

Sixth Mid-Term Management Plan (FY2016 – FY2018)

May 12, 2016

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1. The 5th Mid-Term Management Plan Review

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

Target Figures and results

(Billions of yen)	FY2012	FY2015	
	Actual	5th Mid-Term Management Plan (Final year)	Actual
Sales	283.7	320.0	296.7
Operating Income	5.5	20.0	13.3
%	1.9%	6.3%	4.5%
Interest Bearing Debt	203.4	175.0	127.5
Equity Capital Ratio	11.0%	17.6%	28.7%
Net Debt Equity Ratio	3.9	2.1	0.8

Profit and Loss by Reported Business Segment

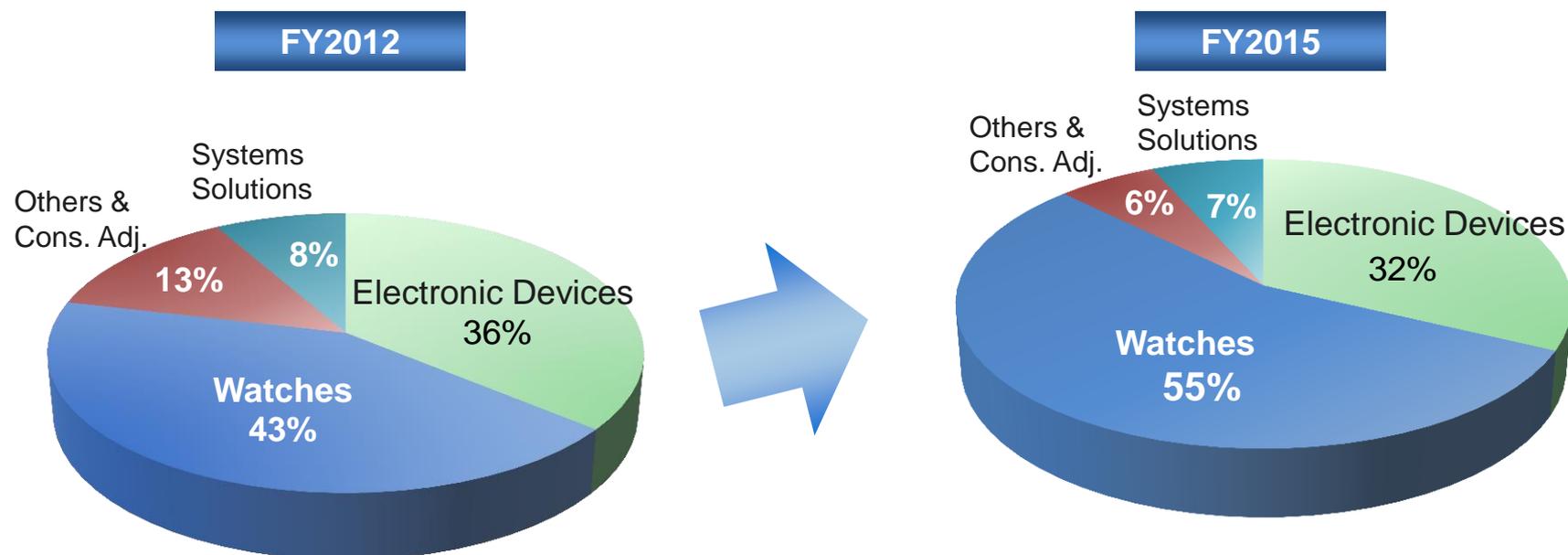
(Billions of yen)		FY2012	FY2015	
		Actual	5th Mid-Term Management Plan (Final year)	Actual
Watches	Sales	121.0	150.0	164.4
	Operating Income	7.8	13.0	12.7
Electronic Devices	Sales	125.2*	115.0	94.9
	Operating Income	-1.5*	7.0	2.9
Systems Solutions	Sales	—*	35.0	19.4
	Operating Income	—*	2.0	0.3
Others	Sales	45.8	27.0	28.2
	Operating Income	0.0	1.0	0.9
Cons. Total	Sales	283.7	320.0	296.7
	Operating Income	5.5	20.0	13.3

* Net sales and operating income values for the Electronic Devices Business in FY2012 are included the Systems Solutions Business.

