

11 May 2010

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED 31 MARCH 2010

Financial Highlights

For the fiscal year ended 31 March 2010 (FY2009))

	FY2009		FY2008
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	230,766	2,480,288	174,031
Operating income	1,979	21,270	(3,500)
Ordinary income	(1,940)	(20,851)	(4,690)
Net income	(3,632)	(39,036)	(5,786)
Earnings per share (yen)	(25.23)	(\$0.27)	(50.11)
	31 March 2010		31 March 2009
Total assets	405,960	4,363,284	226,716
Net assets	42,554	457.4	32,486

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 93.04 yen/dollar.

Business Results

1. Overview

For the fiscal year ended 31 March 2010, SEIKO HOLDINGS CORPORATION reported consolidated net sales of 230.7 billion yen, an increase of 56.7 billion yen from the previous year (a 32.6% increase). The increase includes net sales of 81.0 billion yen by Seiko Instruments Inc. and its subsidiaries. Domestic sales were 119.2 billion yen (a 25.3% increase), and overseas sales were 111.5 billion yen (a 41.4% increase). With the increase in sales from Seiko Instruments excluded, the watch business reported a substantial decline in overseas sales because of sluggish sales in European and American markets, where market recoveries are lagging. In the domestic market, the optical products business reported lower sales because of falling average prices for lenses for mass merchandisers, and the clock business and other businesses reported declines in sales because of sluggish domestic consumption caused by deflation. In contrast, the markets for semiconductors and electronic devices are recovering, and the

precision products business reported higher sales. With respect to income, the Company reported operating income of 1.9 billion yen compared to an operating loss of 3.5 billion yen in the previous year. However, with regard to non-operating income and loss, equity in earning of affiliates deteriorated substantially, resulting in an ordinary loss of 1.9 billion yen (compared to an ordinary loss of 4.6 billion yen in the previous year). The Company also reported extraordinary income of 7.9 billion yen in transfer gains in conjunction with an exchange of real property, and extraordinary losses of 6.0 billion yen from losses on the impairment of fixed assets and 2.0 billion yen from restructuring expenses, resulting in a net loss after income taxes and minority interests for the fiscal year of 3.6 billion yen (compared to a net loss of 5.7 billion yen in the previous year).

Results by Business Segment

a. Watch business

The watch business reported sales of 64.5 billion yen (a 31.0% decline from the previous year). The decline was mainly the result of lagging market recoveries in Europe and the United States and the transfer of Cronos Inc., a domestic retailer of watches and other products, from the watch business to the other businesses segment this fiscal year. Efforts were made to achieve a recovery in sales despite these challenging domestic and overseas conditions by marketing products that respond to the preference for low-price products. In Japan, sales of new Tissé ladies solar watches in the low- to mid-priced range were robust. Sales of high-end products including Grand Seiko and Brightz Ananta exceeded last year's levels in the second half.

Overseas, demand for watches remains low in Europe and the United States, where economic recovery is lagging, and the Company sought to make a comeback by expanding low- to mid-priced products, but Seiko sales as a whole fell from last year. Overseas subsidiaries actively took measures to cut costs including personnel reductions, and as a result, operating income of 2.2 billion yen was reported, a 32.0% increase from the previous year.

b. Seiko Instruments business

Seiko Instruments, which became a consolidated subsidiary in the third quarter,

reported net sales of 85.0 billion yen and operating income of 5.1 billion yen. In the electronic device business, orders for semiconductors, mainly for use in flat-panel televisions and game consoles, recovered and sales of crystal oscillators were steady. In the mechatronics business, sales of precision machined components for use in hard disc drives were up sharply, but sales of watch movements were sluggish because of low global demand for watches. In the system application business, sales of large printers to Europe and the United States remained sluggish because of slow economic recovery, but in Japan, sales of mobile communications modules for security-related products were up. In the scientific instruments business, orders for measuring and analysis instruments from government agencies made a recovery.

