

10 February 2009

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2008

### Financial Highlights

For the nine months ended 31 December 2008 (3Q FY2008)

	3Q FY2008		3Q FY2007
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	137,459	1,510,372	163,978
Operating income	1,628	17,888	8,813
Ordinary income	344	3,780	9,242
Net income	(2,415)	(26,536)	4,191
Earnings per share (yen)	(20.89)	\$(0.23)	36.11
	31 December 2008		31 March 2008
Total assets	232,204	2,551,412	227,000
Net assets	36,823	404,604	48,986

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 91.01 yen/dollar.

## Business Results

### 1. Overview

For the nine months ended 31 December 2008, Seiko Holdings Corporation reported consolidated net sales of 137.4 billion yen, a decrease of 26.5 billion yen (a 16.2% decline from the same period in the previous year). Domestic sales were 72.8 billion yen (a 16.2% decline from the same period in the previous year), and overseas sales were 64.5 billion yen (a 16.1% decline from the same period in the previous year). In conjunction with the rapid downturns in domestic and overseas economies, each business segment reported lower sales compared to the same period of the previous year. With the exception of the watch business, all business segments reported operating losses, resulting in consolidated operating income of 1.6 billion yen (an 81.5% decline from the same period in the previous year). In addition, foreign exchange losses caused

mainly by extreme fluctuations in currency exchange markets led to ordinary income of 0.3 billion yen (a 96.3% decline from the same period in the previous year). Extraordinary income from a 0.6 billion yen gain on sales of investment securities were recorded, and a 0.4 billion yen loss on retirement of noncurrent assets and 0.1 billion yen in transfer to allowance for doubtful accounts to affiliated companies were recorded as extraordinary losses, resulting in net income before income taxes and minority interests of 0.3 billion yen. The net loss after income taxes and minority interests, including income taxes-current and drawdown of deferred tax assets was 2.4 billion yen (compared to net income of 4.1 billion yen in the same period in the previous year).

## **Results by Business Segment**

### **a. Watch business**

The watch business reported sales of 76.8 billion yen (a 17.0% decline from the same period in the previous year). In Japan, sales of the Credor, Seiko, and Alba brands fell below last year's levels. Sales of the medium-priced Seiko Brightz line with products in the 100,000 yen to 300,000 yen range were brisk. Overseas, sales in the United States and Europe experienced a drop. As a result, operating income was 4.8 billion yen (a 50.2 % decline from the same period in the previous year).

### **b. Precision products business**

The precision products business reported sales of 22.3 billion yen (a 13.6% decline from the same period in the previous year). Sales in the electronic device business were down mainly due to the withdrawal from the mobile phone camera module business, and sales in the computer system-related business were also down from the previous year. Sales in the semiconductor business were up primarily thanks to a recovery in the market for IC chips used in crystal oscillators, the main products in this field. As a result, operating losses in the precision products business improved 0.3 billion yen to 0.7 billion yen (compared to an operating loss of 1.0 billion yen in the same period in the previous year).

### **c. Optical products business**

The optical products business reported sales of 20.4 billion yen (a 5.3% 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 but fell in the United States and Asia. Profitability declined mainly because of falling sales prices and other factors, resulting in an operating loss of 0.1 billion yen (compared to operating income of 0.4 billion yen in the same period in the previous year).

#### **d. Clock business**

The clock business reported sales of 8.9 billion yen (a 5.2% decline from the same period in the previous year). Sales have declined in conjunction with the rapid downturn in economic conditions. 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 13.4 billion yen (a 32.3% decline from the same period in the previous year), down 6.3 billion yen mainly because of the downturn of the domestic economy and the withdrawal from the jewellery and consumer electronics businesses such as electric shavers. Other businesses posted an operating loss of 2.6 billion yen (compared to an operating loss of 1.0 billion yen in the same period in the previous year).

## **2. Financial Condition**

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

Total assets as of 31 December 2008 were 232.2 billion yen, an increase of 5.2 billion yen from the end of the previous fiscal year. The increase was primarily the result of a 1.6 billion yen decrease in current assets mainly from a decline in cash and deposits, notes and accounts receivable-trade and deferred tax assets and a seasonal increase in inventories and an 6.8 billion yen increase in fixed assets mainly from a decrease in holdings of investment securities and an increase in

tangible fixed assets such as buildings. Liabilities were 195.3 billion yen, up 17.3 billion yen from the end of the previous fiscal year as a result of a seasonal increase in notes and accounts payable-trade and an increase in borrowings. Net assets fell 12.1 billion yen from the end of the previous fiscal year to 36.8 billion yen primarily due to decreases in the valuation difference on available-for-sale securities and foreign currency translation adjustment accounts and an increase in minority interests.

### **Cash Flows in the 3rd Quarter Are Summarised as Follows**

#### **Cash flows from operating activities**

Cash flows from operating activities amounted to 0.3 billion yen. Income before income taxes and minority interests of 0.3 billion yen, depreciation and amortisation expenses of 4.0 billion yen, and an 8.1 billion yen increase in notes and accounts payable-trade contributed to an increase in cash flows, while a 0.8 billion yen increase in notes and accounts receivable-trade, and an 8.8 billion yen increase in inventory assets contributed to a decrease in cash flows.

