May 16, 2019

Seventh Mid-Term Management Plan (FY2019-FY2021)

Seiko Holdings Corporation announces that it has formulated the Seventh Mid-Term Management Plan, a three-year plan beginning in the fiscal year ending March 31, 2020 (FY2019).
An outline of the Mid-Term Management Plan is as follows. (For further details, please refer to the attached documents.)

[Main Points of the Seventh Mid-Term Management Plan]

1. Long-Term Vision
   Under the Seventh Mid-Term Management Plan, Seiko Holdings Corporation will continue the long-term vision established when the Sixth Mid-Term Management Plan was formulated, based on the Group slogan, "SEIKO Moving Ahead, Touching Hearts".

> We aim to be a trend-setting and innovative global group
> that shares excitement with all our stakeholders around the world
> by providing products and services that exceed the highest
> expectations of our customers.

2. What the Seiko Holdings Group Aims to be in FY2025
   The Company has set out a more detailed image of what the Seiko Holdings Group aims to be in FY2025 based on the long-term vision.

> Being a leading global player, SEIKO continues to strive beyond all expectations.
> Growing our fields of expertise and meeting challenges in new areas with the highest levels of reliability.
> Being expected by the world to create the future.
> We will grow with our sophisticated structures and human resources, as a solid and united group.

3. Basic Policies of the Seventh Mid-Term Management Plan

Looking toward FY2025, we have set the following basic policies for this three-year period with the aim of achieving the Seventh Mid-Term Management Plan.

With everyone fully committed and focused,
We will invest aggressively in scenarios for the future.
Backed by the strength of the SEIKO brand, our precision technologies and ability to propose solutions
Will provide us with sustained growth.

4. Positioning of Plan

The Sixth Mid-Term Management Plan was positioned as "continuing organization reform to take on the aggressive approach," and the Seventh Mid-Term Management Plan that will follow is positioned as "aggressive approach." The Company aims to win by stepping up investment for further growth.

5. Target Figures

Consolidated Targets (Billions of yen)

	Actual FY2018	Mid-Term Plan FY2021	Estimate (Ref.) FY2019
Net sales	247.2	285.0	255.0
Operating profit	9.3	14.2	9.5
Ordinary profit	11.4	16.0	11.5
Profit attributable to owners of parent	9.2	12.5	9.5

Net Sales Target by reported segment (Billions of yen)

	Actual FY2018	Mid-Term Plan FY2021	Estimate (Ref.) FY2019
Watches	141.7	165.0	148.0
Electronic Devices	55.5	63.0	55.0
Systems Solutions	30.8	35.0	32.0
Others	28.3	31.0	29.0
Consolidated total	247.2	285.0	255.0

Operating profit by reported segment (Billions of yen)

	Actual FY2018	Mid-Term Plan FY2021	Estimate (Ref.) FY2019
Watches	10.3	14.5	11.5
Electronic Devices	1.4	3.0	2.5
Systems Solutions	2.4	3.0	2.5
Others	0.6	1.0	0.8
Consolidated total	9.3	14.2	9.5

Other Targets (Billions of yen)

	Actual FY2018	Mid-Term Plan FY2021
Equity capital ratio	36.0%	40.0%
Net interest-bearing debt	72.1	maintain current level

Assumed exchange rate: USD 1.00=JPY 110.0; EUR 1.00=JPY125.0.

*The forecasted results are based on the information which we have obtained as of now, and on certain assumptions deemed reasonable. As a result, actual results, etc. may differ significantly from the forecasted figures due to a wide range of factors.

Seventh Mid-Term Management Plan

(FY2019-FY2021)

May 16, 2019

SEIKO HOLDINGS CORPORATION

SEIKO

1. Review of the 6th Mid-Term Management Plan

2. The 7th Mid-Term Management Plan

   -Premises

   -Outline

   -Policy by Segments

   -Strategies (Branding / Human Resource / Financial / Corporate)

   -Target Figures

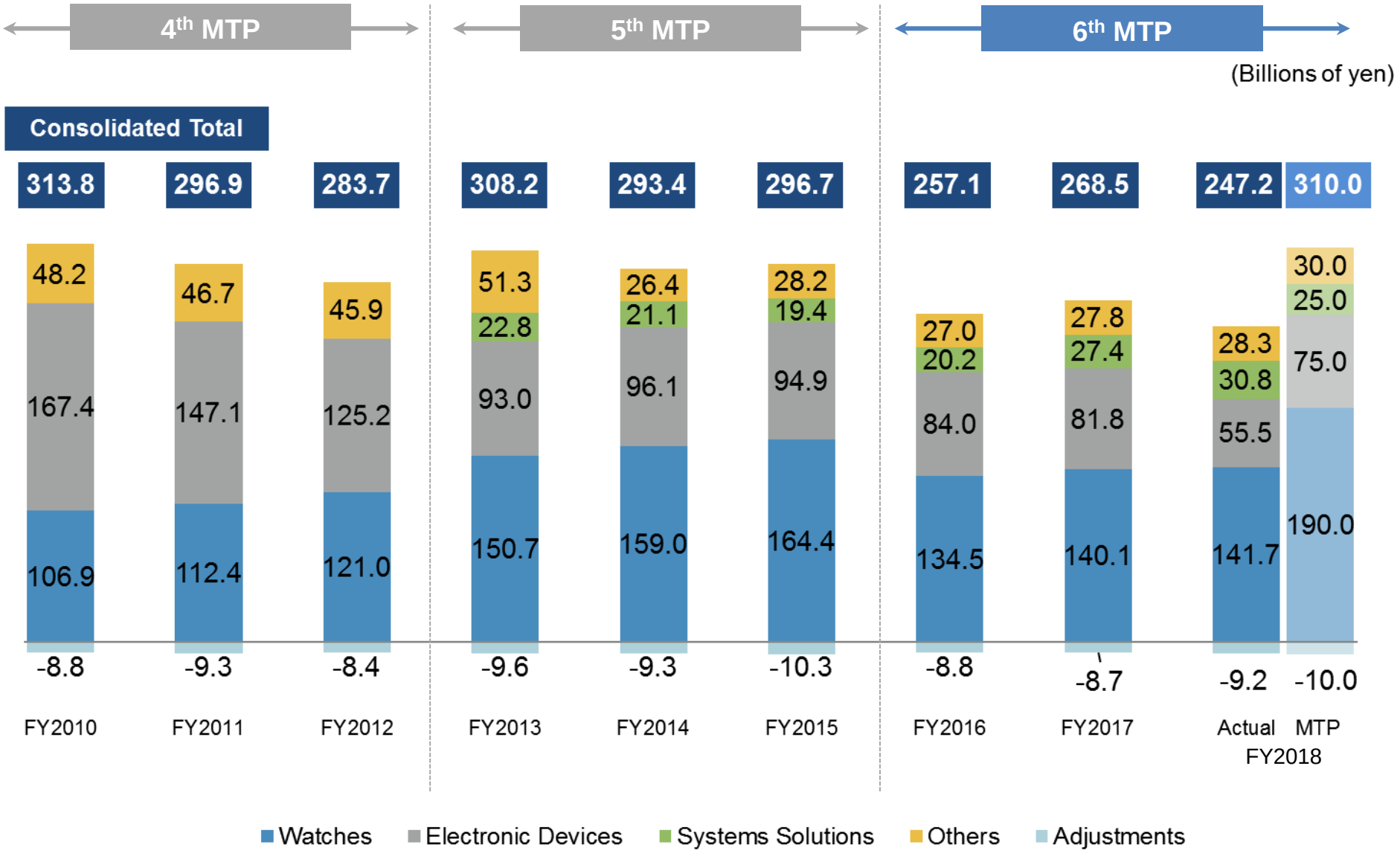
1. Review of the 6th Mid-Term Management Plan

