



Fifth Mid-Term Management Plan

(Three-Year Plan to Commence in Fiscal Year Ending in March 2014)

May 14, 2013

SEIKO HOLDINGS CORPORATION

1. Looking back at the 4th Mid-Term Management Plan
2. Basic Policies of New Mid-Term Management Plan
3. Basic Strategies for Maximizing Segment Profitability
4. Challenges for Qualitatively Reinforcing Our Management Foundation
5. Target Figures under the Mid-Term Management Plan

1. Looking back at the 4th Mid-Term Management Plan

Basic Policy and Strategy

1. All-out efforts to enhance business foundation

- Maximizing profitability of Watch Business
- Strengthening profitability of Electronic Component Business
- Creating new added value

2. Sounder financial state

- Normalizing standards for interest-bearing liabilities
- Enhancing shareholder's equity

Management Target Figures under 4th MTMP

SEIKO

| | FY2012 Target | FY2012 Actual |
|---|-------------------------|------------------------|
| Ratio of ordinary profit against sales | 4% or more | 1.1% |
| Outstanding loans | 200 billion yen or less | <u>198 billion yen</u> |
| Equity Capital Ratio | To achieve 15% | 11.0% |
| Net Debt Equity Ratio | 2.1 or less | 3.9 |

All-out efforts to enhance business foundation

Net Sales

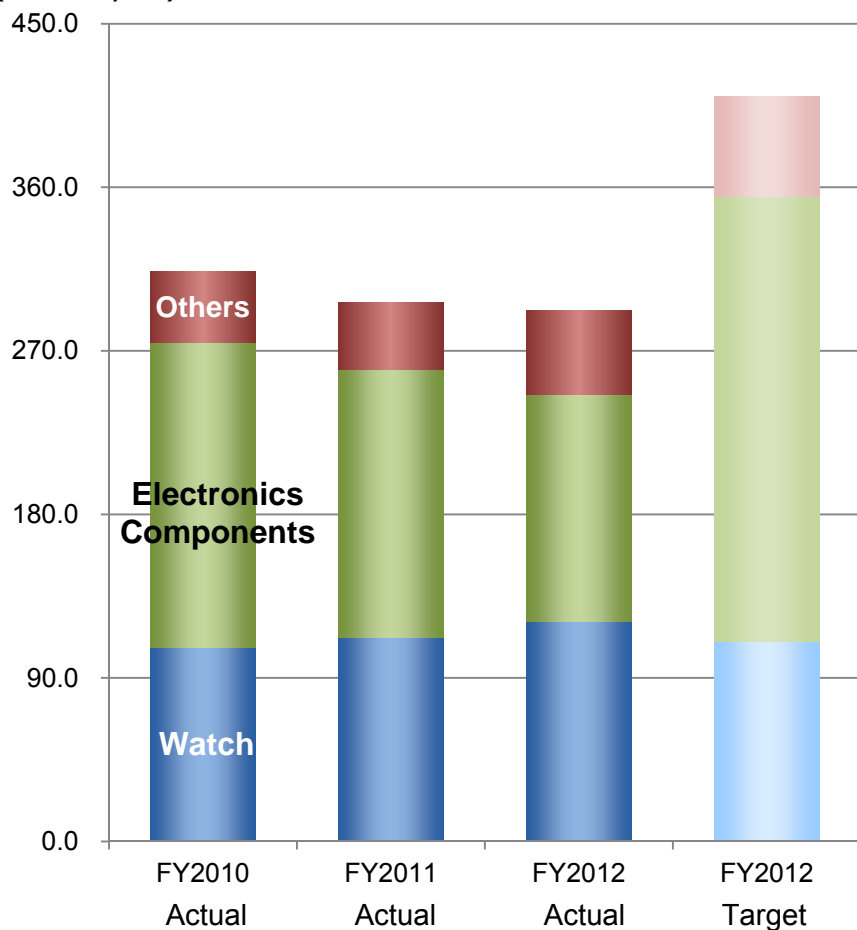
313.8

296.9

283.7

410.0

(Billion yen)



Operating Income

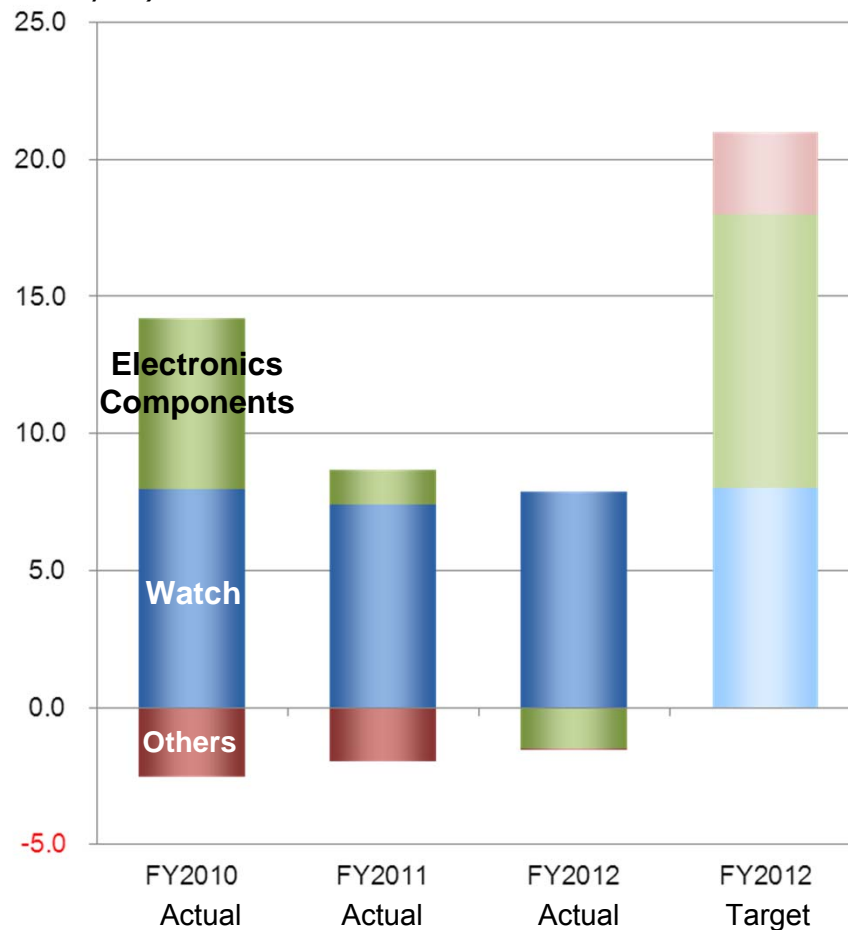
11.6

6.7

5.5

21.0

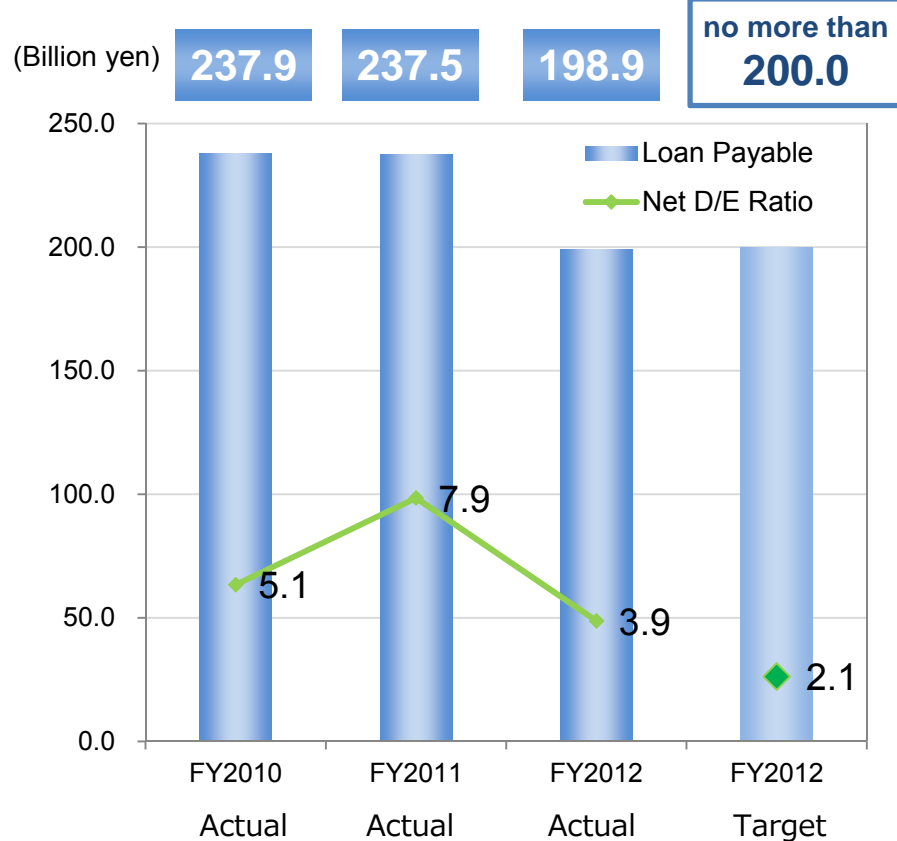
(Billion yen)