#### **Cash flows from investing activities**

Cash flows used in investing activities were 8.7 billion yen. Cash flows used in investing activities included 4.9 billion yen in expenditures for the acquisition of tangible fixed assets, 3.3 billion yen in expenditures for the acquisition of investment securities, 3.7 billion yen in proceeds from sales of investment securities, and 2.1 billion yen in payments of loans receivable.

#### **Cash flows from financing activities**

Cash flows from financing activities were 6.9 billion yen including an 8.5 billion yen increase in borrowings 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 3rd quarter stood at 12.3 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	175.0	-18.2
Operating income	(4.2)	-
Ordinary income	(6.0)	-
Net income	(5.5)	-

#### ■ 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	95.0	117.1	1.1	9.0
Precision Products Business	29.0	35.1	(1.4)	(0.7)
Optical Products Business	26.0	28.5	(0.4)	0.4
Clock Business	12.0	13.2	(0.3)	(0.8)
Other businesses	19.0	26.3	(4.0)	(2.0)
Total for all business segments	181.0	220.4	(5.0)	5.7
Consolidated total	175.0	213.9	(4.2)	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.*

# SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: 3Q FY08

Page 6/12

## Balance Sheets

Seiko Holdings Corporation and consolidated subsidiaries

31 December 2008

	Millions of yen	
	31 December 2008	31 March 2008
	Amount	Amount
<b>Assets</b>		
Current Assets:		
Cash and deposits	12,954	15,175
Notes and accounts receivable-trade	31,957	34,375
Merchandise and finished goods	34,063	28,346
Work in process	2,247	2,266
Raw materials and supplies	1,554	1,590
Accounts receivable-other	1,819	2,450
Deferred tax assets	1,517	3,196
Other	3,549	3,852
Allowance for doubtful accounts	(1,266)	(1,205)
<b>Total current assets</b>	<b>88,398</b>	<b>90,049</b>
Noncurrent Assets:		
Property, plant, and equipment:		
Buildings and structures	39,676	35,873
Machinery, equipment, and vehicles	17,228	18,583
Tools, furniture and fixtures	13,718	13,904
Accumulated depreciation	(38,980)	(40,165)
Land	53,165	50,253
Construction in progress	753	499
Other	563	-
Subtotal	86,126	78,947
Intangible assets:		
Goodwill	708	864
Other	9,308	8,321
Subtotal	10,017	9,185
Investments and other assets:		
Investment securities	39,952	42,997
Deferred tax assets	1,243	1,083
Other	6,937	5,255
Allowance for doubtful accounts	(470)	(519)
Subtotal	47,661	48,817
<b>Total noncurrent assets</b>	<b>143,805</b>	<b>136,950</b>
<b>Total assets</b>	<b>232,204</b>	<b>227,000</b>

## SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: 3Q FY08

Page 7/12

	Millions of yen	
	31 December 2008	31 March 2008
	Amount	Amount
<b>Liabilities</b>		
Current Liabilities:		
Notes and accounts payable-trade	25,491	19,656
Short-term loans payable	40,424	30,508
Current portion of long-term loans payable	23,338	11,013
Accounts payable-other	10,275	6,767
Income taxes payable	599	820
Deferred tax liabilities	21	24
Provision for bonuses	911	1,829
Other provision	635	795
Other	5,592	5,741
<b>Total current liabilities</b>	<b>107,289</b>	<b>77,157</b>
Noncurrent Liabilities:		
Long-term loans payable	63,029	76,155
Deferred tax liabilities	2,580	4,275
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	10,216	10,497
Other provision	1,080	1,179
Negative goodwill	1,799	—
Other	3,896	3,260
<b>Total noncurrent liabilities</b>	<b>88,091</b>	<b>100,856</b>
<b>Total liabilities</b>	<b>195,380</b>	<b>178,014</b>

## SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: 3Q FY08

Page 8/12

	Millions of yen	
	31 December 2008	31 March 2008
	Amount	Amount
<b>Net Assets</b>		
Stockholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	447	453
Retained earnings	24,590	27,045
Treasury stock	(596)	(182)
Subtotal	34,441	37,316
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	3,563	10,179
Deferred gains or losses on hedges	(51)	(91)
Revaluation reserve for land	3,095	3,095
Foreign currency translation adjustment	(8,072)	(1,971)
Subtotal	(1,463)	11,213
Minority interests	3,846	456
<b>Total net assets</b>	<b>36,823</b>	<b>48,986</b>
<b>Total liabilities and net assets</b>	<b>232,204</b>	<b>227,000</b>



# SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: 3Q FY08

Page 9/12

## Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries  
For the nine months ended 31 December 2008