c. Precision products business

The precision products business reported sales of 29.4 billion yen, a 3.3% increase from the previous year. In the electronic device business, sales of shutters for digital cameras were steady. The semiconductor business reported higher sales with a recovery in orders for crystal oscillator ICs, the leading product in this segment, and a substantial increase in sales of clock ICs for use in electric meters for the Chinese market. In the computer system-related business, orders for outsourced development of application software were stagnant because of declining capital investment in manufacturing industries. While maintenance service sales increased, overall sales were down from the previous year. In addition to the increase in sales, there were also effects from emergency profit measures including measures to reduce labor costs, and the precision products business reported operating income of 0.4 billion yen (compared to an operating loss of 0.9 billion yen in the previous year).

d. Optical products business

The optical products business reported sales of 24.3 billion yen (an 8.7% decrease from the previous year). In Japan, sales of low-price sets that include lenses and a frame, which were started by low-price eyeglass stores, have expanded to major mass-merchandisers and independent opticians, and average prices continue to decline. Although sales volume was up, sales fell by more than 10% from the previous year. Overseas, sales of high-end products to independent opticians continue to face challenges because of the slow pace of recovery in Europe and

the United States. Although sales of low-price products to major optician chains increased steadily, the rising value of the yen resulted in a decrease in sales after conversion to yen. Although efforts were made towards a recovery of income through measures to reduce costs, these efforts were unable to make up for the decline in sales, and an operating loss of 0.4 billion yen was reported, approximately the same level as last year.

e. Clock business

The clock business reported sales of 9.0 billion yen (a 20.6% decline from the previous year) and an operating loss of 0.7 billion yen (compared to an operating loss of 0.2 billion yen in the previous year). In Japan, sales of high-price items remained sluggish, and the Company used a secondary brand to aggressively expand sales of low-price products. As a result, sales through new channels such as home centers and online sales were up, but sales to the United States experienced a drop, and both sales and income were down substantially.

f. Other businesses

Other businesses reported sales of 29.6 billion yen (a 46.4% increase from the previous year) and an operating loss of 0.7 billion yen (compared to an operating loss of 2.5 billion yen in the previous year). The increase in sales 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 fiscal year. Domestic consumption remains sluggish, but efforts continue to be made by each business company to improve income.

2. Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets as of 31 March 2010 were 405.9 billion yen, a substantial increase of 179.2 billion yen from the end of the previous fiscal year. The increase includes 184.2 billion yen arising from Seiko Instruments Inc. and its subsidiaries (collectively, "Seiko Instruments") becoming a wholly-owned subsidiary in the third quarter. When this effect is excluded, total assets fell by 4.6 billion yen, primarily as a result of continued reduction in inventories, mainly in the watch

business, and a decrease in current asset. Liabilities increased 169.1 billion yen, largely because of Seiko Instruments business being included in consolidated accounting. Capital surplus increased 14.3 billion yen as a result of a share transfer implemented in conjunction with Seiko Instruments becoming a wholly-owned subsidiary, but retained earnings fell, and as a result, net assets were up 10.0 billion yen from the end of the previous fiscal year to 42.5 billion yen.

Cash Flows in the Current Fiscal Year Are Summarized as Follows

Cash flows from operating activities

Net cash inflow from operating activities was 15.6 billion, up 21.6 billion yen from the previous year. Although a net loss before income taxes and minority interests of 2.4 billion yen was reported, depreciation and amortization expenses not associated with cash flows of 11.5 billion yen and losses on the impairment of assets of 6.0 billion yen are included in this amount. A decrease in inventories of 7.2 billion yen also contributed to an increase in cash flows, while an 8.1 billion yen deduction of gains from sale of fixed assets including an exchange of real property contributed to a decrease in cash flows.