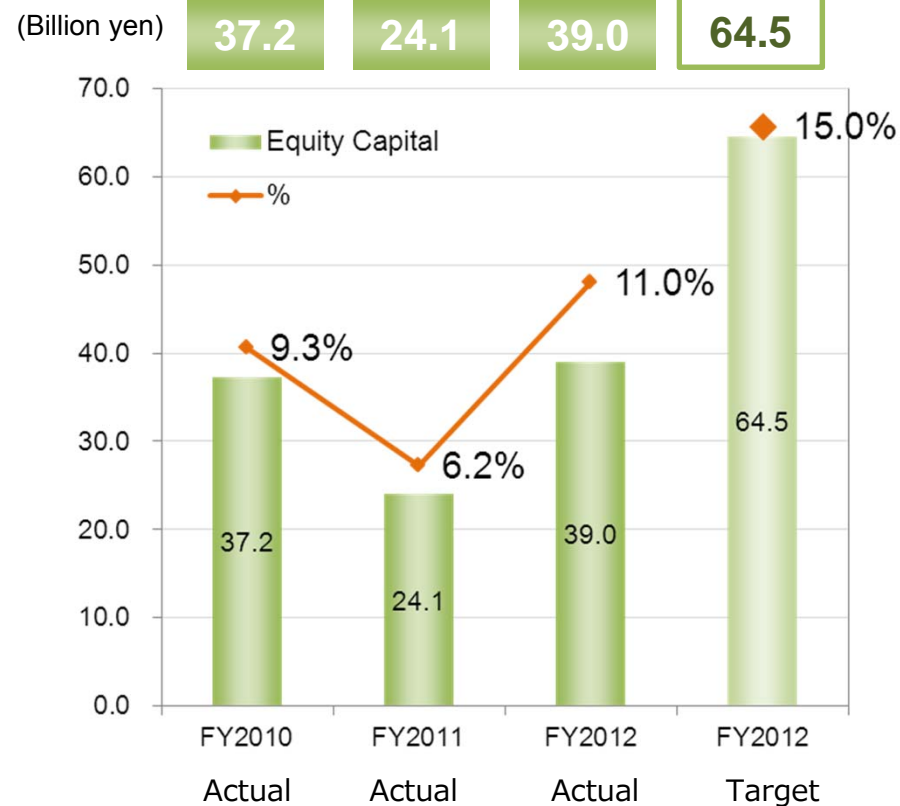
- Amid a severe environment defined largely by a super-strong yen and the European debt crisis, net sales under the Watch Business exceeded initial targets, with operating income also successfully meeting targets.
- In the Electronic Components Business, both net sales and operating income decreased due in part to external environment factors such as the super-strong yen, flood damage in Thailand and intensified global competition as well as the withdrawal from the LCD display business and the sale of its scientific instruments business.
- Seeking to realize the creation of new added value, Seiko Holdings established a new company under its System Solutions Business, which will be positioned as the group's third business pillar.
- Wako's successfully entered the black through initiatives that constituted "reforming our corporate constitution into one that doesn't permit losses." Additionally, fundamental structural reforms were carried out at Seiko Instruments and Seiko Precision.

Sounder financial state –Loan payable & Equity capital-

Loan payable & Net D/E Ratio



Equity Capital



- Outstanding debt target of no more than 200 billion yen has been met, conversely, improvements in equity capital fell short of targets.

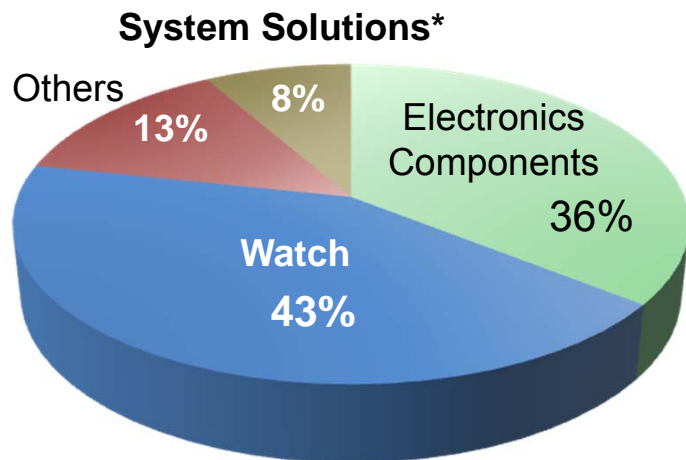
2. Basic Policies of New Mid-Term Management Plan

Reconstructing business portfolio around our Watch segment as group's core business to maximize profitability, as well as realizing the qualitative reinforcement of group's management foundation

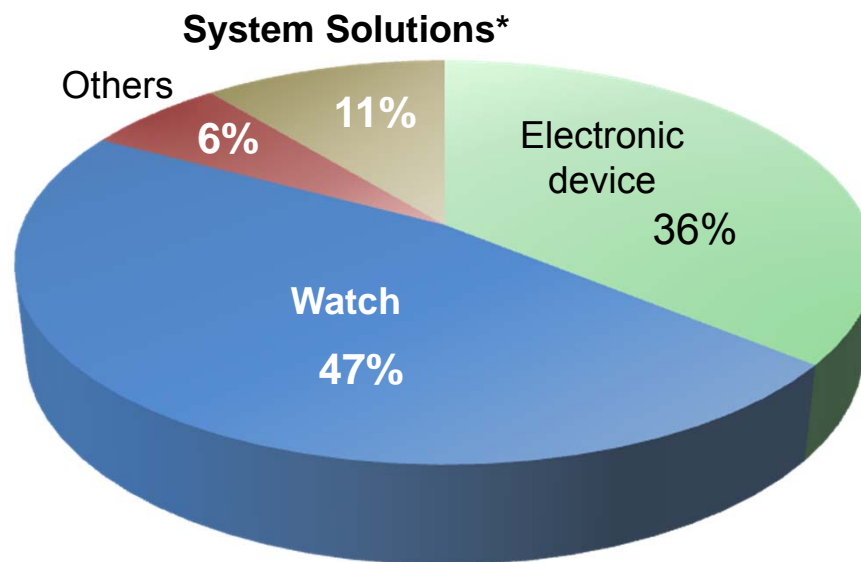
Direction Taken in Basic Policies: Business Portfolio

FY2012
Net Sales : 283.8

(Unit :Billion yen)



FY2015 (3rd Year)
Net Sales :320.0



* Net sales values for the Systems Solutions Business and Electronic Device Business in FY2012 are estimates calculated using simplified methods.

※Changes in Business Segments

| Previous Segments | New Segments | Main Products |
|--------------------------------|----------------------------|---|
| Watch Business | Watch Business | Watches, watch Movements |
| Electronic Components Business | Electronic Device Business | Hard disk components, semiconductors, quartz crystals, micro batteries and materials, printers, and camera shutters |
| | System Solution | Information systems, IC dictionaries, network systems |
| Clock Business | Others | Clocks, Optical lenses and frames, High-end clothing & misc. goods, System clocks, etc. |
| Optical Products Business | | |
| Other Businesses | | |