		Millions of yen
		3Q FY 2008
		Amount
<b>Net sales</b>		137,459
Cost of sales		82,915
Gross profit		54,544
Selling, general, and administrative expenses		52,916
<b>Operating income</b>		1,628
<b>Non-operating income:</b>		
Interest income		207
Dividends income		522
Equity in earnings of affiliates		1,185
Other		930
	Subtotal	2,845
<b>Non-operating expenses:</b>		
Interest expenses		1,938
Foreign exchange losses		1,216
Other		974
	Subtotal	4,129
<b>Ordinary income</b>		344
<b>Extraordinary income:</b>		
Gain on sales of investment securities		600
	Subtotal	600
<b>Extraordinary losses</b>		
Loss on retirement of noncurrent assets		467
Transfer to allowance for doubtful accounts to affiliated companies		111
	Subtotal	578
<b>Income before income taxes and minority interests</b>		366
Income taxes-current		1,326
Income taxes-deferred		1,304
	Subtotal	2,631
Minority interests in income		151
<b>Net loss</b>		(2,415)

# SEIKO HOLDINGS CORPORATION

Consolidated Financial Statements: 3Q FY08

Page 10/12

## Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For the nine months ended 31 December 2008

	Millions of yen
	3Q FY 2008
<b>Net cash provided by (used in) operating activities:</b>	
Income before income taxes and minority interests	366
Depreciation and amortization	4,031
Increase (decrease) in provision for retirement benefits	(66)
Increase (decrease) in provision for directors' retirement benefits	(95)
Increase (decrease) in allowance for doubtful accounts	69
Interest and dividends income	(729)
Proceeds from dividends income from equity method affiliate	12
Interest expenses	1,938
Foreign exchange losses (gains)	613
Equity in (earnings) losses of affiliates	(1,185)
Loss (gain) on sales of investment securities	(600)
Loss on retirement of noncurrent assets	440
Decrease (increase) in notes and accounts receivable-trade	(885)
Decrease (increase) in inventories	(8,850)
Increase (decrease) in notes and accounts payable-trade	8,135
Other, net	(322)
Subtotal	2,873
Interest and dividends income received	729
Interest expenses paid	(1,866)
Income taxes paid	(1,419)
Net cash provided by (used in) operating activities	316
<b>Net cash provided by (used in) investment activities</b>	
Purchase of property, plant and equipment	(4,936)
Proceeds from sales of property, plant and equipment	288
Purchase of investment securities	(3,305)
Proceeds from sales of investment securities	3,764
Payments of loans receivable	(2,173)
Collection of loans receivable	501
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,106)
Other, net	(1,761)
Net cash provided by (used in) investment activities	(8,728)
<b>Net cash provided by (used in) financing activities</b>	
Increase in short-term loans payable	130,047
Decrease in short-term loans payable	(119,169)
Proceeds from long-term loans payable	7,000
Repayment of long-term loans payable	(9,301)
Cash dividends paid	(1,451)
Other, net	(180)
Net cash provided by (used in) financing activities	6,944
<b>Effect of exchange rate change on cash and cash equivalents</b>	(1,296)
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,763)
<b>Cash and cash equivalents at beginning of period</b>	15,122
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	(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>	12,312

## Segment Information

### 1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	3Q FY2008	3Q FY2007	3Q FY2008	3Q FY2007
Watch Business	76,821	92,583	4,834	9,702
Precision Products Business	22,349	25,864	(703)	(1,040)
Optical Products Business	20,409	21,541	(177)	489
Clock Business	8,903	9,391	(300)	(781)
Other businesses	13,405	19,789	(2,669)	(1,032)
Total for all business segments	141,890	169,170	983	7,338
Eliminations and common	(4,430)	(5,192)	644	1,474
Total	137,459	163,978	1,628	8,813

Notes:

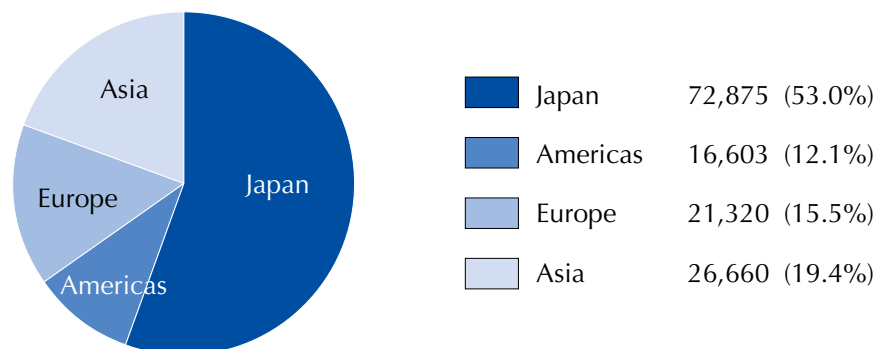
- The segmentation of businesses is based on the consolidated business management system that is employed by the Company.
- Main products of each business segment

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

3Q 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:

General Affairs Department

Seiko Holdings Corporation

SEAVANS North 1-2-1 Shibaura, Minato-ku, Tokyo 105-8459, Japan

Tel: +81-3-6401-2226

Fax: +81-3-6401-2216

prdept@seiko.co.jp