Consolidated Profit and Loss FY2010-FY2018

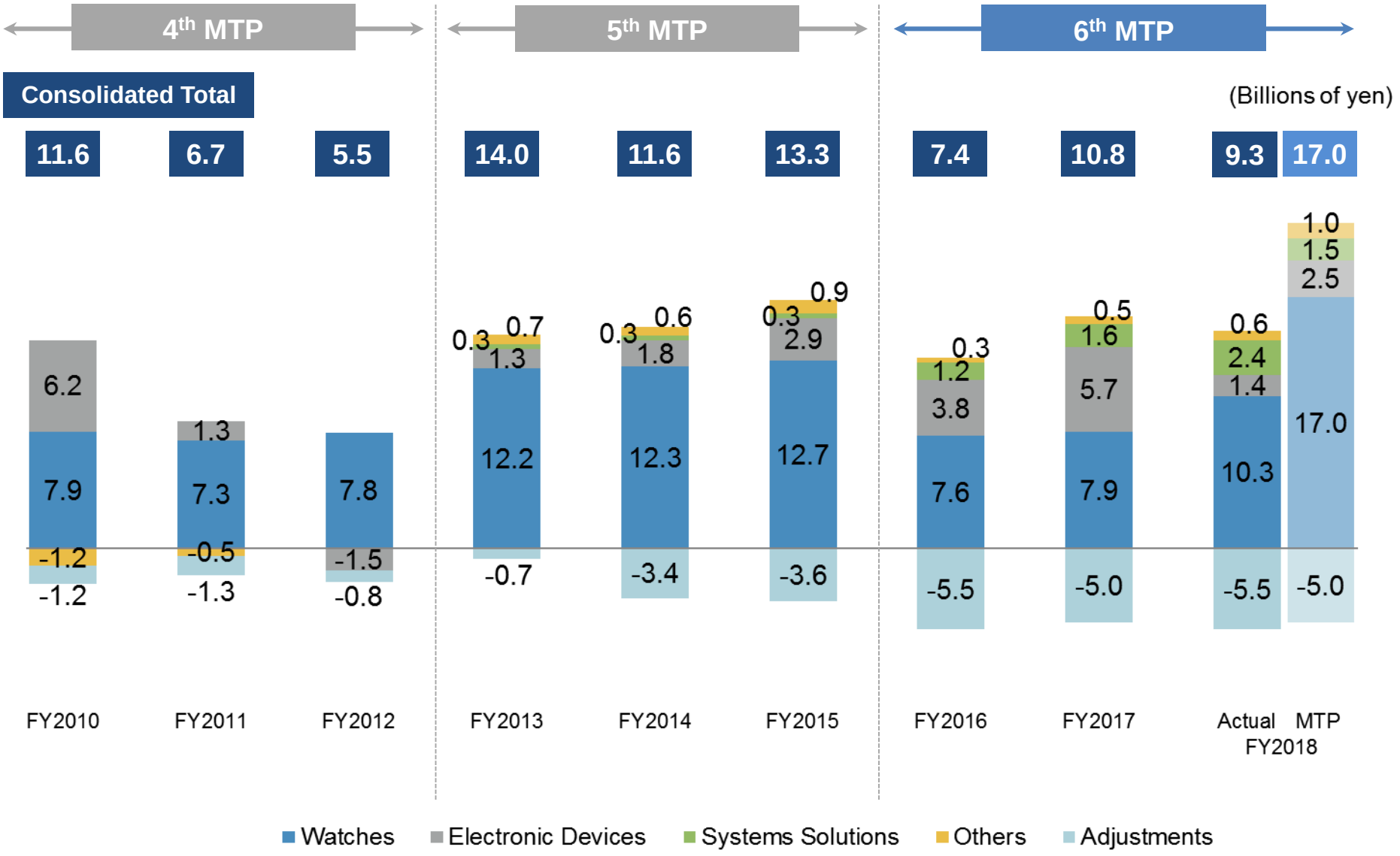
(Billions of yen)