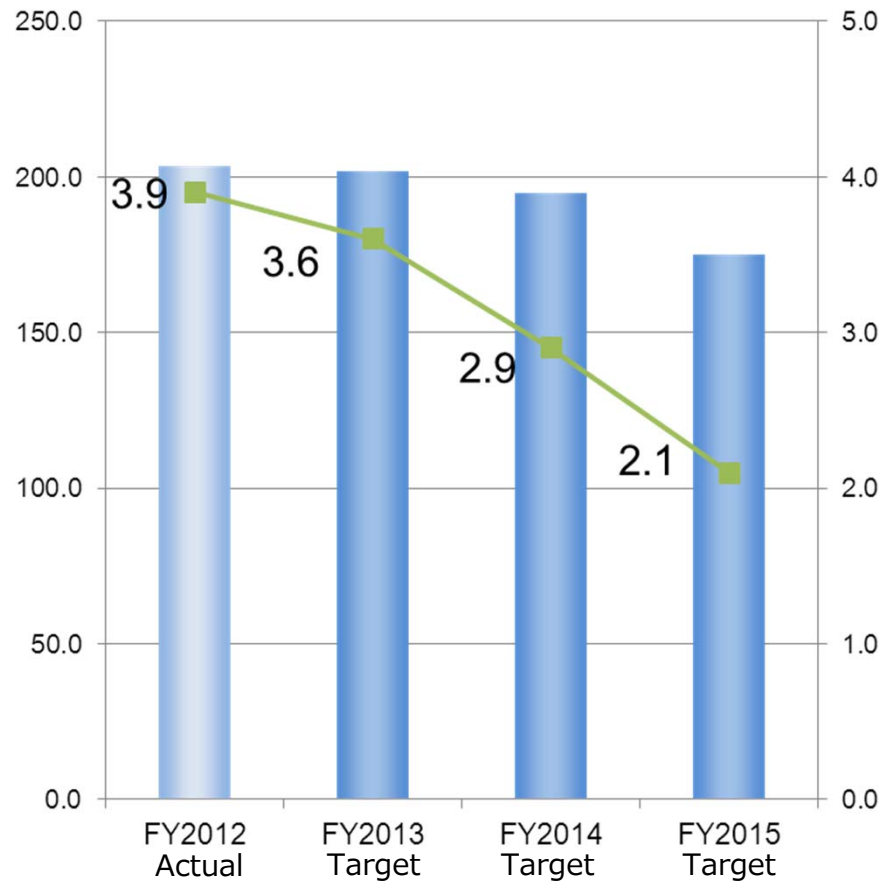
Qualitatively Reinforcing Our Management Foundation



Interest-bearing debt & Net D/E Ratio

(Billion yen)

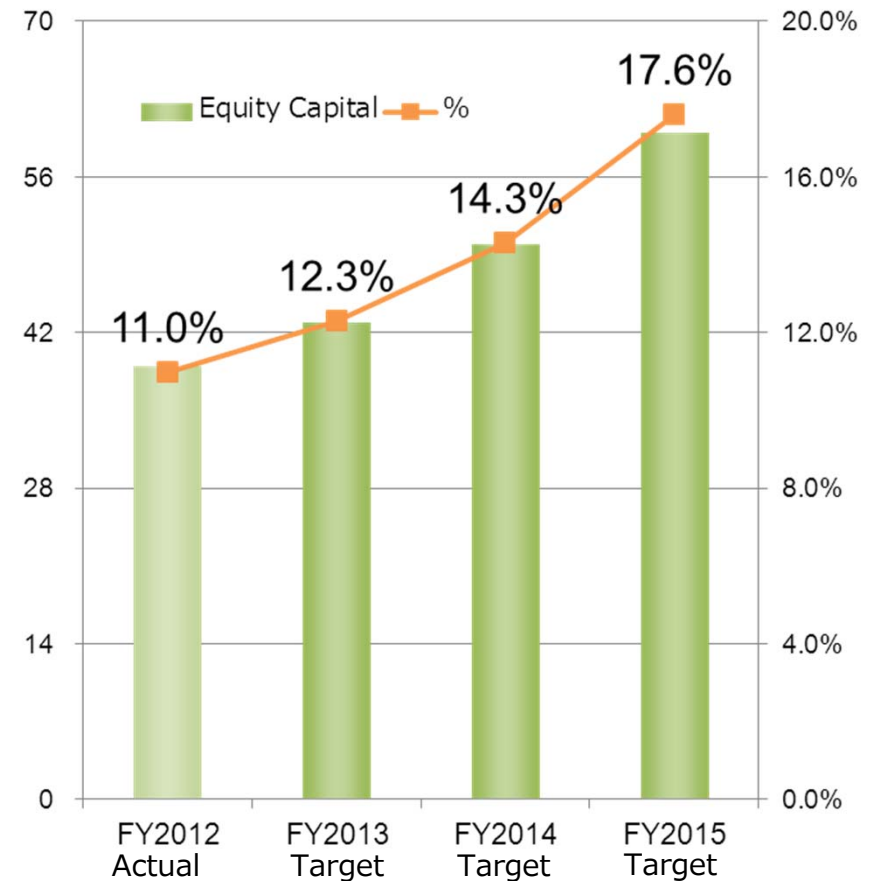
203.4 **202.0** **195.0** **175.0**



Equity Capital

(Billion yen)

39.0 **43.0** **50.0** **60.0**



3. Basic Strategies for Maximizing Segment Profitability

1. Enhancing and expanding the Watch segment, the fundamental business of the Seiko Group

Maximizing earnings through executing strategy that manifests the total capability of this segment's finished goods and movement businesses.

2. Electronic Device segment to concentrate on core areas

Concentrating resources into core business sectors while actualizing "SYO"ism technology centered on timepieces to the fullest extent, and establishing a stable earnings structure.

3. Cultivating our System Solutions Business as a third business segment

Cultivating a solutions-suggestion business with high added value that positions Seiko Solutions Inc. as its core entity and takes advantages of the resources possessed by the Seiko Group.

4. Expanding business development efforts that effectively leverage the Seiko brand

Perpetuating activities to improve brand image and recognition while further strengthening brand utilization in various products.

1. Creating and expanding upon Group synergy

- Promoting business operation through full integration of manufacturing & marketing / sales.
- Deepening cooperation within the group to promote solutions business with Seiko Solutions Inc. as its core entity.

2. Expanding business to include emerging Asian countries in addition to China

Strengthening marketing in Asian markets predicted to grow.

3. Promoting the effective utilization of the Seiko brand

Leveraging and enhancing the value of the Seiko brand, one of the Seiko Group's most crucial management resources.

4. Promptly implementing remedial measures for low-performing businesses

Accelerating fundamental measures for businesses experiencing slow improvements in their constitution.

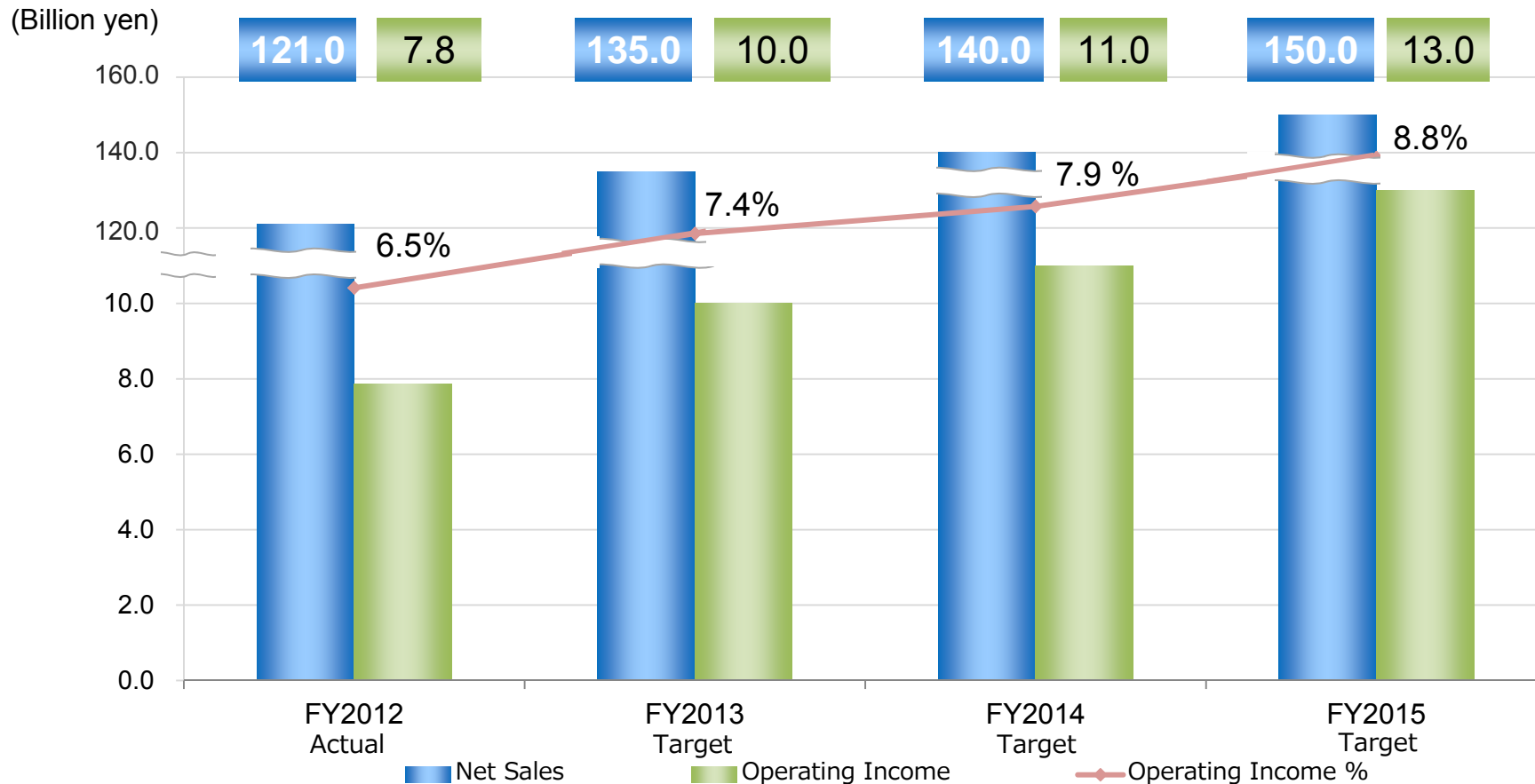
Basic Strategies by Reported Segments

- 1) Watch Business
- 2) Electronic Device Business
- 3) System Solution Business
- 4) Others

