deferred tax liabilities	5,097	4,275
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	10,487	10,497
Other provision	1,166	1,179
Negative goodwill	1,893	—
Other	3,917	3,260
Subtotal	93,453	100,856
Total liabilities	190,255	178,014

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	Millions of yen	
	30 September 2008	31 March 2008
	Amount	Amount
Net Assets		
Stockholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	452	453
Retained earnings	27,146	27,045
Treasury stock	(667)	(182)
Subtotal	36,932	37,316
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	10,060	10,179
Deferred gains or losses on hedges	49	(91)
Revaluation reserve for land	3,095	3,095
Foreign currency translation adjustment	(2,911)	(1,971)
Subtotal	10,294	11,213
Minority interests	3,950	456
Total net assets	51,177	48,986
Total liabilities and net assets	241,433	227,000

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Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries
For the six months ended 30 September 2008

		Millions of yen
		2Q FY 2008
		Amount
Net sales		90,746
Cost of sales		55,167
Gross profit		35,579
Selling, general, and administrative expenses		34,538
Operating income		1,040
Non-operating income:		
Interest income		157
Dividends income		401
Equity in earnings of affiliates		689
Other		616
	Subtotal	1,864
Non-operating expenses:		
Interest expenses		1,257
Other		1,105
	Subtotal	2,362
Ordinary income		542
Extraordinary income:		
Gain on sales of investment securities		600
	Subtotal	600
Income before income taxes and minority interests		1,142
Income taxes-current		1,021
Income taxes-deferred		74
	Subtotal	1,096
Minority interests in income		42
Net income		3

Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For the six months ended 30 September 2008

	Millions of yen
	2Q FY 2008
Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	1,142
Depreciation and amortization	2,585
Increase (decrease) in provision for retirement benefits	(40)
Increase (decrease) in provision for directors' retirement benefits	(50)
Increase (decrease) in allowance for doubtful accounts	20
Interest and dividends income	(558)
Proceeds from dividends income from equity method affiliate	6
Interest expenses	1,257
Foreign exchange losses (gains)	164
Equity in (earnings) losses of affiliates	(689)
Loss (gain) on sales of investment securities	(600)
Loss on retirement of noncurrent assets	107
Decrease (increase) in notes and accounts receivable-trade	1,693
Decrease (increase) in inventories	(6,753)
Increase (decrease) in notes and accounts payable-trade	4,832
Increase (decrease) in accounts payable-other	(1,866)
Other, net	786
Subtotal	2,038
Interest and dividends income received	557
Interest expenses paid	(1,250)
Income taxes paid	(738)
Net cash provided by (used in) operating activities	607
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(2,936)
Proceeds from sales of property, plant and equipment	217
Purchase of investment securities	(3,153)
Proceeds from sales of investment securities	3,600
Payments of loans receivable	(309)
Collection of loans receivable	446
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,106)
Other, net	(650)
Net cash provided by (used in) investment activities	(3,894)
Net cash provided by (used in) financing activities	
Increase in short-term loans payable	84,534
Decrease in short-term loans payable	(80,365)
Proceeds from long-term loans payable	7,000
Repayment of long-term loans payable	(5,889)
Cash dividends paid	(1,161)
Other, net	(150)
Net cash provided by (used in) financing activities	3,969
Effect of exchange rate change on cash and cash equivalents	(216)
Net increase (decrease) in cash and cash equivalents	465
Cash and cash equivalents at beginning of period	15,122
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(87)
Cash and cash equivalents at end of period	15,499

Segment Information

1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	2Q FY2008	2Q FY2007	2Q FY2008	2Q FY2007
Watch Business	49,751	55,299	2,802	5,045
Precision Products Business	15,333	17,248	(364)	(945)
Optical Products Business	14,035	14,696	7	585
Clock Business	5,897	5,994	(323)	(770)
Other businesses	8,649	13,095	(1,699)	(682)
Total for all business segments	93,667	106,335	422	3,231
Eliminations and common	(2,920)	(3,510)	618	797
Total	90,746	102,824	1,040	4,029

Notes:

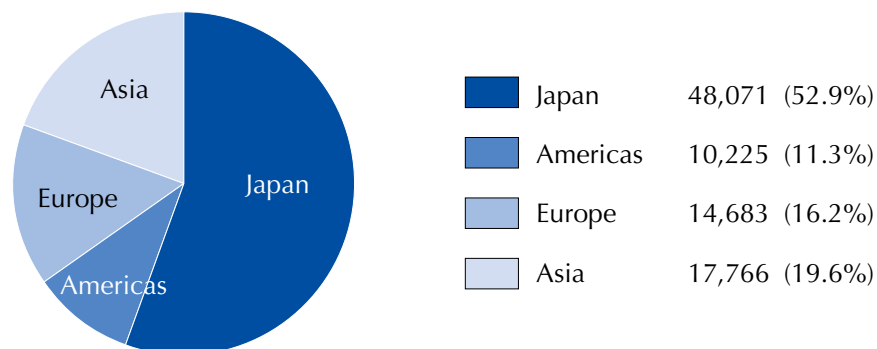
- The segmentation of businesses is based on the consolidated business management system that is employed by the Company.
- Main products of each business segment

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

2Q 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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