	4th MTP			5th MTP			6th MTP			
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018 MTP
Net sales	313.8	296.9	283.7	308.2	293.4	296.7	257.1	268.5	247.2	310.0
Operating profit	11.6	6.7	5.5	14.0	11.6	13.3	7.4	10.8	9.3	17.0
%	3.7%	2.3%	1.9%	4.5%	4.0%	4.5%	2.9%	4.0%	3.8%	5.5%
Ordinary profit	6.5	1.2	3.2	10.1	12.3	11.8	6.6	10.9	11.4	18.0
%	2.1%	0.4%	1.1%	3.3%	4.2%	4.0%	2.6%	4.1%	4.6%	5.8%
Profit attributable to owners of parent	2.1	-11.0	5.5	7.4	21.7	12.1	5.3	11.5	9.2	12.5
%	0.7%	-3.7%	1.9%	2.4%	7.4%	4.1%	2.1%	4.3%	3.7%	4.0%

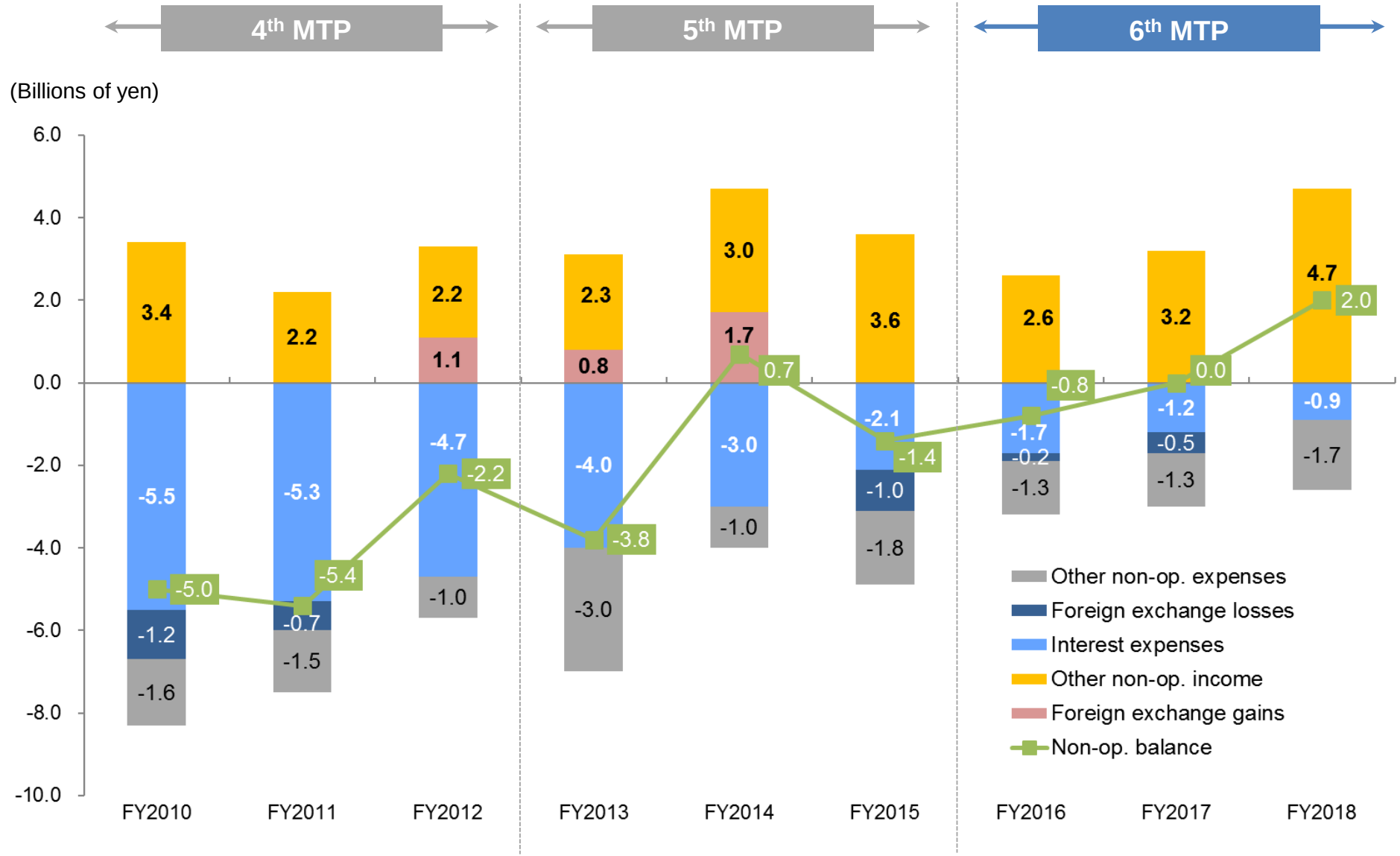
Net Sales by Reported Segment FY2010-FY2018