1) Watch Business

Enhancing and expanding the Watch segment, the fundamental business of the Seiko Group

Maximizing earnings through executing strategy that manifests the total capability of this segment's finished goods and movement businesses.



1) Watch Business



SEIKO

1. Expanding high-end product business through **GRAND SEIKO**

Boosting sales by leveraging the feature of “high-precision” & “high-quality” mechanical movements, spring drives and quartzes, to the fullest extent:



2. Making the **SEIKO ASTRON GPS solar watch** into a core business

Accelerating the implementation of global strategy and pursuing ASTRON as a new timepiece standard that overturns existing conventions.



3. Reinforcing the mechanical watch business through cooperation between SWC and SII

Further developing global business for high-end mechanical watches with a focus on the GRAND SEIKO and augmenting pertinent manufacturing capability. Cultivating emerging markets in the low- to mid-price range.



SEIKO
DEDICATED TO PERFECTION

GRAND SEIKO is revered as a name for the finest age. A dedicated team of Seiko watchmakers set themselves a new challenge to create a watch that would be more accurate, more reliable and more sophisticated than any other luxury watch in the world. The result was Grand Seiko, a creation that is simple, one of the world's great watches. Today, the Grand Seiko tradition is celebrated in a mechanical watch with a 90,000-vibration, 50-hour power reserve in 31,698 parts, the only watch in the world to receive a 5-year warranty. A masterpiece of traditional craftsmanship combined with advanced engineering from Grand Seiko, where the pure essence of watchmaking is elevated to the level of art. grandseiko.com



4. Expanding movement business

Enhancing product architecture and sales with a particular focus on movements with high added value.

5. Further reinforcing Pan-Asian strategy (linked across Japan, China and the rest of Asia)

Positioning Japan, China and the rest of Asia as “aggressive-approach” markets and expanding Asian businesses predicted to grow.

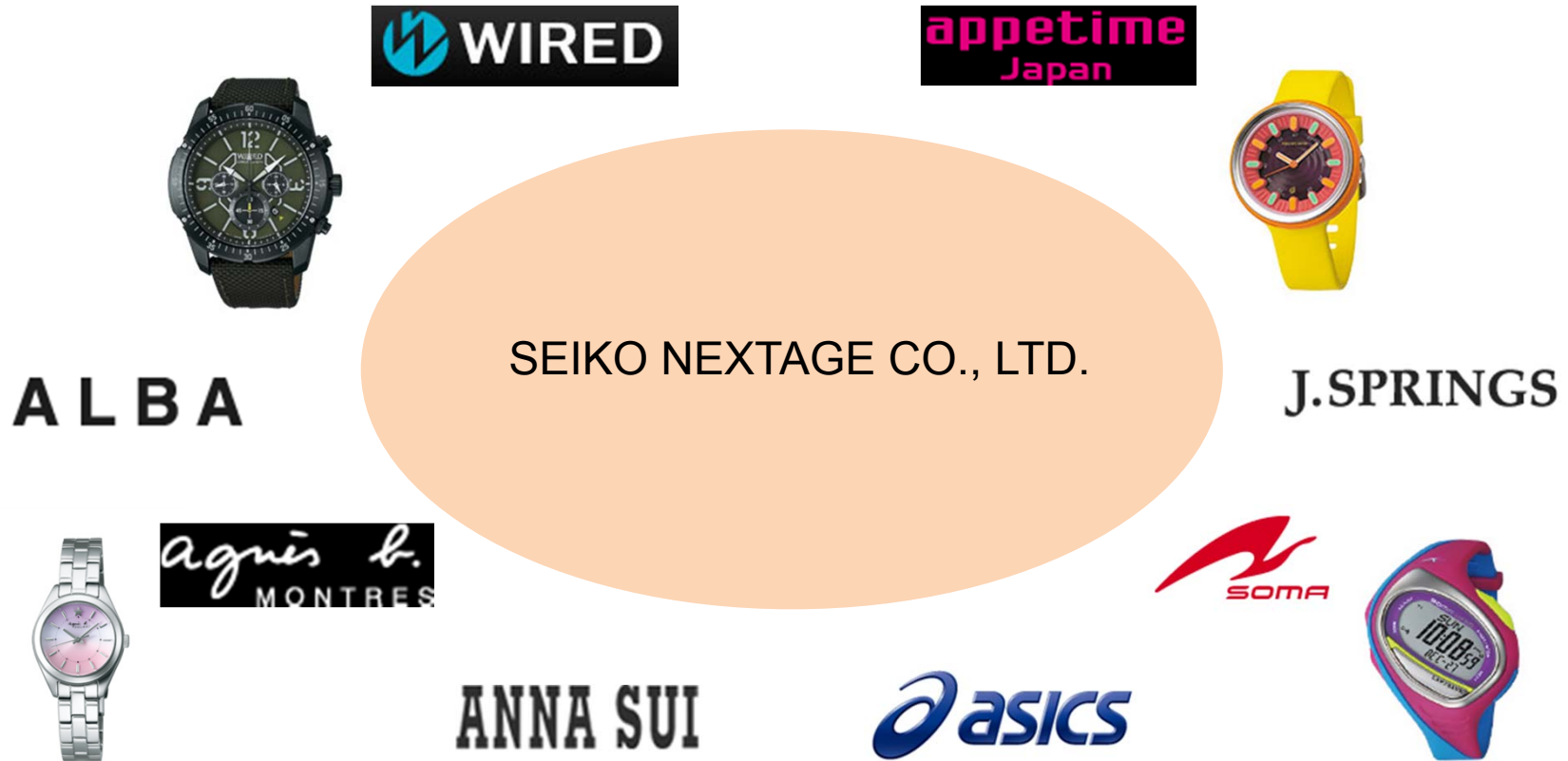


6. Improving sales and profitability in European and the US markets

Reinforcing product- and distribution-side initiatives to reclaim our position in European and the US markets.