Reconstructing the Business Portfolio

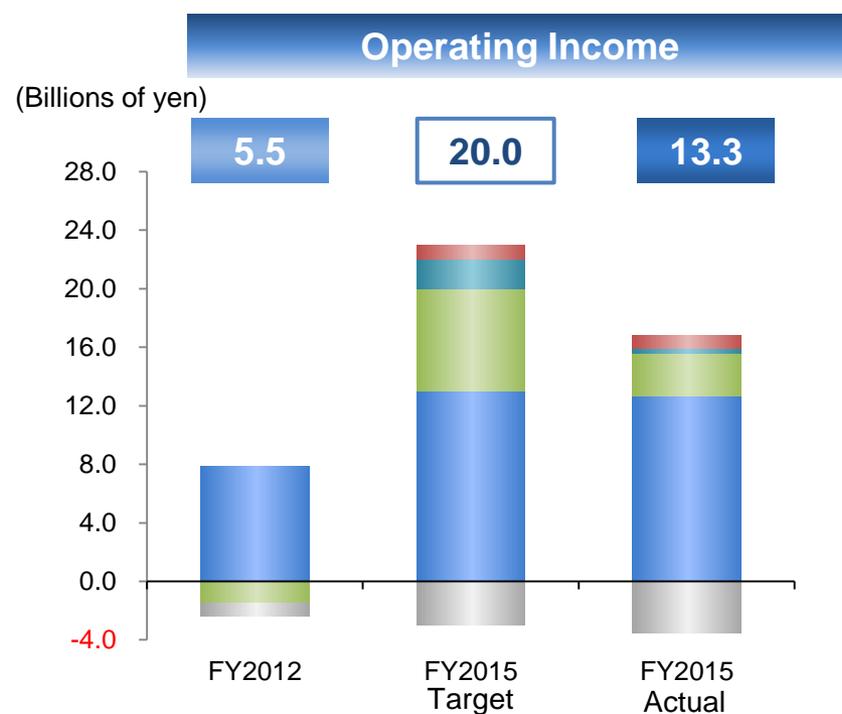
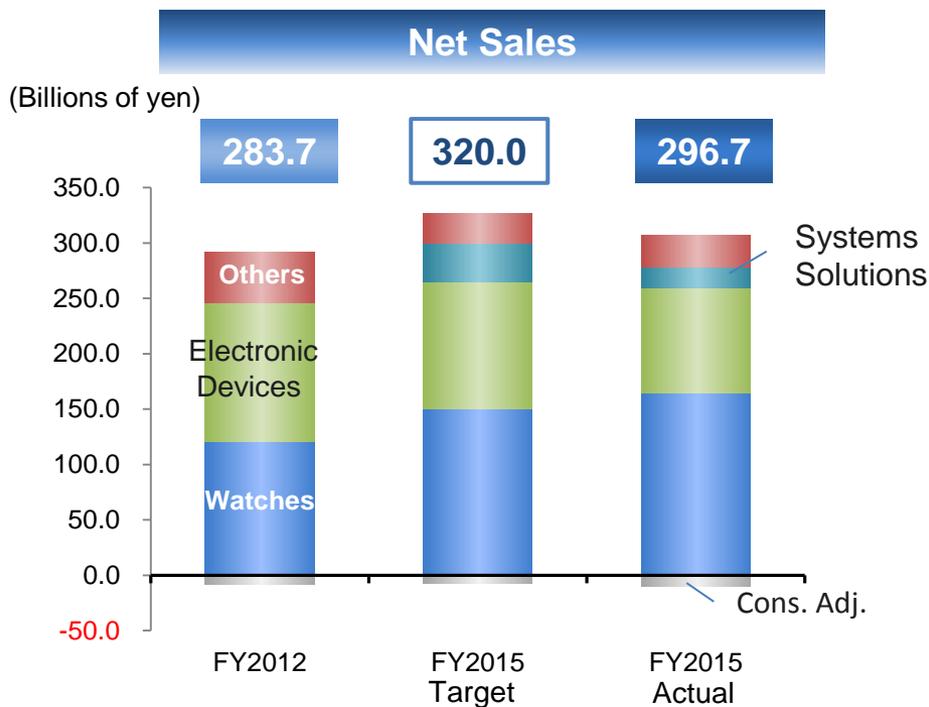
Sales increased in the Watches Business, our core business, achieving the targets of the 5th Mid-Term Management Plan.