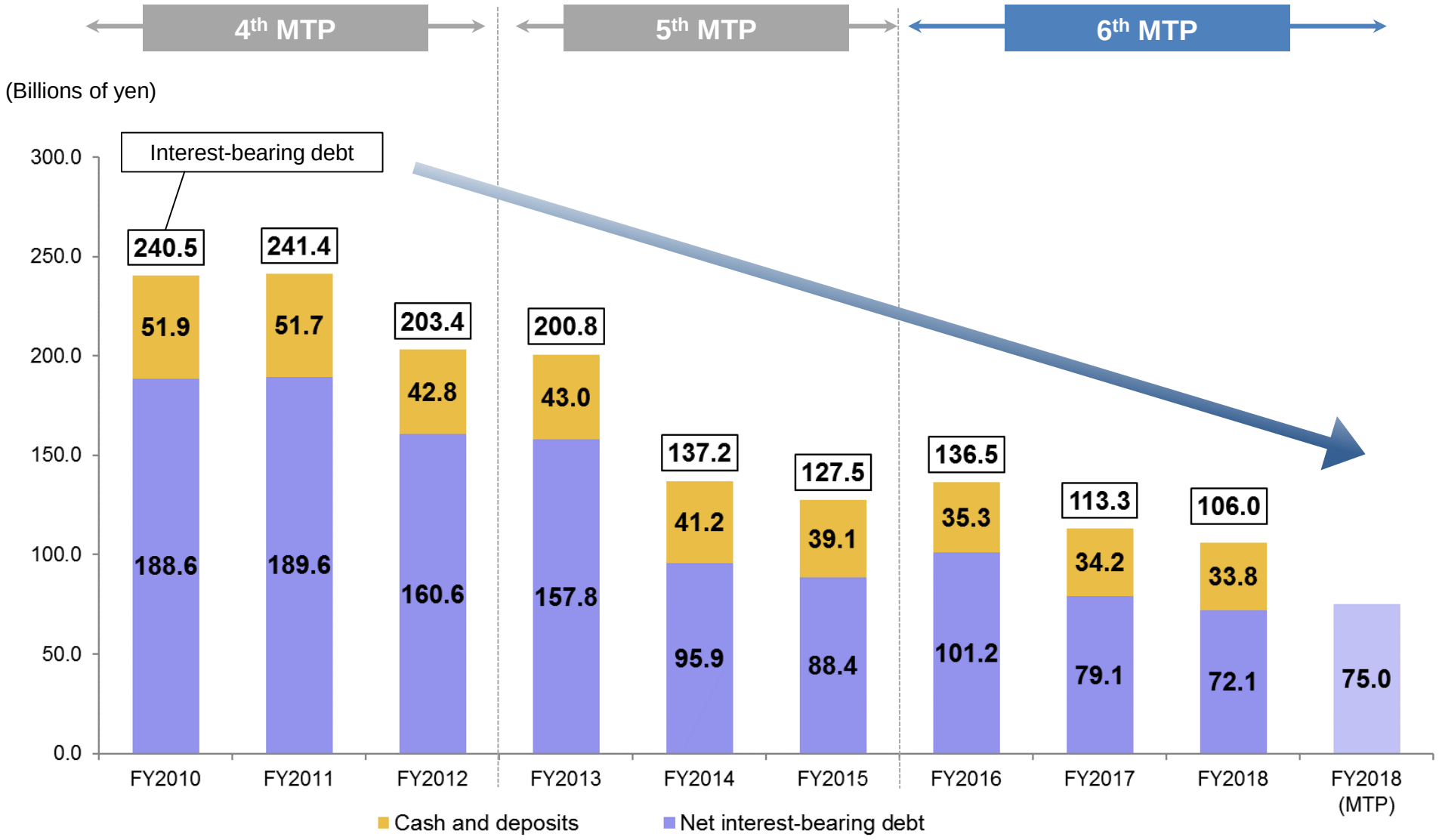
Operating Profit by Reported Segment FY2010-FY2018



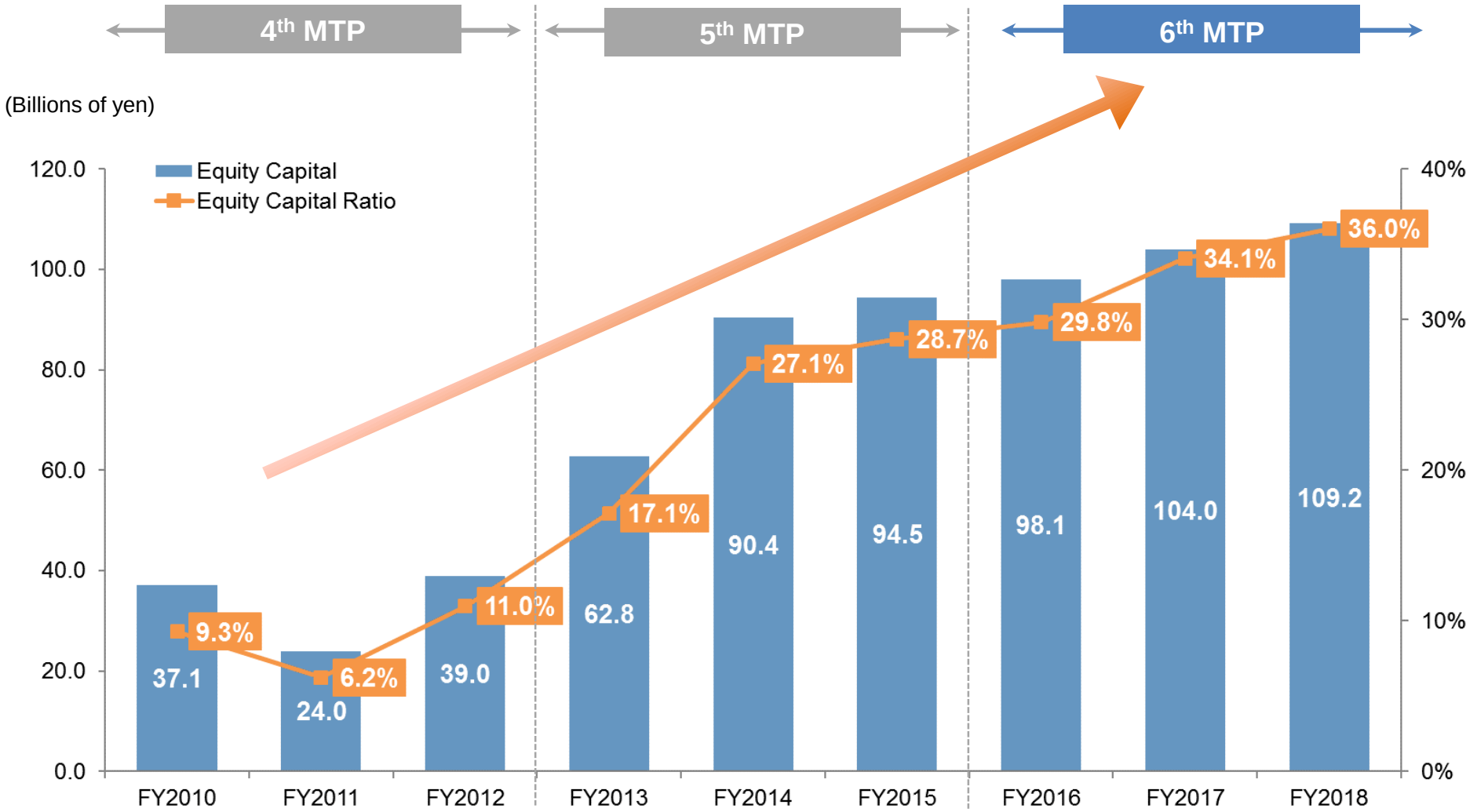
Non-Operating Income and Expenses FY2010-FY2018



Net Interest-Bearing Debt FY2010-FY2018



Equity Capital Ratio FY2010-FY2018



*The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, equity capital ratio as of March 31, 2018 is presented after reclassification.