7. Bolstering efforts in the growing markets of fashion and sports watches

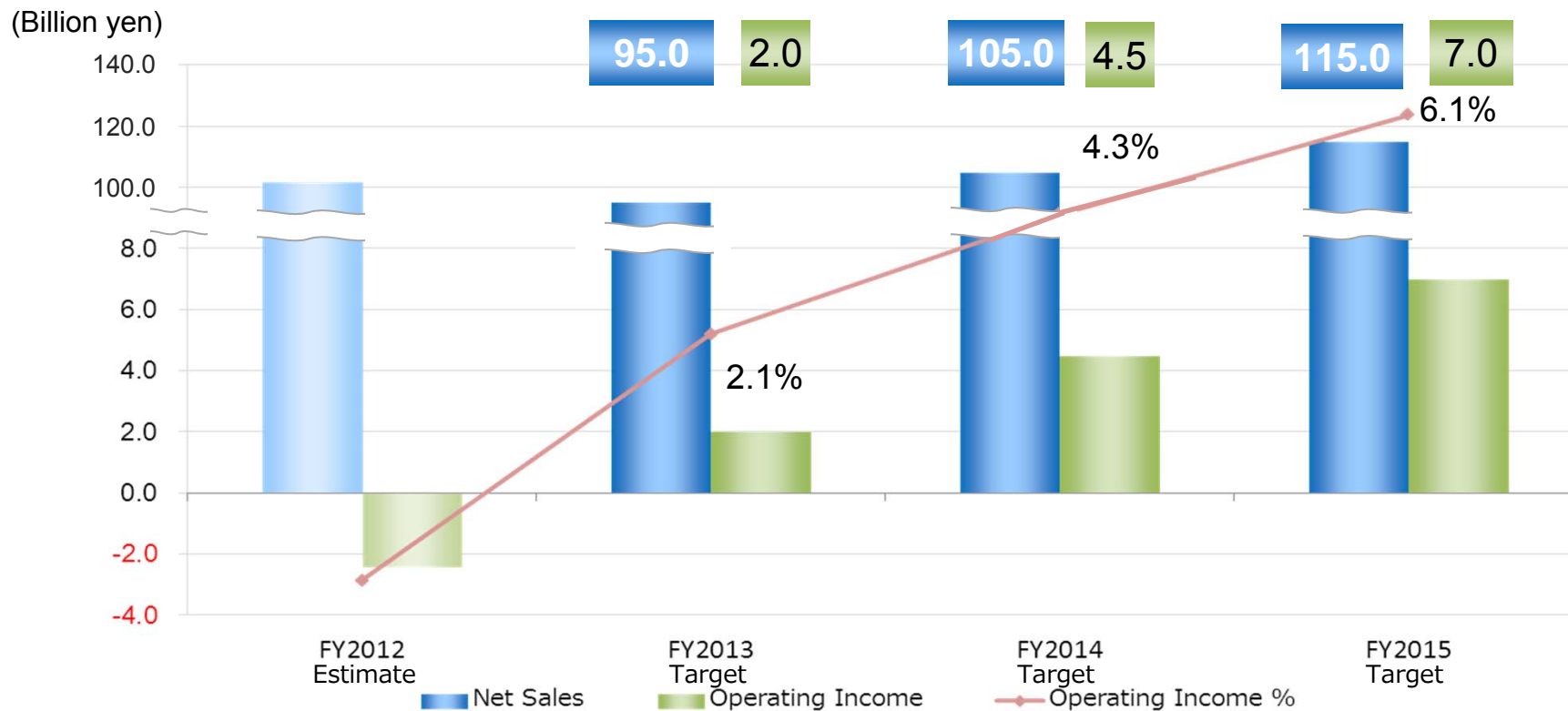
Strengthening product development and procurement capability and expanding upon market share through establishing a new company that integrates SWC- and SII-related businesses.



2) Electronic Device Business

Concentrating on core businesses for the Electronic Device Business

Concentrating resources into core business sectors while actualizing "SYO"ism technology centered on timepieces to the fullest extent, and establishing a stable earnings structure.



*Net sales and operating income values for FY2012 are estimates calculated using simplified methods.

2) Electronic Device Business

1. Positioning our semiconductor and inkjet print head businesses as core businesses and focusing on them to the fullest extent with the aim of recovering the profitability of our Electronics Device segment

[Semiconductor business]

We will work on developing products that are low-consumption, low-voltage, ultra-small and/or offer other forms of high added value, with a primary focus to be placed on IC and memory products for power sources. We also seek to acquire market share with a wide range of applications, including those for automobiles.



[Inkjet print head business]

While setting our sights on the “large sign” and “textile printing” sectors, We will leverage product lines made with superior design capability and reliable quality to promote the development of sales efforts in global markets, including emerging countries.



2) Electronic Device Business

- 2. Securing earnings in the other electronic device businesses by promoting cautious investments keeping a close watch on market trends and without depending on the excessive expansion of sales**

Shifting our HDD components, crystal and camera-related businesses, which have been struggling, to a constitution conducive to securing earnings from this fiscal year onward following the implementation of drastic countermeasures in the previous term

[HDD components]

We will achieve a stable production framework by putting the newly-built Thailand plant into operation during the first half of FY2013.

[Camera-related]

Along with bringing the Thailand plant back online, We will complete structural reforms for Seiko Precision and streamline this business.

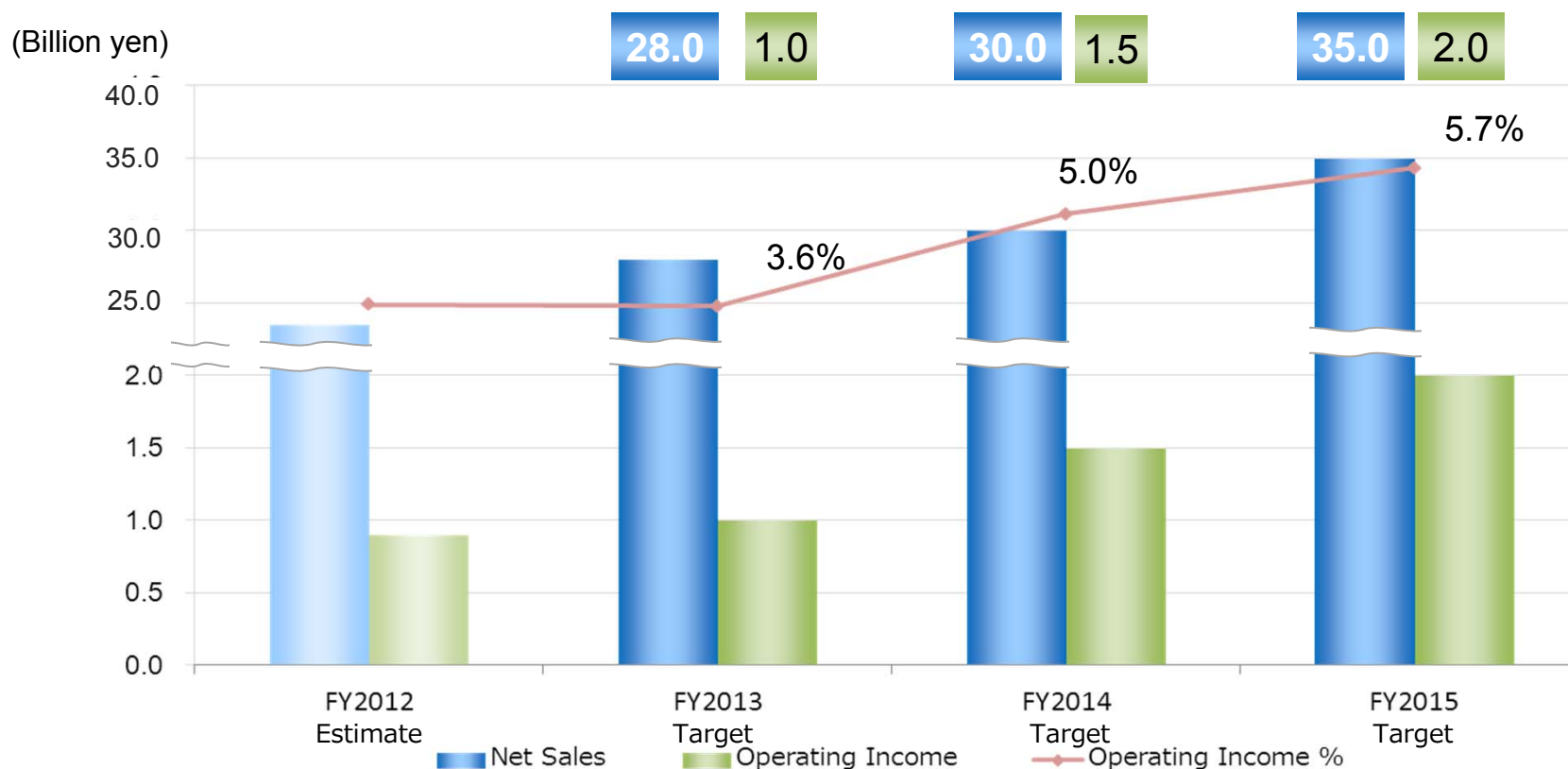
[Crystals]

We have spin-off and consolidated development and manufacturing functions into separate companies while simultaneously impairing noncurrent assets in order enhance flexibility and efficiency of business operation.