The Watches Business saw increased sales, including steady performance in Japan. The Electronic Devices Business helped reconstruct business portfolio by concentrating and selecting business lines, including spinning off the semiconductor business and transferring the wide format printer business.



Consolidated net sales and consolidated operating income fell short of the 5th Mid-Term Management Plan targets (final fiscal year).

Downturns in the Electronic Devices Business and Systems Solutions Business resulted in a failure to achieve targets for maximizing business profitability, despite expansion in the Watches Business and revitalization of other businesses (Clocks, Wako).



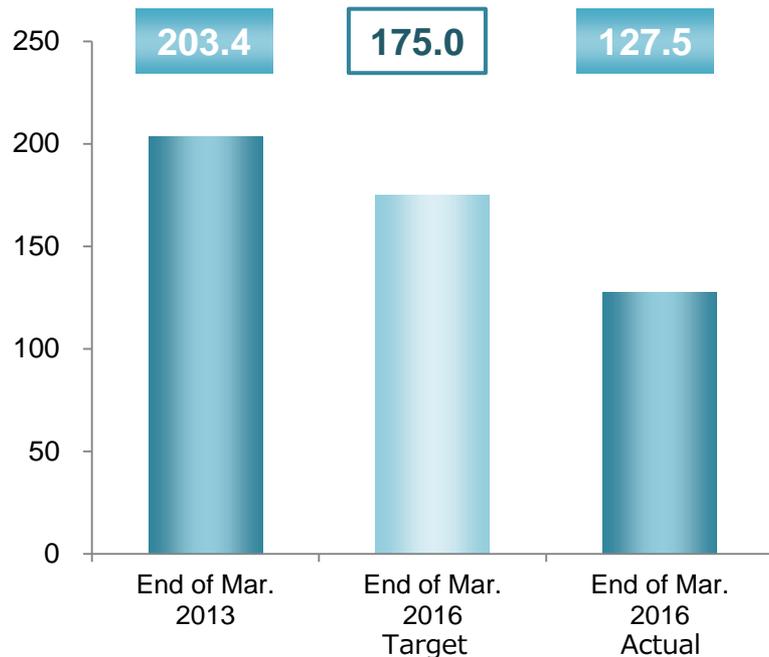
Qualitatively reinforcing the management foundation

Achieved the 5th Mid-Term Management Plan targets (final fiscal year) for reducing interest bearing debt and improving equity capital ratio.

Promoted qualitative reinforcement of the financial constitution by improving profitability, selling/liquidating real estate, selling securities, etc.