Summary –the 6th Mid-Term Management Plan-

Strengthening Profitability and Investing for Growth

- Shrinking of affordable watches market in the global watch industry from FY2016
- Shifted to mid-high price range, mainly for Global Brands (GB)
- Developed overseas boutiques and strengthened e-commerce initiatives
- Increased profitability of the Electronic Devices Business
- Achieved plan ahead of schedule for strengthening profitability in the Systems Solutions Business

Reinforcing the Management Foundation

- Equity capital ratio (35.0% or higher)
- Net interest-bearing debt (JPY 75.0 billion or less)
- Continuing to pay stable dividends (JPY 75.0 per share for 3 straight fiscal years)

} Achieved 6th MTP targets

Recognized a certain degree of financial improvement and a need of taking a more aggressive approach to growth

2. 7th Mid-Term Management Plan -Premises-

Images on our Value Creation Process

Resources supporting our business activities

Wide range of stakeholders, Brands, Technology, History, etc.

Values created by business activities

Revenue, Brand image, Developed human resources, Social Contributions, etc.



Values stakeholders gain

Credibility, Satisfaction, Excitements, Solutions, Growth, Pride, etc.

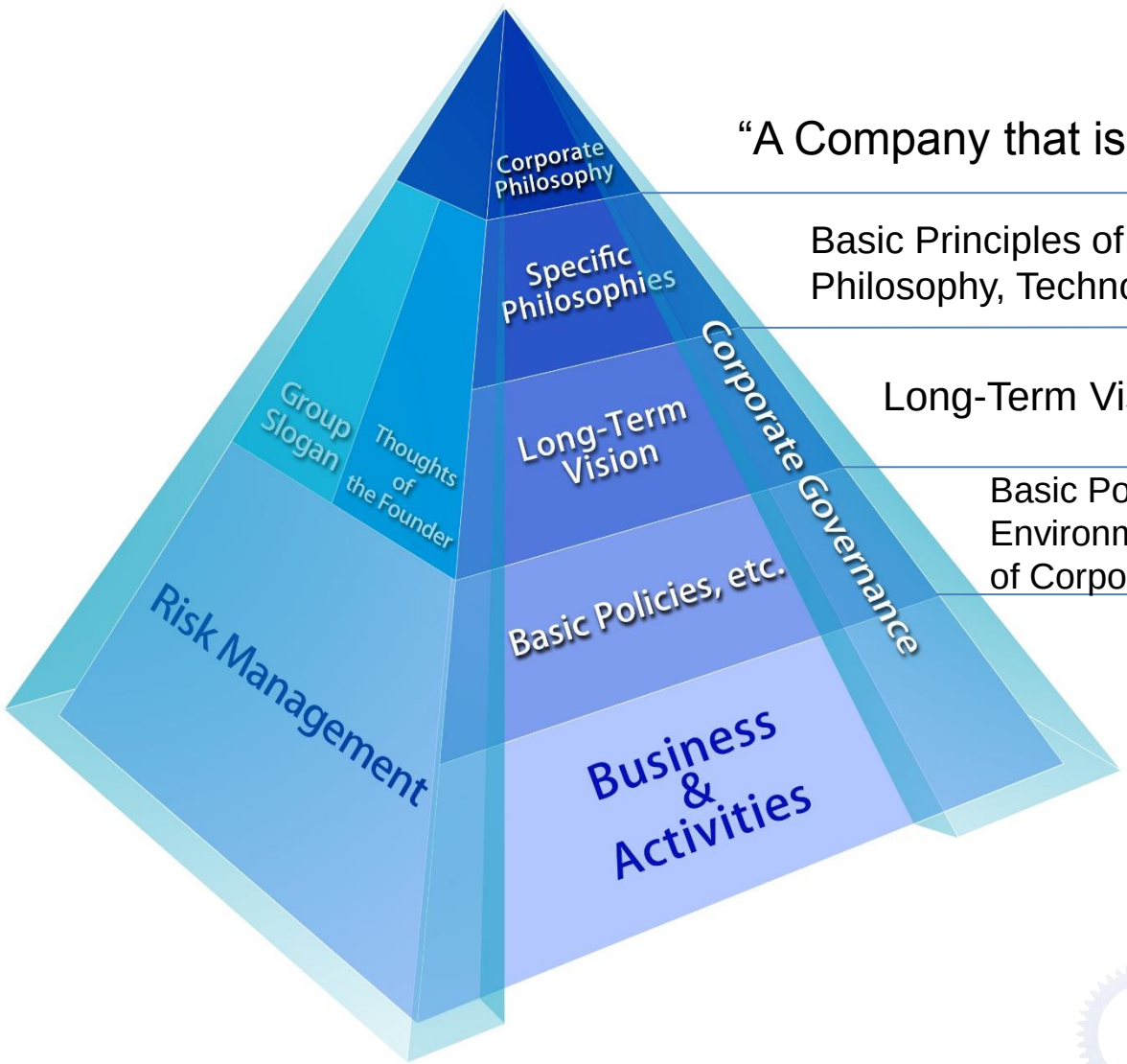
Resources Reinforced

Bond with stakeholders, Loyalty for our brands, Abilities, Experiences, Funds, etc.