3) System Solution Business

Cultivating our system solutions business as a third business segment

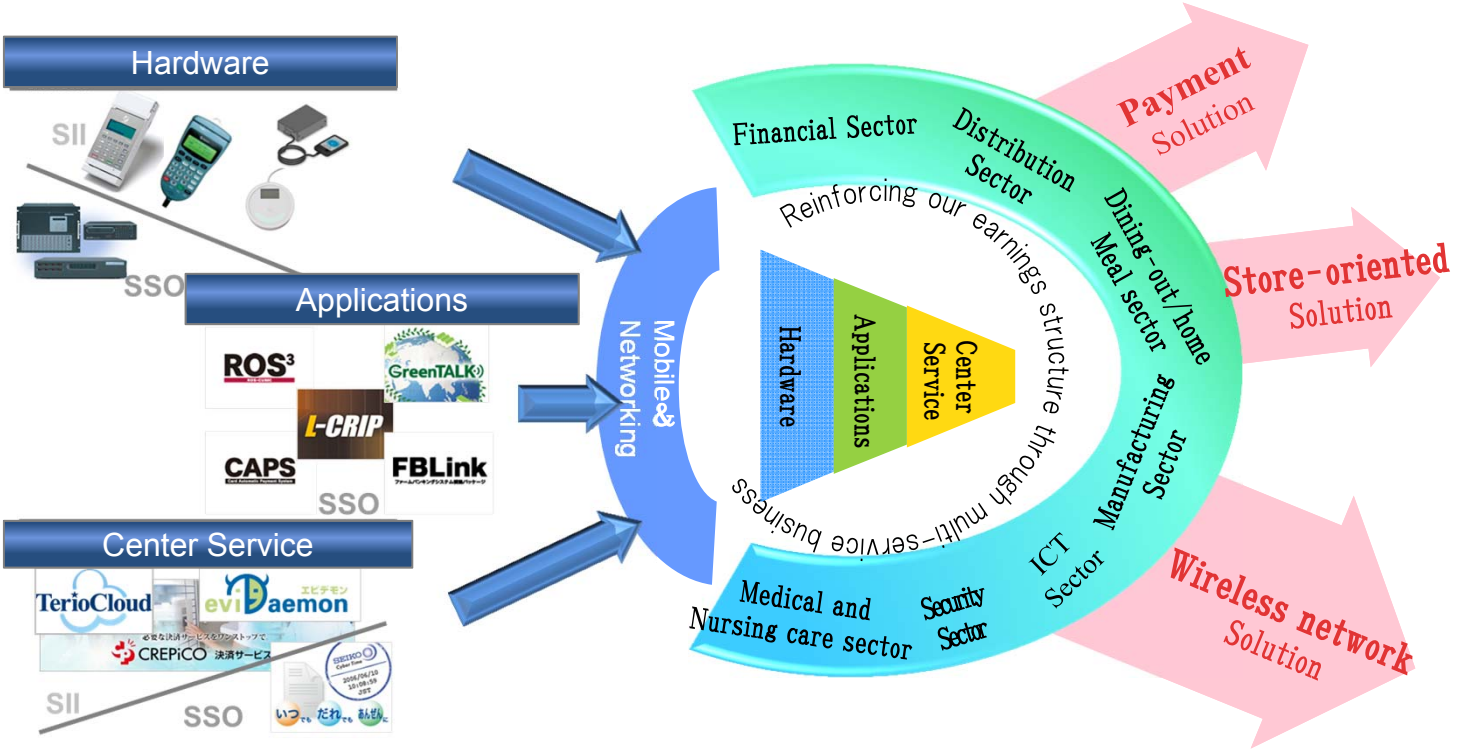
Cultivating a solutions-suggestion business with high added value that positions Seiko Solutions Inc. as its core entity and takes advantages of the resources possessed by the Seiko Group.



*Net sales and operating income values for FY2012 are estimates calculated using simplified methods.

3) System Solution Business

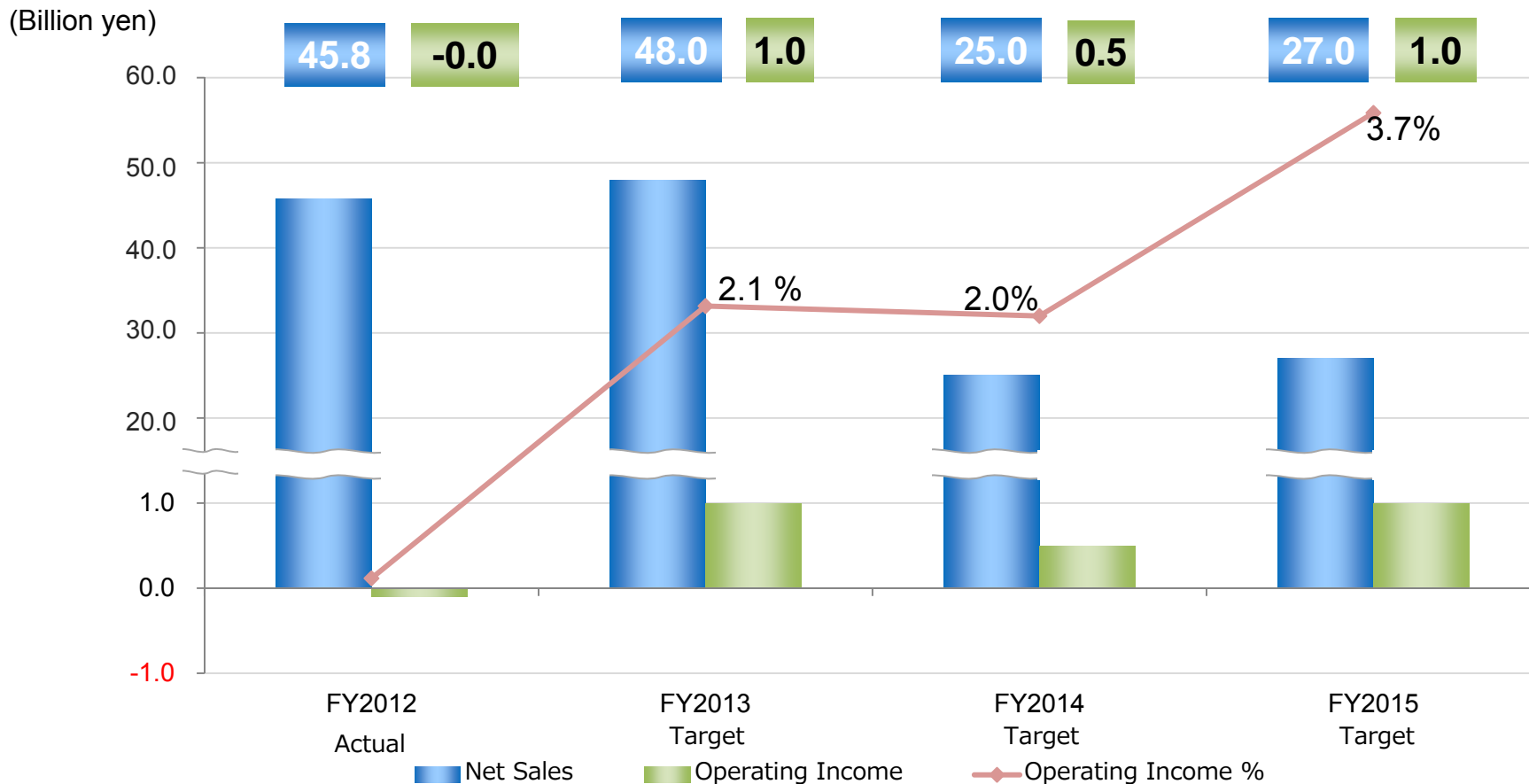
1. Pursuing high added-value businesses through multi-services that incorporate hardware, applications and data centers
2. Promoting and expanding upon business development in three fields through pushing forward collaboration between Seiko Solutions and SII
 - “Payment solutions” that combine the operation of and services for payment packages
 - “Store-oriented solutions” for energy monitoring, control systems, etc.
 - “Wireless network solutions” centered on network equipment



4) Others

Expanding business development efforts that effectively leverage the Seiko brand

Perpetuating activities to improve brand image and recognition while further strengthening brand utilization in various products.



4) Others

[Clocks]

Successfully bringing this business into the black at an early stage by reinforcing Seiko-brand products, promoting reductions in the cost of sales, and expanding upon sales in Asia and other overseas markets.



[Optical Products]

Boosting competitiveness and profitability through our alliance with HOYA and expanding upon the development of markets for SEIKO as a core brand.



4) Others

[Time systems]

Engaging in the development of new commodities and the reformation of our sales framework, and promoting the cultivation of new customers in Japan and Asia as a whole.



[WAKO]

Pushing forward further improvements in earnings to realize stable profitability.



4. Challenges for Qualitatively Reinforcing Our Management Foundation

For the purpose of improving our financial constitution:

Realizing further reductions in interest-bearing liabilities and an improved equity capital ratio

<Measures and Policies>

1. Improve cash flow from operating activities through improvement of profitability.
2. Increases efficiency of capital investment based on investment strategies for the Seiko Holdings Group as a whole.
3. Enforce reductions in current assets including inventory and receivables.
4. Effectively utilize underutilized real estate.

