

10 November 2009

CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Financial Highlights

For the six months ended 30 September 2009 (2Q FY2009)

	2Q FY2009		2Q FY2008
	Millions of yen	Thousands of US dollars	Millions of yen
Net sales	71,063	787,751	90,746
Operating income	(3,476)	(38,532)	1,040
Ordinary income	(5,294)	(58,685)	542
Net income	(5,948)	(65,935)	3
Earnings per share (yen)	(51.74)	(0.57)	0.03
	30 September 2009		31 March 2009
Total assets	215,633	2,390,345	226,716
Net assets	24,624	272,963	32,486

Note: Japanese yen amounts have been converted into US dollars, for convenience only, using the rate of 90.21 yen/dollar.

Business Results

1. Overview

For the six months ended 30 September 2009, Seiko Holdings Corporation reported consolidated net sales of 71.0 billion yen, a decrease of 19.6 billion yen (a 21.7% decline from the same period in the previous year). Domestic sales were 40.1 billion yen (a 16.4% decline from the same period in the previous year), and overseas sales were 30.8 billion yen (a 27.7% decline from the same period in the previous year). Measures to reduce costs continued, but the impact of the decrease in sales could not be avoided, and an operating loss of 3.4 billion yen (compared to operating income of 1.0 billion yen in the same period of the previous year) and an ordinary loss of 5.2 billion yen (compared to ordinary income of 0.5 billion yen in the same period of the previous year) were reported. Also, extraordinary income of 0.2 billion yen from the sale of fixed

assets and extraordinary loss on impairment of assets of 0.4 billion yen were reported, resulting in a quarterly net loss after income taxes and minority interests of 5.9 billion yen (compared to quarterly net income of 3 million yen in the same period of the previous year).

Results by Business Segment

a. Watch business

The watch business reported sales of 29.8 billion yen, down 19.8 billion yen (a 40.0% decline) from the same period of the previous year as mainly due to sluggish personal consumption in the United States, Europe, and Japan as well as the transfer of Cronos Inc., a domestic retailer of watches and other products, from the watch business to the other businesses segment starting this term. In Japan, sales of high-priced products continued to perform weakly, but the medium to high-priced Brightz Ananta, which was launched simultaneously around the world as a common global model, got off to a strong start. Sales are making a modest recovery, but have yet to reach last year's levels. Overseas, market recoveries are lagging, particularly in the United States and Europe, and sales fell substantially. Efforts to reduce expenses continued, but operating income was 0.5 billion yen (an 81.1% decline from the same period of the previous year).

b. Precision products business

The precision products business reported sales of 13.7 billion yen (a 10.6% decline from the same period in the previous year). In the electronic device business, sales of shutters for digital cameras turned upwards, but in the computer system-related business, sales of application software to manufacturing industries stayed stagnant, and conditions remain adverse. Also, signs of recovery in the semiconductor business are becoming clear in conjunction with recovery in semiconductor market for IC chips used in crystal oscillators, the main products in this segment. As a result, operating losses were 0.2 billion yen (compared to an operating loss of 0.3 billion yen in the same period of the previous year).

c. Optical products business

The optical products business reported sales of 12.5 billion yen (a 10.3% decline from the same period in the previous year). In Japan, the rise of low-price eyeglass

stores has resulted in a decrease in average prices in conjunction with higher sales to these retailers. Overseas, sales to large chains in the United States remained sluggish, but sales in Europe grew. Because of the continued poor performance in Japan, operating losses were 0.2 billion yen (compared to operating income of 7 million yen in the same period of the previous year).

d. Clock business

Sales in the clock business were 4.1 billion yen (a 29.3% decline from the same period in the previous year). Sales of high-end products remain weak. Efforts have been put into marketing mid-range products, and sales were up, but the decrease in orders for large, specially-made products prevented sales from recovering to the previous year's level. Efforts to reduce manufacturing costs continued, but operating losses were 0.4 billion yen (compared to an operating loss of 0.3 billion yen in the same period of the previous year).

e. Other businesses

Other businesses reported sales of 14.0 billion yen (a 62.4% increase from the same period in the previous year). Sales increased mainly because Cronos Inc., a domestic retailer of watches and other products, was transferred this term from the watch segment to the other businesses segment. Operating losses were 0.9 billion yen (compared to an operating loss of 1.6 billion yen in the same period of the previous year).