Seiko has established an individual philosophy and a long-term vision and formulated various basic policies, etc., including our fundamental philosophy of corporate ethics, in addition to practicing risk management, guided by our corporate philosophy of being “A Company that is Trusted by Society” and founded on corporate governance. On this basis, we will engage in business activities with targets that are shared throughout the entire Group.

We believe that our corporate social responsibility (CSR) is to contribute to the sustainable development of society and pursue enhancement of corporate value through these business activities.

CSR of Seiko Holdings Group -Conceptual Image-



"A Company that is Trusted by Society"

Basic Principles of Corporate Ethics, Environmental Philosophy, Technological Philosophy, etc.

Long-Term Vision

Basic Policy for the Mid-Term Management Plan, Environmental Policy, IR Policy, Basic Principles of Corporate Governance

Manufacturing & Sales, Environmental Conservation Activities, Support/ Sponsor for Sports & Musical Activities, Promoting the Active Role of All Employees, etc.

The Seiko Holdings Group's basic approach to product development is to develop "products that never break" and "products that last" in order to maintain the reputation for reliability of the Watches Business and other segments. This is at the root of our spirit of commitment to sustainable social development.

Furthermore, our development technologies based on our technological philosophy of Craftsmanship, Miniaturization and Efficiency help save power and space, and make a significant contribution to society by reducing resource waste.

We are also taking action centered on our production sites to effectively use resources, reduce CO_2 emissions and preserve the natural environment.

Meanwhile, we have been making efforts for many years to encourage vitality among employees by promoting the active participation of women and all employees.

7th Mid-Term Management Plan
-Outline-

Outline of the 7th Mid-Term Management Plan

1. “Long-Term Vison” to be continued

“We aim to be a trend-setting and innovative global group that shares excitement with all our stakeholders around the world by providing products and services that exceed the highest expectations of our customers.”

2. What the Seiko Holdings Group Aims to be in FY2025

“Being a leading global player, SEIKO continues to strive beyond all expectations.

Growing our fields of expertise and meeting challenges in new areas with the highest level of reliability.

Being expected by the world to create the future.

We will grow with our sophisticated structures and human resources, as a solid and united group.”

3. Basic Policies of the 7th Mid-Term Management Plan

"With everyone fully committed and focused,

We will invest aggressively in scenarios for the future.

Backed by the strength of the SEIKO brand, our precision technologies and ability to propose solutions

Will provide us with the sustained growth."

4. Positioning of the 7th MTP: "Aggressive Approach"

6th MTP: "Continuing organizational reform to take on the aggressive approach"

7th MTP: "Aggressive Approach"

Aim to win by stepping up investment for further growth

Policies by Segments

Review of the 6th MTP

1. Shrinking of affordable watches market in the global watch industry from FY2016
   (Wearable devices, Amazon Effect, Chinese economy, Inbound demand, etc.)

2. Change to GB strategy and shift & accelerate to mid-high price range
   - ✓ Grand Seiko (GS) as an independent brand (Expanding product lineup and accelerating overseas development)
   - ✓ Opened GS Boutiques (Promoting overseas logistics strategy)
   - ✓ Established Grand Seiko Corporation of America
     (Further accelerating overseas development)
   - ✓ The Prospex 1968 Diver's Re-creation won the Sports Watch Prize at the 2018 Grand Prix d'Horlogerie de Genève (Proven product appeal)
   - ✓ Opened Seiko Dream Square (Enhancing communications capabilities for 2020 Tokyo Olympics)
   - ✓ Integrated the complete watch business (planning, designing, purchasing, etc.) (for the further growth and to speed up decision making)

3. Stagnation in analog quartz movements and growth in mechanical movements

What We Aim to be in FY2025

By the year 2025, SEIKO will be a major global brand,

Known for cutting-edge technology, expert craftsmanship,
and a uniquely Japanese sense of beauty.

We will be a leading player in the world watch market.

Basic Policy for the 7th Mid-Term Management Plan

Keep expanding GB sales and accelerate GB strategy to accomplish
“Revolutionary (Extraordinary) Transformation”



1. Increase overseas sales as well as in Japan:
   Growth in the U.S. and Asia, and also in Japan
2. Investment in advertising, manufacturing and after-sales service

Review of the 6th MTP

1. The inkjet print heads business was sluggish
2. Secured stable earnings in high performance metals, precision parts and thermal printers
3. Improved unprofitable businesses
4. Current stagnation due to U.S.-China trade friction, etc.

What We Aim to be in FY2025

Develop “Craftsmanship, Miniaturization and Efficiency”* technologies to “influence” the future and enriching time for people

Basic Policy for the 7th Mid-Term Management Plan

1. Further evolve Craftsmanship, Miniaturization and Efficiency technologies and shift key product portfolio to areas of strength and growth markets
2. Carry out investments and strengthen management in new growth areas

* “Craftsmanship” creates new value based on our advanced techniques and know-how. “Miniaturization” reduces product size through precision processing and high-density assembly technologies. “Efficiency” promotes the most efficient use of all resources including energy.

Review of the 6th MTP

1. Cultivated and established business control
2. Achieved a stable earnings structure by adding services by expanding stock business including capturing the IIM business
3. Reorganized unprofitable businesses and reallocated indirect HQ staff

What We Aim to be in FY2025

Achieve long-term, continuous increase in earnings and profit

Basic Policy for the 7th Mid-Term Management Plan

1. Improve sustainable growth and reliability of business
2. Create business structure resilient to environmental changes and shift to high added value through diversification
3. Continuously transform practices and strengthen organizational structure

Review of the 6th MTP

1. Despite sluggish sales, the Clocks Business made strenuous efforts in a stagnant market
2. Wristwatches drove sales in the Wako Business
3. The Time Systems Business had a stable performance

What We Aim to be in FY2025

Creating significant value as legacy business that contributes substantially to the SEIKO brand

Basic Policy for the 7th Mid-Term Management Plan

Selection and concentration, and reinforcement of the foundation to contribute to the brand and further growth

R & D for new products

Watches Business	Proactive investment to achieve shift to high-end, high-added-value products ⇩ New high-end movement, new materials, connected modules, etc.
Electronic Devices Business	Further deepening of research on compact precision designs and processing technologies to develop products for long-term growth markets ⇩ Precision components for automobiles, reducers, medical field, etc.
Systems Solutions Business	Developing “new products and new services” to expand business domains. Researching and acquiring new technologies for that purpose ⇩ Network solution by delivering the highly reliable and accurate standard time data, IT service management, IoT service, etc.