Cash flows from investing activities

Net cash inflow from investing activities was 11.3 billion yen, up 24.5 billion yen from the previous year. Income of 9.0 billion yen from redemption of time-deposits, 4.4 billion yen in proceeds from the sale of property, plant and equipment, and 3.6 billion yen in gain on redemption of investment securities were recorded, and 4.1 billion yen was used for purchase of property, plant and equipment.

Cash flows from financing activities

Net cash outflow from financing activities was 14.1 billion yen, compared to inflow of 35.9 billion yen in the previous year, including expenditures that were 13.4 billion yen higher than income as a result of the repayment of long- and short-term loans.

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

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. In light of the substantial losses the Company has incurred, however, unfortunately the Company plans not to declare a dividend in the current year, but plans to declare a 2.5-yen per share year-end dividend in the next year.

3. Outlook for the Next Fiscal Year

The outlook for consolidated financial results in the next fiscal year is as follows.

■ Forecast for the consolidated business results for the year ending 31 March 2011 (FY2010)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	350.0	+51.7
Operating income	10.5	+430.6
Ordinary income	6.5	–
Net income	5.0	–

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 2010

	Millions of yen	
	31 March 2010	31 March 2009
	Amount	Amount
Assets		
Current Assets:		
Cash and deposits	56,548	17,484
Notes and accounts receivable-trade	50,918	26,031
Merchandise and finished goods	37,969	31,058
Work in process	10,890	1,962
Raw materials and supplies	8,912	1,500
Accounts receivable-other	3,339	3,109
Deferred tax assets	4,347	1,396
Other	4,777	3,394
Allowance for doubtful accounts	(1,402)	(1,508)
Total current assets	176,301	84,430
Noncurrent Assets:		
Property, plant and equipment:		
Buildings and structures	107,916	40,335
Machinery, equipment and vehicles	97,437	16,909
Tools, furniture and fixtures	35,067	13,870
Accumulated depreciation	(161,075)	(38,882)
Land	80,739	52,576
Construction in progress	2,382	173
Other	781	560
Subtotal	163,249	85,543
Intangible assets:		
Goodwill	12,075	656
Other	12,305	9,337
Subtotal	24,381	9,994
Investments and other assets:		
Investment securities	32,415	40,279
Deferred tax assets	2,939	1,696
Other	10,070	5,112
Allowance for doubtful accounts	(3,395)	(341)
Subtotal	42,028	46,747
Total noncurrent assets	229,659	142,285
Total assets	405,960	226,716

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	Millions of yen	
	31 March 2010	31 March 2009
	Amount	Amount
Liabilities		
Current Liabilities:		
Notes and accounts payable-trade	40,798	15,642
Short-term loans payable	102,276	41,452
Current portion of long-term loans payable	59,777	43,007
Accounts payable-other	11,567	5,104
Income taxes payable	1,084	303
Deferred tax liabilities	21	67
Provision for bonuses	1,938	1,232
Provision for goods warranties	532	618
Other provision	19	72
Other	8,227	4,985
Total current liabilities	226,244	112,487
Noncurrent Liabilities:		
Long-term loans payable	93,016	57,573
Deferred tax liabilities	5,207	1,822
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	26,398	10,323
Provision for directors' retirement benefits	884	606
Provision for gift certificate exchange losses	216	258
Provision for long-term goods warranties	109	142
Provision for environmental measures	303	
Other provision	231	63
Negative goodwill	1,325	1,704
Other	3,976	3,757
Total noncurrent liabilities	137,161	81,742
Total liabilities	363,405	194,229

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	Millions of yen	
	31 March 2010	31 March 2009
	Amount	Amount
Net Assets		
Shareholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	14,770	447
Retained earnings	13,262	21,283
Treasury stock	(2,984)	(593)
Subtotal	35,048	31,137
Valuation and Translation Adjustments:		
Valuation difference on available-for-sale securities	1,388	663
Deferred gains or losses on hedges	44	31
Revaluation reserve for land	7,154	3,095
Foreign currency translation adjustment	(8,173)	(6,449)
Subtotal	414	(2,659)
Minority interests	7,092	4,008
Total net assets	42,554	32,486
Total liabilities and net assets	405,960	226,716