2. Financial Condition

Status of Assets, Liabilities, and Net Assets

Total assets as of 30 September 2009 were 215.6 billion yen, a decrease of 11.0 billion yen from the end of the previous fiscal year. Current assets fell 2.5 billion yen primarily because of a decline in accounts receivable-other in conjunction with a refund of income taxes relating to the receipt of dividends from subsidiaries at the end of the previous fiscal year, while noncurrent assets declined 8.5 billion yen mainly because of a decrease in holdings of the shares of subsidiaries, the sales of land and buildings, and impairment of assets.

Liabilities were 191.0 billion yen, a decline of 3.2 billion yen from the end of the previous fiscal year, mainly due to a reduction in loans payable. Net assets fell 7.8 billion yen from the end of the previous fiscal year to 24.6 billion yen primarily as a result of a decrease in retained earnings and a decrease in foreign currency translation adjustments.

Cash Flows in the 2nd Quarter Are Summarized as Follows

Cash flows from operating activities

Net cash inflow in operating activities amounted to 0.1 billion yen. Depreciation and amortisation expenses of 2.8 billion yen, a 2.2 billion yen decrease in accounts receivable-other, and a 1.5 billion yen increase in notes and accounts payable-trade contributed to an increase in cash flows, while a 5.6 billion yen net loss before income taxes and minority interests and a 1.4 billion yen decrease in accounts payable-other contributed to a decrease in cash flows.

Cash flows from investing activities

Net cash inflow in investing activities amounted to 3.4 billion yen, including 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 2.8 billion yen, including 2.3 billion yen in loans 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 17.4 billion yen (compared to 15.4 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 in 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	247.0	+41.9
Operating income	4.6	–
Ordinary income	0	–
Net income	(4.4)	–

■ 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	66.5	93.5	2.3	1.6
SEIKO Instruments Business	92.0	–	4.5	–
Precision Products Business	31.0	28.5	0.5	(0.9)
Optical Products Business	25.0	26.6	0	(0.3)
Clock Business	9.5	11.4	(0.3)	(0.2)
Other businesses	32.0	20.2	(0.9)	(2.5)
Total for all business segments	256.0	180.4	6.1	(2.4)
Consolidated total	247.0	174.0	4.6	(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

30 September 2009

	Millions of yen	
	30 September 2009	31 March 2009
	Amount	Amount
Assets		
Current Assets:		
Cash and deposits	18,096	17,484
Notes and accounts receivable-trade	25,646	26,031
Merchandise and finished goods	30,111	31,058
Work in process	2,055	1,962
Raw materials and supplies	1,585	1,500
Accounts receivable-other	849	3,109
Deferred tax assets	1,474	1,396
Other	3,649	3,394
Allowance for doubtful accounts	(1,596)	(1,508)
Total current assets	81,871	84,430
Noncurrent Assets:		
Property, plant, and equipment:		
Buildings and structures	39,331	40,335
Machinery, equipment, and vehicles	16,488	16,909
Tools, furniture and fixtures	13,836	13,870
Accumulated depreciation	(40,163)	(38,882)
Land	52,607	52,576
Construction in progress	137	173
Other	584	560
Subtotal	82,821	85,543
Intangible assets:		
Goodwill	552	656
Other	9,161	9,337
Subtotal	9,714	9,994
Investments and other assets:		
Investment securities	34,782	40,279
Deferred tax assets	1,735	1,696
Other	5,039	5,112
Allowance for doubtful accounts	(330)	(341)
Subtotal	41,226	46,747
Total noncurrent assets	133,761	142,285
Total assets	215,633	226,716

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	Millions of yen	
	30 September 2009	31 March 2009
	Amount	Amount
Liabilities		
Current Liabilities:		
Notes and accounts payable-trade	16,776	15,642
Short-term loans payable	36,113	41,452
Current portion of long-term loans payable	58,226	43,007
Accounts payable-other	3,524	5,104
Income taxes payable	587	303
Deferred tax liabilities	57	67
Provision for bonuses	1,285	1,232
Other provision	626	691
Other	4,980	4,985
Total current liabilities	122,176	112,487
Noncurrent Liabilities:		
Long-term loans payable	45,159	57,573
Deferred tax liabilities	1,886	1,822
Deferred tax liabilities for land revaluation	5,490	5,490
Provision for retirement benefits	9,942	10,323
Other provision	1,034	1,071
Negative goodwill	1,515	1,704
Other	3,803	3,757
Total noncurrent liabilities	68,832	81,742
Total liabilities	191,008	194,229