Challenge 2 : Strengthening the Role of the Holding Company **SEIKO**

For the purpose of strengthening the role of the holding company:

Reinforcing strategic decision-making in Group management and operating company support functions as conducted by the holding company

<Measures and Policies>

1. In reinforcing strategic decision making in Group management.
2. In reinforcing operating company support functions.
3. Reinforcing our PR, IR, and CSR activities and continuing to invest in our brands.

For the purpose of promoting the utilization of human resources:

Forming mechanisms for developing human resources for sustainable business growth and conducting inter-Group personnel exchange

<Measures and Policies>

1. In forming mechanisms for developing human resources aimed at sustainable business growth.
2. In forming mechanisms for conducting inter-Group personnel exchange.
3. Promoting the development of an environment aimed at effectively utilizing senior citizens in line with an extension in the mandatory retirement age.

5. Target Figures under the Mid-Term Management Plan

<Condition>

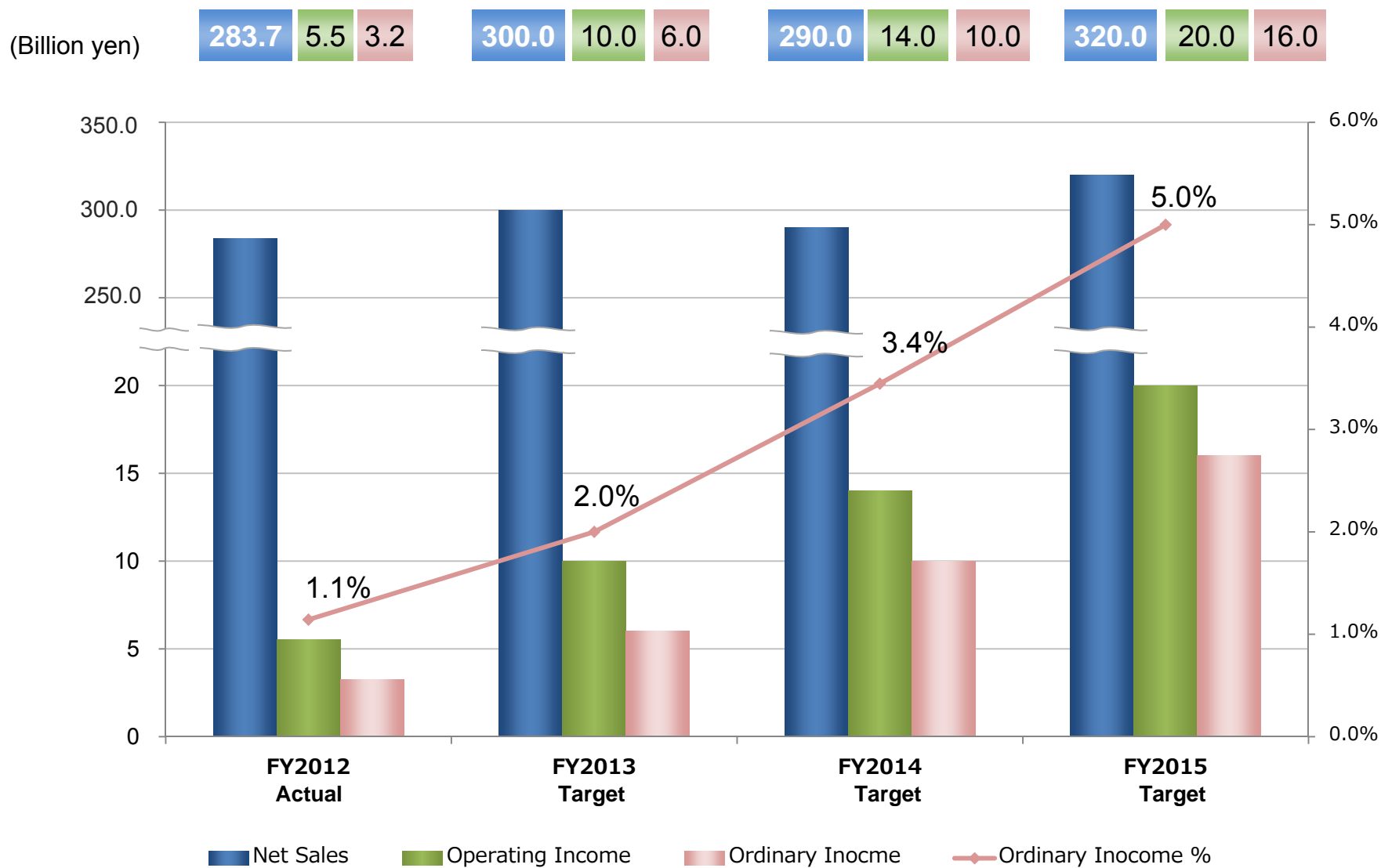
- Exchange Rate (JPY) (USD1 = ¥90 / EUR1 = ¥120)
- The optical products business will be excluded from the scope of consolidation as a subsidiary of Seiko Holdings from FY2014 onwards.

Target Figures and Performance for Business Operation **SEIKO**

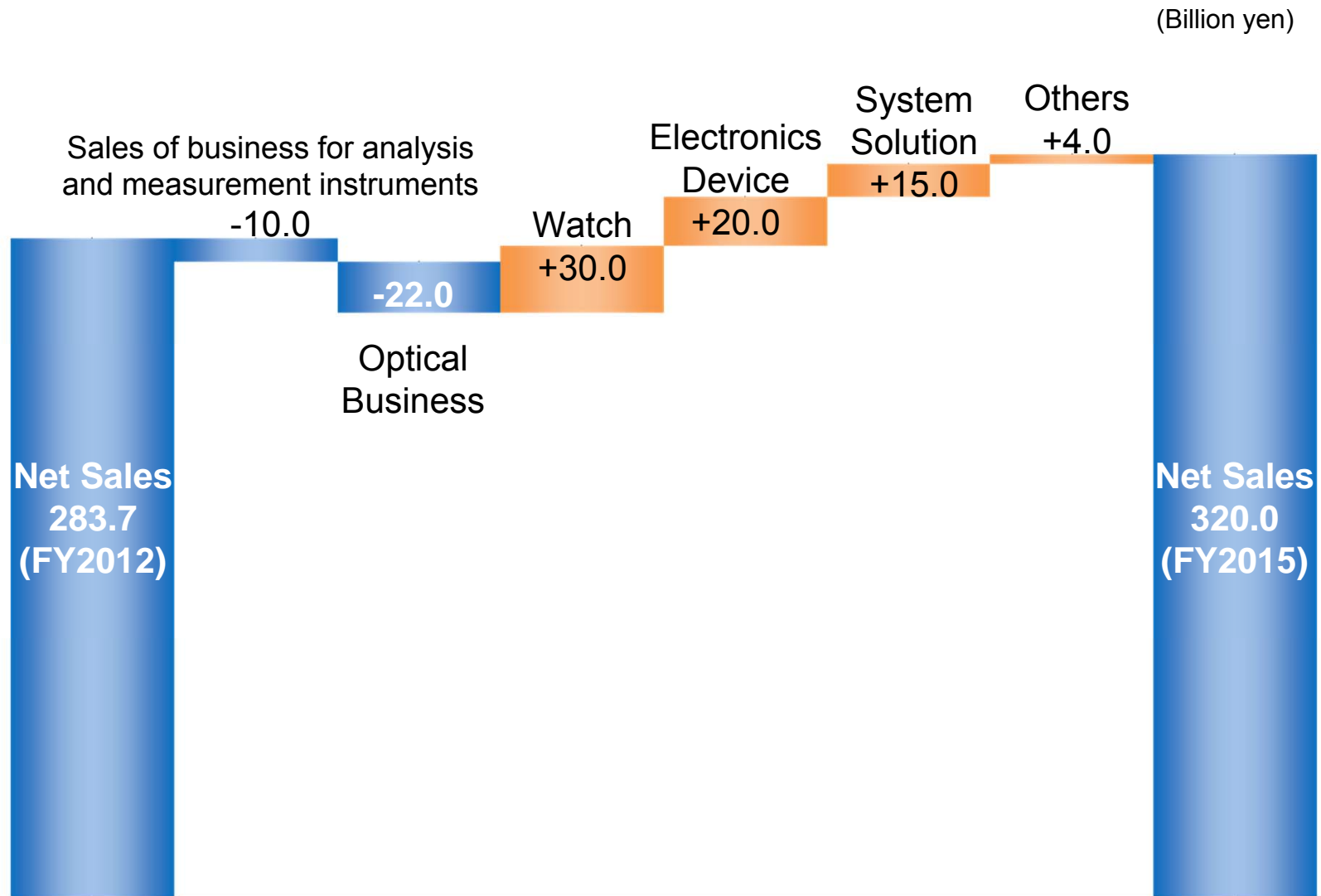
| (Billions of yen) | FY2013 | FY2014 | FY2015 |
|------------------------|--------|--------|--------|
| Sales | 300.0 | 290.0 | 320.0 |
| Operating Income | 6.0 | 10.0 | 16.0 |
| Ordinary Income (%) | 2.0% | 3.4% | 5.0% |
| Interest-bearing Debt* | 202.0 | 195.0 | 175.0 |
| Equity Capital Ratio | 12.3% | 14.3% | 17.6% |
| Net Debt Equity Ratio | 3.6 | 2.9 | 2.1 |