Strategies

(Branding / Human Resources / Financial / Corporate)

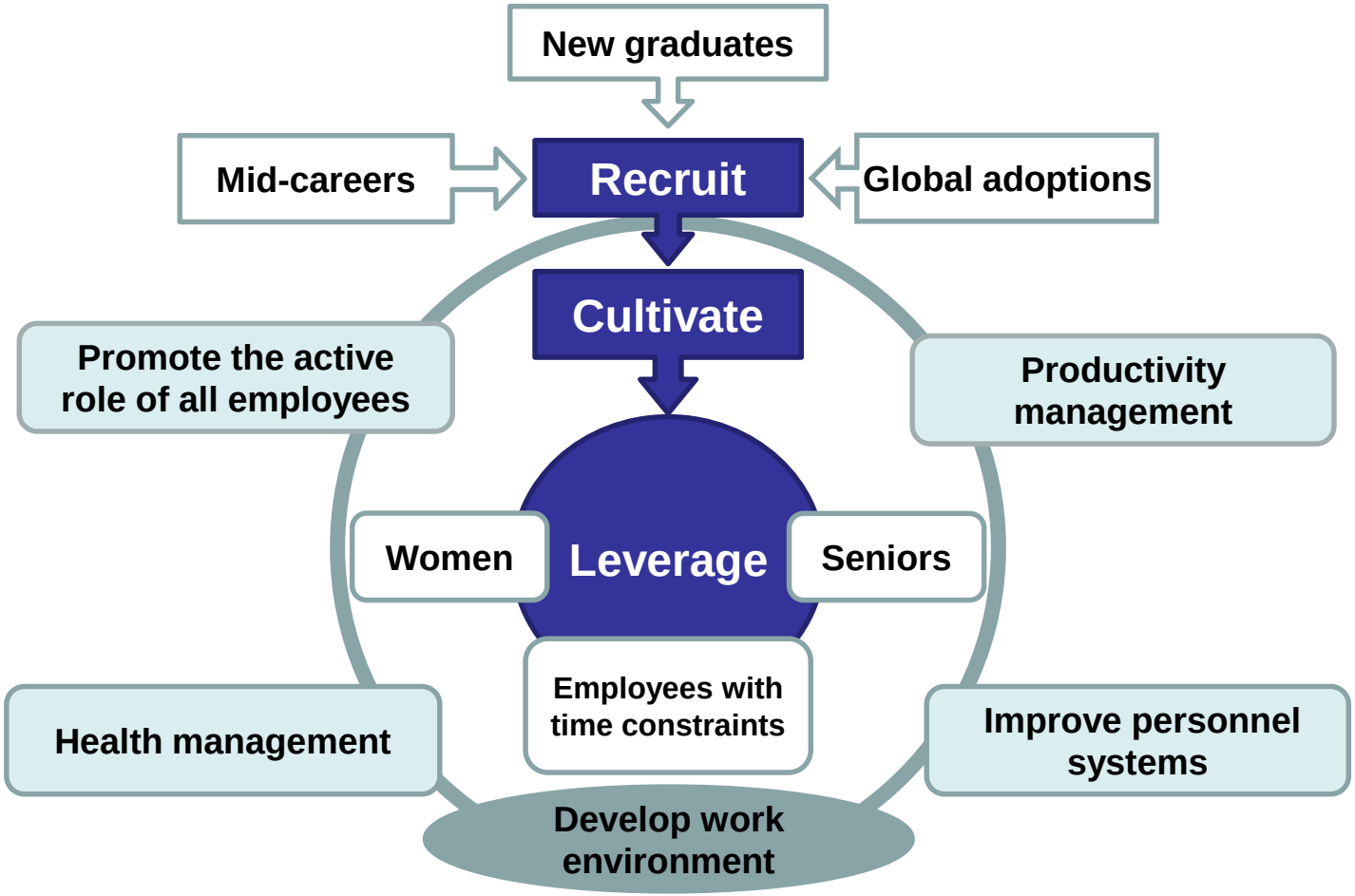
Continuing investment to enhance corporate brand value from mid- to long-term viewpoint

Actions

- Concentrating investment on leveraging “strengths”
  - Sports : Continuing to strengthen image, “Sports watches =SEIKO”
  - Music : Emphasizing social contribution activities and strengthening public relations
  - Continuing to strengthen investment in branding in cooperation with other businesses
- Spreading appeals through digital communications
- Enhancing events for younger generations