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	Millions of yen	
	30 September 2009	31 March 2009
	Amount	Amount
Net Assets		
Stockholders' Equity:		
Capital stock	10,000	10,000
Capital surplus	447	447
Retained earnings	15,021	21,283
Treasury stock	(604)	(593)
Subtotal	24,863	31,137
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	686	663
Deferred gains or losses on hedges	(70)	31
Revaluation reserve for land	3,095	3,095
Foreign currency translation adjustment	(7,855)	(6,449)
Subtotal	(4,143)	(2,659)
Minority interests	3,904	4,008
Total net assets	24,624	32,486
Total liabilities and net assets	215,633	226,716

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Statements of Income

Seiko Holdings Corporation and consolidated subsidiaries

For the six months ended 30 September 2009

	Millions of yen	
	2Q FY 2009	2Q FY 2008
	Amount	Amount
Net sales	71,063	90,746
Cost of sales	45,706	55,167
Gross profit	25,357	35,579
Selling, general, and administrative expenses	28,834	34,538
Operating income (loss)	(3,476)	1,040
Non-operating income:		
Interest income	50	157
Dividends income	173	401
Amortisation of negative goodwill	189	–
Equity in earnings of affiliates	–	689
Other	501	616
Subtotal	915	1,864
Non-operating expenses:		
Interest expenses	1,488	1,257
Equity in losses of affiliates	775	–
Other	468	1,105
Subtotal	2,733	2,362
Ordinary income (loss)	(5,294)	542
Extraordinary income:		
Gain on sales of noncurrent assets	221	–
Gain on sales of investment securities	–	600
Subtotal	221	600
Extraordinary loss:		
Impairment loss	456	–
Provision of allowance for doubtful accounts for subsidiaries and affiliates	101	–
Subtotal	558	–
Income (loss) before income taxes and minority interests	(5,631)	1,142
Income taxes-current	622	1,021
Income taxes-deferred	(294)	74
Subtotal	327	1,096
Minority interests in income	(10)	42
Net income (loss)	(5,948)	3

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Statements of Cash Flows

Seiko Holdings Corporation and consolidated subsidiaries

For the six months ended 30 September 2009

	Millions of yen	
	2Q FY 2009	2Q FY 2008
Net cash provided by (used in) operating activities:		
Income (loss) before income taxes and minority interests	(5,631)	1,142
Depreciation and amortization	2,882	2,585
Increase (decrease) in provision for retirement benefits	(288)	(40)
Increase (decrease) in provision for directors' retirement benefits	(7)	(50)
Increase (decrease) in allowance for doubtful accounts	125	20
Interest and dividends income	(223)	(558)
Proceeds from dividends income from affiliates accounted for by equity method	204	6
Interest expenses	1,488	1,257
Foreign exchange losses (gains)	89	164
Equity in (earnings) losses of affiliates	775	(689)
Impairment loss	456	-
Loss (gain) on sales of investment securities	-	(600)
Loss (gain) on sales of noncurrent assets	(221)	-
Loss on retirement of noncurrent assets	48	107
Decrease (increase) in notes and accounts receivable-trade	(198)	1,693
Decrease (increase) in inventories	177	(6,753)
Decrease (increase) in accounts receivable-other	2,262	
Increase (decrease) in notes and accounts payable-trade	1,564	4,832
Increase (decrease) in accounts payable-other	(1,495)	(1,866)
Other, net	(184)	786
Subtotal	1,822	2,038
Interest and dividends income received	224	557
Interest expenses paid	(1,524)	(1,250)
Income taxes paid	(328)	(738)
Net cash provided by (used in) operating activities	194	607
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(665)	(2,936)
Proceeds from sales of property, plant and equipment	452	217
Purchase of investment securities	(0)	(3,153)
Proceeds from sales of investment securities	36	3,600
Proceeds from redemption of investment securities	3,600	-
Payments of loans receivable	(205)	(309)
Collection of loans receivable	279	446
Purchase of investments in subsidiaries resulting in charge in scope of consolidation	-	(1,106)
Other, net	(23)	(650)
Net cash provided by (used in) investment activities	3,471	(3,894)