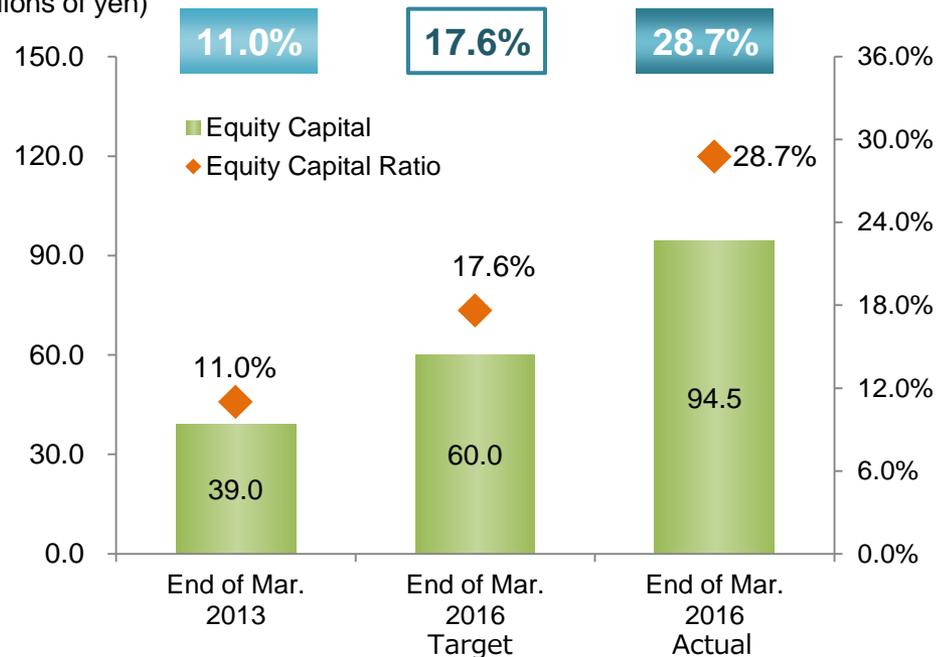
Interest Bearing Debt

(Billions of yen)



Equity Capital Ratio

(Billions of yen)



【Maximizing Business Profitability】

- ◆ The Watches Business saw expansion of both sales and profits, but needs to strengthen profitability and invest for growth in order to grow further as a core business.
- ◆ Improving profitability in the Electronic Devices Business and Systems Solutions Business is an urgent task. Further selection and concentration of management resources are required.

【Qualitatively Reinforcing the Management Foundation】

- ◆ While our financial constitution improved greatly, we still need to continue enhancing equity capital and reducing interest bearing debt with the aim of further qualitative reinforcement.

2. Long-Term Vision and Positioning of Mid-Term Management Plan

SEIKO

Moving ahead. Touching hearts.

Seiko has continued to drive innovation since our founding while supporting the management position of “Always one step ahead of the rest.” We formulated our corporate slogan in an easy-to-understand expression to incorporate this long-standing idea as well as the new idea of wanting to appeal to customers’ sensitivities. The slogan conveys Seiko’s strong will and commitment to continue creating the future based on the technological expertise and sensitivities that have driven the times.

Long-Term Vision (What we aim to be)

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

The Seiko Holdings Group has established its long-term vision of what the Group aims to be 10 years in the future, based on the Group slogan, “SEIKO Moving ahead. Touching hearts.”

7th Mid-Term Management Plan(FY2019-FY2021)

To be a leading company in the global market by 2020

Aggressive
-approach

6th Mid-Term Management Plan(FY2016-FY2018)

Aiming to be a highly profitable group with the Watches Business at its core:

- 1) Strengthening profitability and investing for growth
- 2) Reinforcing the management foundation

Continuing
organizational
reform to take on
the aggressive-
approach

5th Mid-Term Management Plan(FY2013-FY2015)

Aiming to change to a business structure with the Watches Business at its core:

- 1) Expanding, revitalizing, and reorganizing businesses
- 2) Improving the financial constitution

Defensive-
approach

3. Basic Policies of the 6th Mid-Term Management Plan

Basic policies of the 6th Mid-Term Management Plan aimed at achieving the long-term vision



- 1) Strengthening profitability and investing for growth
- 2) Reinforcing the management foundation

We will promote strengthening of profitability and investing for growth with the aim of being a highly profitable group with the Watches Business at its core, while pursuing all-out reinforcement of the management foundation.