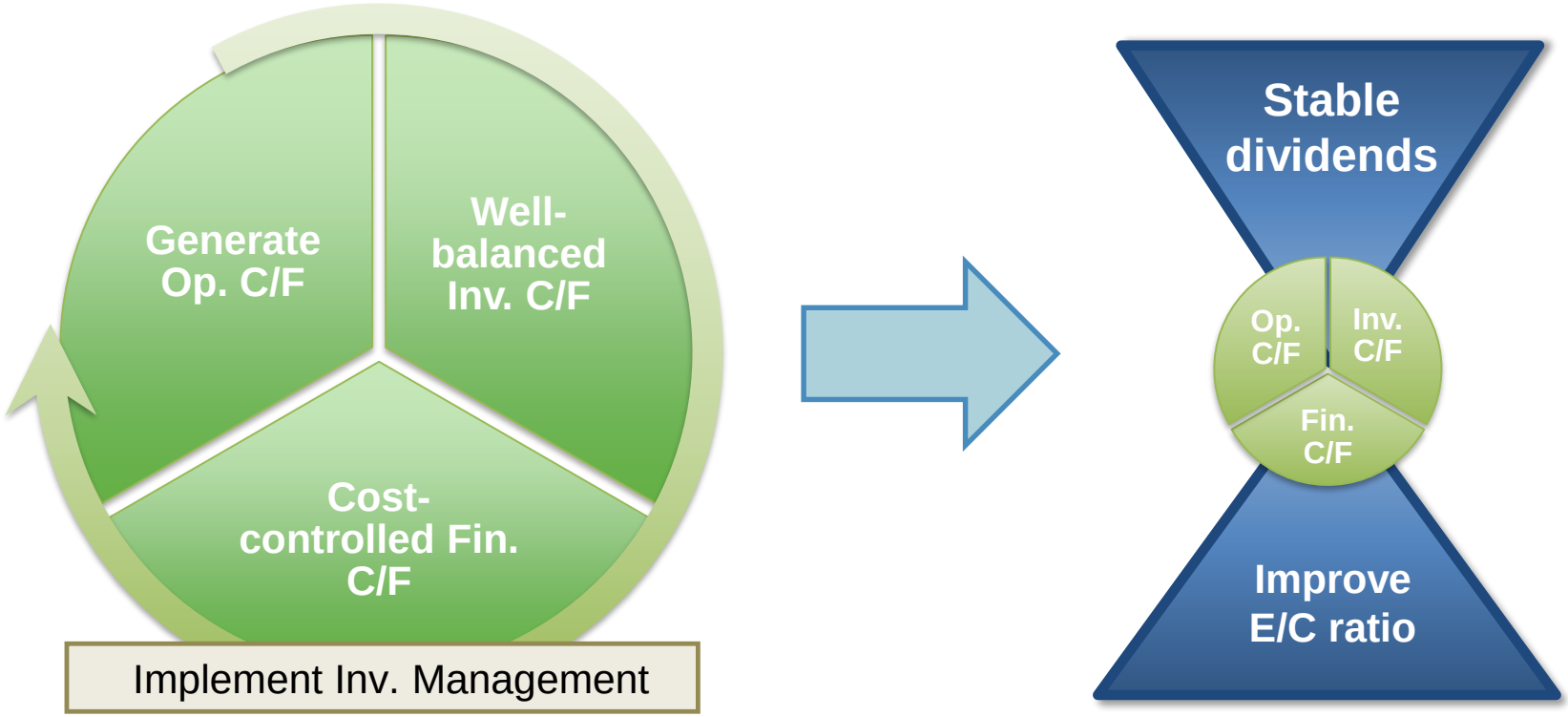
Further boosting image as dynamic company

Preparing an environment where personnel with diverse senses of value can work enthusiastically, aiming for sustainable growth of the Group by creating a virtuous cycle of “recruiting,” “cultivating,” and “leveraging” human resources



Financial Strategies

- Thoroughly implementing investment management to achieve “wins” through the generation of operating cash flow to support the “aggressive approach” period, well-balanced investing cash flow, and cost-controlled financing cash flow
- Continuously improving equity capital ratio (to 40%) by accumulating profit, and maintaining stable dividends



Corporate Governance

- Continuously reviewing and supplementing the present governance system
- Continuing to emphasize compliance risk

Risk Management

- Checking governance and risk management systems at overseas subsidiaries
- Strengthening response to business risk

Corporate Communication

- Actively promoting PR and IR activities
- Enhancing digital communications

SDGs

- Continuing to promote, strengthen and expand current initiatives
- Actively ensuring that SDG initiatives are disseminated throughout the Group

	5. Gender Equality	Achieve gender equality and empower all women and girls
	6. Clear Water and Sanitation	Ensure availability and sustainable management of water and sanitation for all
	7. Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable and modern energy for all
	12. Responsible Consumption and Production	Ensure sustainable consumption and production patterns
	13. Climate Action	Take urgent action to combat climate change and its impacts

Target Figures

（FY2019-FY2021）

FY2021 Target	
Net sales	**285.0 billions of yen** (Approx. 15% growth in 3 years)
Operating profit	**14.2 billions of yen** (Approx. 50% growth in 3 years)
Profit attributable to owners of parent	**12.5 billions of yen** (Approx. 35% growth in 3 years)
Equity capital ratio	**40.0 %**
Net interest-bearing debt	**Maintain current level**

Target Figures (Consolidated)

(Billions of yen)

	FY2018 Actual	FY2019 LE	FY2021 MTP
Net sales	247.2	255.0	**285.0**
Operating profit	9.3	9.5	**14.2**
%	3.8%	3.7%	**5.0%**
Ordinary profit	11.4	11.5	**16.0**
%	4.6%	4.5%	**5.6%**
Profit attributable to owners of parent	9.2	9.5	**12.5**
%	3.7%	3.7%	**4.4%**
Exchange rate USD	110.9 yen	110.0 yen	**110.0 yen**
EUR	128.4 yen	125.0 yen	**125.0 yen**

Target Figures (by Segment)

(Billions of yen)

	Net sales			Operating profit		
	FY2018 Actual	FY2019 LE	FY2021 MTP	FY2018 Actual	FY2019 LE	FY2021 MTP
Watches	141.7	148.0	**165.0**	10.3	11.5	**14.5**
Electronic Devices	55.5	55.0	**63.0**	1.4	2.5	**3.0**
Systems Solutions	30.8	32.0	**35.0**	2.4	2.5	**3.0**
Others	28.3	29.0	**31.0**	0.6	0.8	**1.0**
Adjustments	-9.2	-9.0	**-9.0**	-5.5	-7.8	**-7.3**
Consolidated Total	247.2	255.0	**285.0**	9.3	9.5	**14.2**

Together with SEIKO Athletes

Sharpen, sharpen, and sharpen

Hit a top speed with a strong start

Keeping powerful

Aim for even greater heights

To be what we aim to be
in 2025!



C Fukushima (Women 100m)



R Yamagata (Men 100m)


M Sakai (Swimming)


G Munetomo (Trampoline)

End