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	Millions of yen	
	2Q FY 2009	2Q FY 2008
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	223,722	84,534
Decrease in short-term loans payable	(228,927)	(80,365)
Proceeds from long-term loans payable	23,580	7,000
Repayment of long-term loans payable	(20,775)	(5,889)
Cash dividends paid	(290)	(1,161)
Other, net	(140)	(150)
Net cash provided by (used in) financing activities	(2,830)	3,969
Effect of exchange rate change on cash and cash equivalents	(125)	(216)
Net increase (decrease) in cash and cash equivalents	710	465
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	(84)	(87)
Cash and cash equivalents at end of period	17,467	15,499

Segment Information

1. Breakdown by Business Segment

	Millions of yen			
	Sales		Operating Income	
	2Q FY 2009	2Q FY 2008	2Q FY 2009	2Q FY 2008
Watch Business	29,874	49,751	530	2,802
Precision Products Business	13,713	15,333	(287)	(364)
Optical Products Business	12,589	14,035	(276)	7
Clock Business	4,166	5,897	(408)	(323)
Other businesses	14,048	8,649	(987)	(1,699)
Total for all business segments	74,393	93,667	(1,428)	422
Eliminations and common	(3,329)	(2,920)	(2,047)	618
Total	71,063	90,746	(3,476)	1,040

Notes:

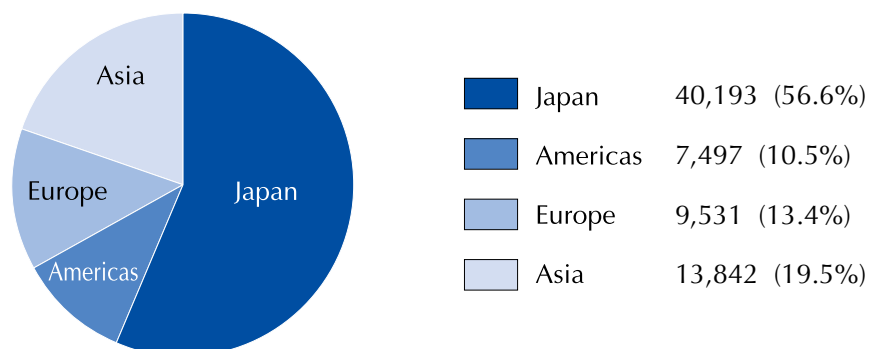
- The segmentation of businesses is based on the consolidated business management system that is employed by the Company.
- In conjunction with changes in consolidated business management structures, Cronos Inc., which was included in the watch business segment, was moved to the other businesses segment, 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 5,248 million yen and internal sales or transfers among segments increased by 624 million yen. Also sales to external customers in the other businesses segment increased by 5,248 million yen and internal sales or transfers among segments decreased by 717 million yen. In addition, the operating loss of the watch business increased by 201 million yen and the operating loss of the other businesses segment increased by 102 million yen.
- 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, and sports timing equipment

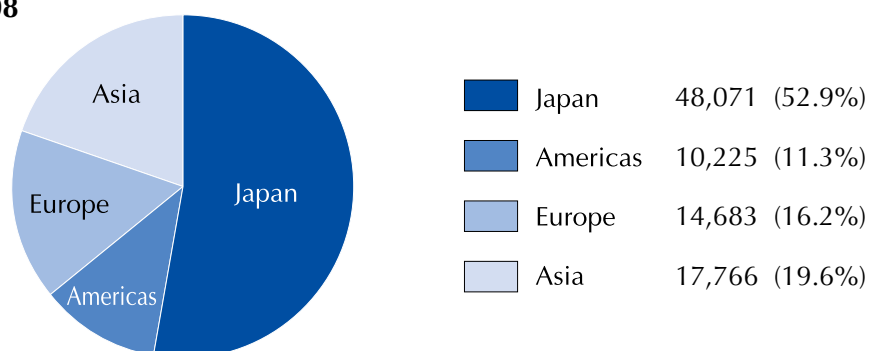
2. Net Sales by Region

2Q FY 2009

Millions of yen



2Q 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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