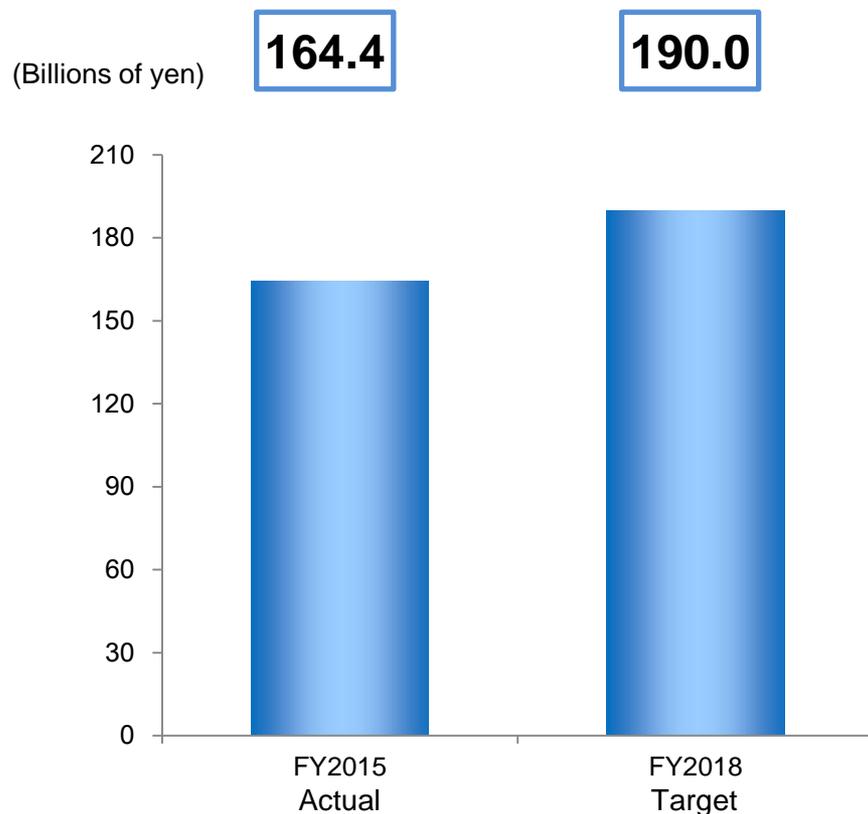
Basic policies of the 6th Mid-Term Management Plan aimed at achieving the long-term vision



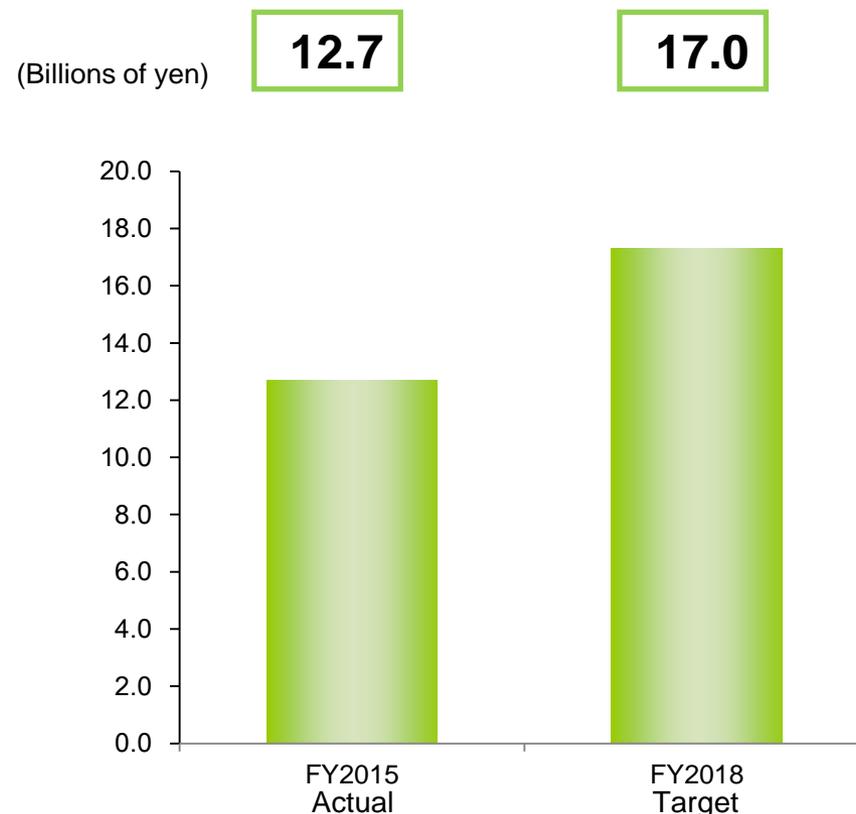
- 1) Strengthening profitability and investing for growth
- 2) Reinforcing the management foundation