* Interest-bearing liabilities = Loans payable + Lease Obligations

Net Sales and Income



Factor Analysis of Sales



Income Statement and Balance Sheet

SEIKO

| (Billions of yen) | FY2012 Actual (a) | FY2013 | FY2014 | FY2015 (b) | (b) – (a) Change |
|-----------------------|----------------------|--------|--------|------------|---------------------|
| | | Target | Target | Target | |
| Sales | 283.7 | 300.0 | 290.0 | 320.0 | +36.3 |
| Operating Income | 5.5 | 10.0 | 14.0 | 20.0 | +14.5 |
| % | 1.9% | 3.3% | 4.8% | 6.3% | +4.4% |
| Ordinary Income | 3.2 | 6.0 | 10.0 | 16.0 | +12.8 |
| % | 1.1% | 2.0% | 3.4% | 5.0% | +3.9% |
| Net Income | 5.5 | 5.0 | 8.0 | 12.0 | +6.5 |
| % | 1.9% | 1.7% | 2.8% | 3.8% | +1.9% |
| Interest-bearing Debt | 203.4 | 202.0 | 195.0 | 175.0 | -28.4 |
| Net Assets | 40.8 | 45.0 | 52.5 | 63.0 | +22.2 |
| Total Assets | 355.3 | 350.0 | 350.0 | 340.0 | -15.3 |

Sales and Operating Income by Reported Segments

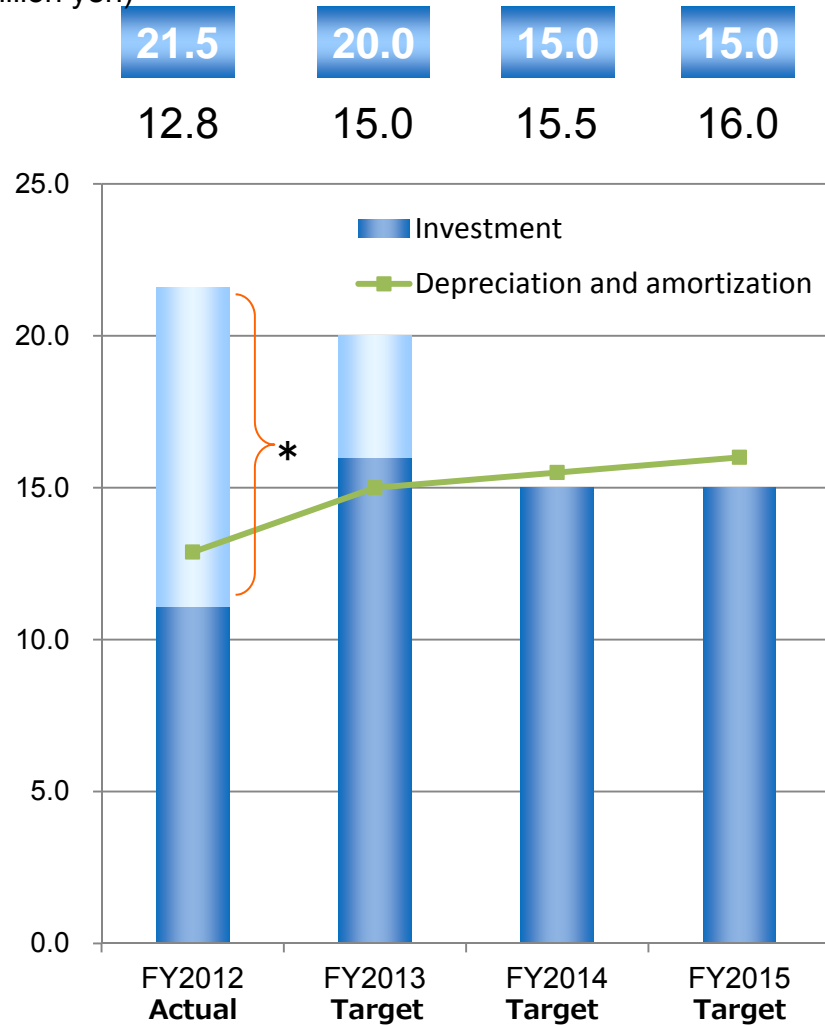


| (Billions of yen) | | FY2012 Actual (a) | FY2013 | FY2014 | FY2015 (b) | (b) – (a) Change |
|-----------------------|------------------|----------------------|--------|--------|------------|---------------------|
| | | | Target | Target | Target | |
| Watch | Sales | 121.0 | 135.0 | 140.0 | 150.0 | +29.0 |
| | Operating Income | 7.8 | 10.0 | 11.0 | 13.0 | +5.2 |
| Electronics Device | Sales | 125.2* | 95.0 | 105.0 | 115.0 | – |
| | Operating Income | -1.5* | 2.0 | 4.5 | 7.0 | – |
| System Solution | Sales | – * | 28.0 | 30.0 | 35.0 | – |
| | Operating Income | – * | 1.0 | 1.5 | 2.0 | – |
| Others | Sales | 45.8 | 48.0 | 25.0 | 27.0 | -18.8 |
| | Operating Income | 0.0 | 1.0 | 0.5 | 1.0 | +1.0 |
| Cons. Total | Sales | 283.7 | 300.0 | 290.0 | 320.0 | +36.3 |
| | Operating Income | 5.5 | 10.0 | 14.0 | 20.0 | +14.5 |

* Net sales and operating income values for the Electronic Device Business in FY2012 are included the System Solution Business.

Investment & Depreciation

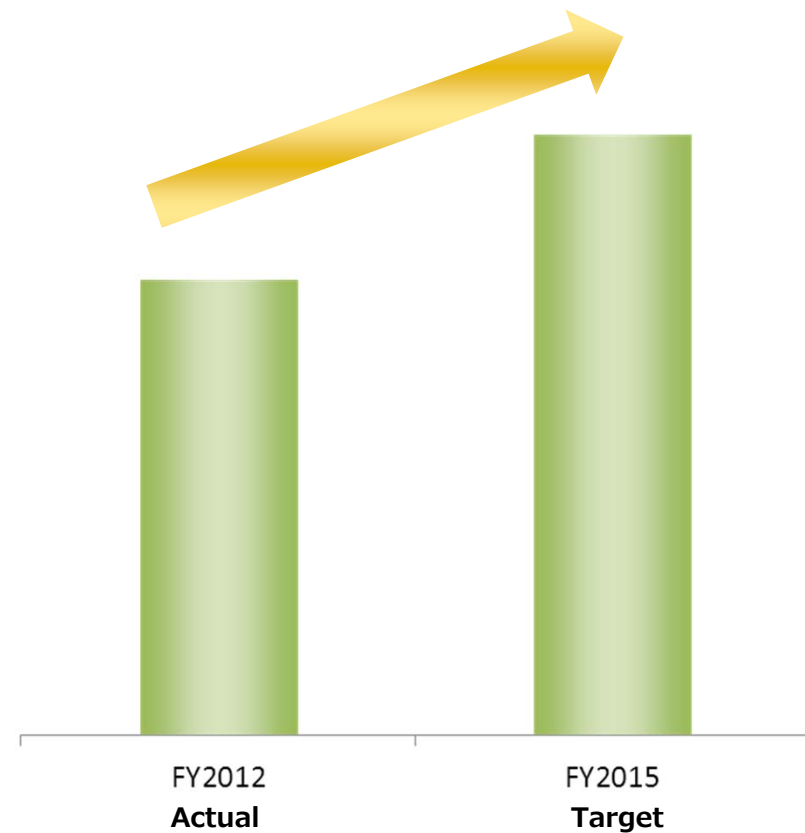
(Billion yen)



* Investment promoted by damage caused by the floods in Thailand

Advertising and Promotional

Advertising and promotional expenses to increase by 30%



- ◆ *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.*

*Numbers are rounded to the unit indicated.
Percentages are cut off to one decimal place.*