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Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries

For year ended 31 March 2010

	Millions of yen	
	FY 2009	FY 2008
	Amount	Amount
Net sales	230,766	174,031
Cost of sales	154,464	107,684
Gross profit	76,302	66,347
Selling, general and administrative expenses	74,323	69,848
Operating income (loss)	1,979	(3,500)
Non-operating income:		
Interest income	145	257
Dividends income	176	552
Equity in earnings of affiliates	–	2,035
Amortization of negative goodwill	378	
Other	1,790	1,079
Subtotal	2,491	3,924
Non-operating expenses:		
Interest expenses	4,306	2,637
Foreign exchange losses	–	1,371
Equity in losses of affiliates	1,124	–
Other	980	1,104
Subtotal	6,410	5,113
Ordinary loss	(1,940)	(4,690)
Extraordinary income:		
Gain on sales of noncurrent assets	221	–
Gain on exchanges of land	7,957	–
Gain on sales of investment securities	–	1,625
Compensation for damage received	117	–
Subtotal	8,297	1,625
Extraordinary loss:		
Loss on retirement of noncurrent assets	341	467
Impairment loss	6,081	–
Business structure improvement expenses	2,090	–
Provision of allowance for doubtful accounts for subsidiaries and affiliates	–	204
Provision of environmental measures	279	–
Subtotal	8,793	671
Loss before income taxes and minority interests	(2,435)	(3,736)
Income taxes-current	1,539	1,151
Income taxes-deferred	(494)	556
Subtotal	1,045	1,707
Minority interests in income	151	342
Net loss	(3,632)	(5,786)

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Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For year ended 31 March 2010

	Millions of yen	
	FY 2009	FY 2008
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(2,435)	(3,736)
Depreciation and amortization	11,553	5,664
Increase (decrease) in provision for retirement benefits	(1,187)	(59)
Increase (decrease) in provision for directors' retirement benefits	17	(95)
Increase (decrease) in allowance for doubtful accounts	(325)	133
Interest and dividends income	(322)	(809)
Dividends income from equity method affiliate	354	262
Interest expenses	4,306	2,637
Foreign exchange losses (gains)	(338)	687
Equity in (earnings) losses of affiliates	1,124	(2,035)
Impairment loss	6,081	–
Loss (gain) on sales of investment securities	–	(1,625)
Loss (gain) on sales of noncurrent assets	(8,179)	–
Loss on retirement of noncurrent assets	371	489
Decrease (increase) in notes and accounts receivable-trade	(1,439)	5,775
Decrease (increase) in inventories	7,248	(4,603)
Increase (decrease) in notes and accounts payable-trade	2,833	(2,261)
Other, net	1,047	(3,114)
Subtotal	20,710	(2,688)
Interest and dividends income received	322	809
Interest expenses paid	(4,325)	(2,570)
Income taxes paid	(1,049)	(1,540)
Net cash provided by (used in) operating activities	15,658	(5,989)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	9,089	
Purchase of property, plant and equipment	(4,157)	(10,262)
Proceeds from sales of property, plant and equipment	4,443	1,133
Purchase of investment securities	(304)	(7,276)
Proceeds from sales of investment securities	52	6,148
Proceeds from redemption of investment securities	3,600	–
Payments of loans receivable	(793)	(2,367)
Collection of loans receivable	808	2,121
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	174	–
Other, net	(1,599)	(1,634)
Net cash provided by (used in) investing activities	11,314	(13,245)