Toward greater growth in the Watches Business as the Group's core business (expanding profits)

Net Sales



Operating Income



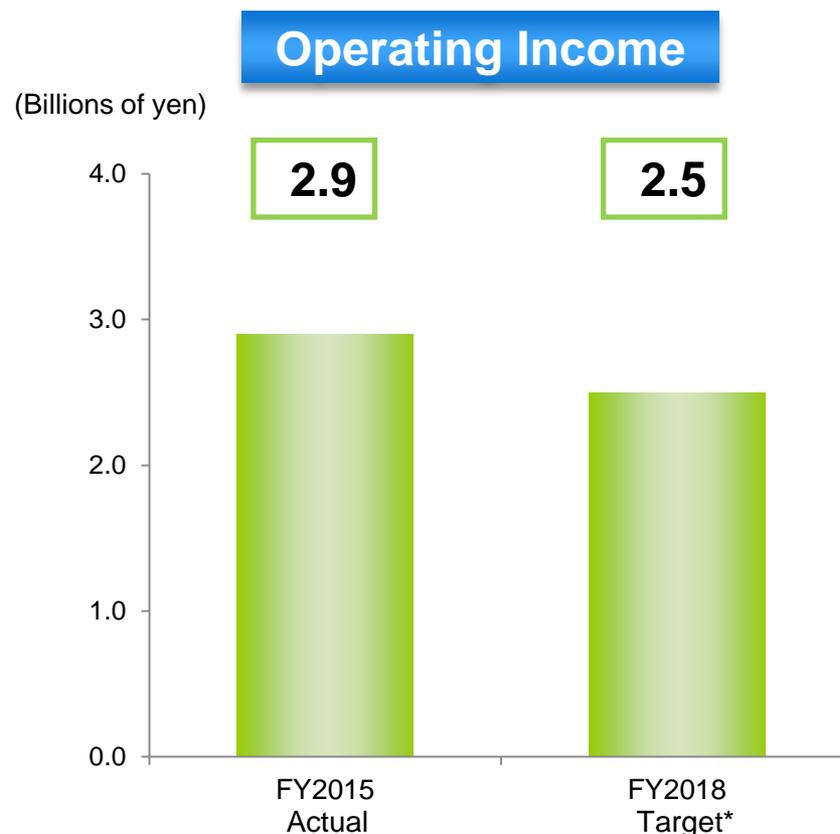
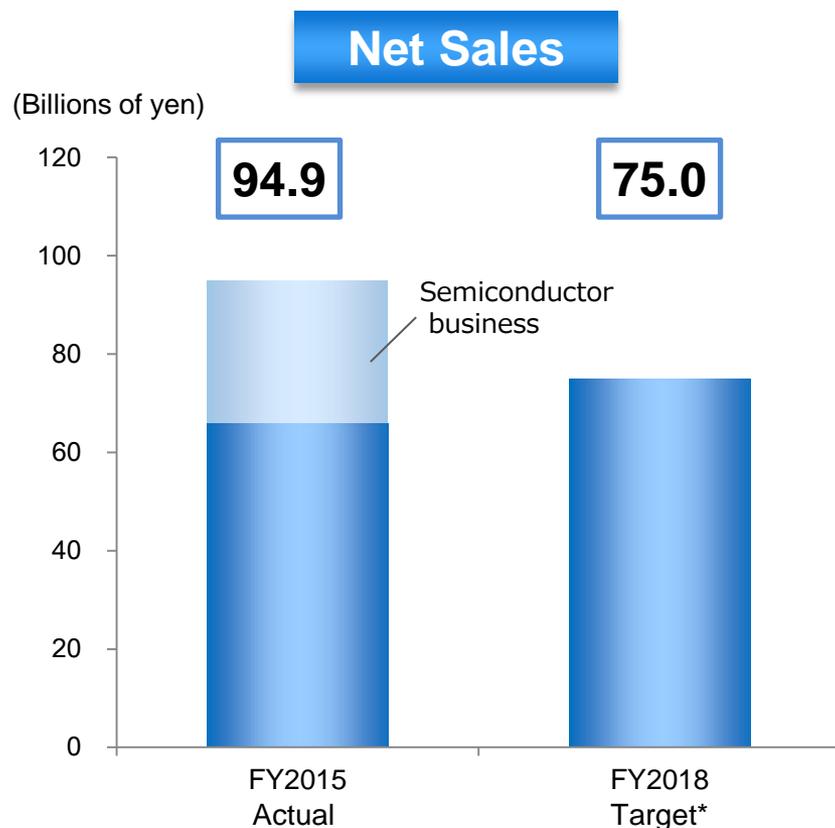
◆ Increasing the value of the Seiko Brand