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	Millions of yen	
	FY 2009	FY 2008
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	529,899	204,131
Decrease in short-term loans payable	(535,462)	(192,540)
Proceeds from long-term loans payable	43,380	24,500
Repayment of long-term loans payable	(51,297)	(12,588)
Cash dividends paid	(290)	(1,451)
Other, net	(332)	(235)
Net cash provided by (used in) financing activities	(14,104)	21,816
Effect of exchange rate change on cash and cash equivalents	178	(804)
Net increase (decrease) in cash and cash equivalents	13,047	1,776
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	25,442	(99)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	41
Cash and cash equivalents at end of period	55,331	16,841

Segment Information

1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	FY 2009	FY 2008	FY 2009	FY 2008
Watch Business	64,563	93,582	2,231	1,690
Seiko Instruments Business	85,037	–	5,160	–
Precision Products Business	29,472	28,523	434	(998)
Optical Products Business	24,351	26,671	(462)	(394)
Clock Business	9,054	11,405	(766)	(234)
Other businesses	29,683	20,272	(785)	(2,552)
Total for all business segments	242,163	180,456	5,812	(2,489)
Eliminations and common	(11,397)	(6,424)	(3,833)	(1,011)
Total	230,766	174,031	1,979	(3,500)

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.
- 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.

The effects of this change in the fiscal year under review were a decrease of 10,462 million yen in net sales to outside customers and an increase of 1,310 million yen in internal sales or transfers in the watch business, and an increase of 10,462 million yen in net sales to outside customers and a decrease of 1,503 million yen in internal sales or transfers in the other businesses segment.

The operating income increased 185 million yen in the watch business and operating losses increased 228 million yen in the other businesses segment. Also, assets decreased by 5,274 million yen in the watch business and increased by 5,321 million yen in the other businesses segment, while depreciation and amortization decreased by 62 million yen in the watch business and increase by 62 million yen in the other businesses segment. Capital expenditures decreased by 34 million yen in the watch business and increased by 34 million yen in the other businesses segment.

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4. Main products of each business segment

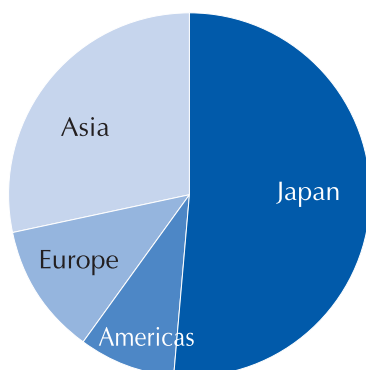
Business Segment	Main Products
Watch Business	Watches
Seiko Instruments Business	Watch movements, hard disk components, CMOS ICs, quartz crystals, LCD devices, micro batteries, materials, information systems, IC dictionaries, printers, and scientific instruments
Precision Products Business	Network systems,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

5. Those operating expenses that were eliminated or are not allocable to companywide categories were 6,575 million yen in the previous fiscal year and 6,763 million yen in the current fiscal year. The majority of these expenses were related to the parent company (holding company).
6. Those assets that were eliminated or are not allocable to companywide categories were 180,152 million yen in the previous fiscal year and 187,290 million yen in the current fiscal year. The majority of these expenses were surplus operating capital or long-term investment capital (investment securities) related to the parent company (holding company).

2. Net Sales by Region

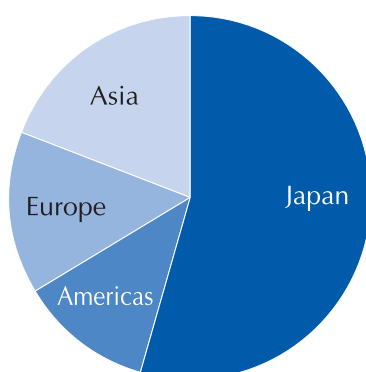
FY 2009

Millions of yen



Japan	119,221	(51.7%)
Americas	19,801	(8.6%)
Europe	26,987	(11.7%)
Asia	64,756	(28.1%)

FY 2008



Japan	95,140	(54.7%)
Americas	20,336	(11.7%)
Europe	25,415	(14.6%)
Asia	33,139	(19.0%)

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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