- Expanding sales of globally strategic brands such as the Grand Seiko, Astron, and Prospex, while shifting to the mid- to high-price range.
- Continuing to boost investment in advertising and promotion and actively expanding Seiko Boutiques with the aim of raising brand value and expanding sales and profit.

◆ Further expanding sales and profit focused on the mechanical watches business

- Further expanding sales by developing global marketing for mechanical watches in the mid- to high-price range.
- Carrying out ongoing capital investment to strengthen the system for increasing production of mechanical watches in the mid- to high-price range.

Generating profit by prioritizing allocation of management resources to core businesses in the Electronic Devices Business (increasing profitability)



* Assuming exclusion of the joint venture semiconductor business company in FY2018.

◆ Strengthening business profitability through reorganization of the semiconductor business

- Establishing the inkjet print heads business as the next leading business.
- Securing stable earnings in the precision mechatronics business and in the electronic devices business other than the inkjet print heads business.
- Restructuring and dissolving unprofitable businesses.
- The semiconductor business is scheduled to be accounted for under the equity method in 2018.*

* A portion of the shares in the semiconductor business company established as a joint venture with the Development Bank of Japan Inc. (DBJ) are to be transferred to the DBJ from January 2018 onward.

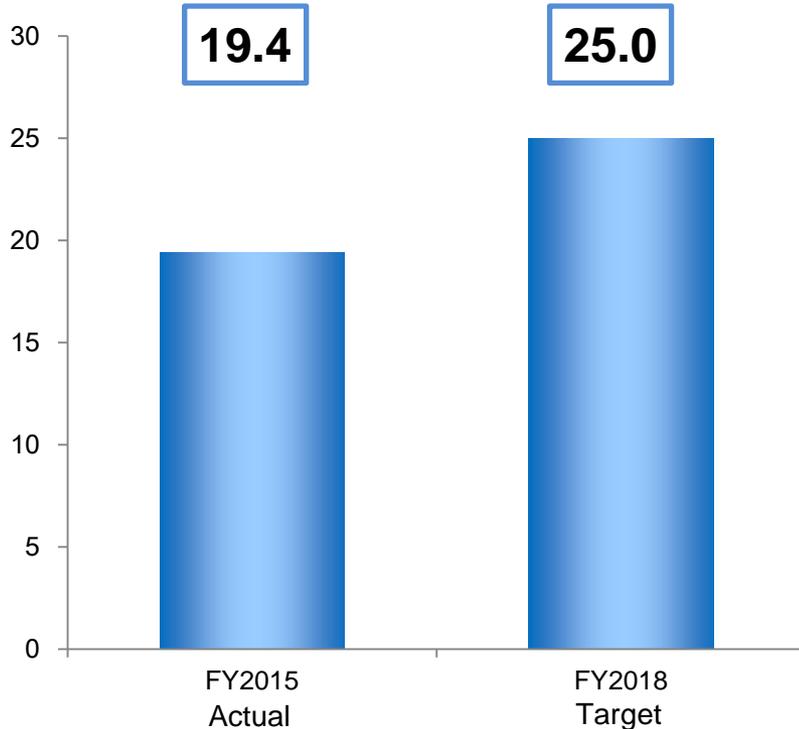
◆ Making investments and engaging in cooperation for the purpose of growth

- Prioritizing investment in focus areas in the precision mechatronics business and in the electronic devices business.
- Considering and promoting cooperation with other companies.

Reinforcing the business foundation of the Systems Solutions Business as a third main segment (strengthening profitability)

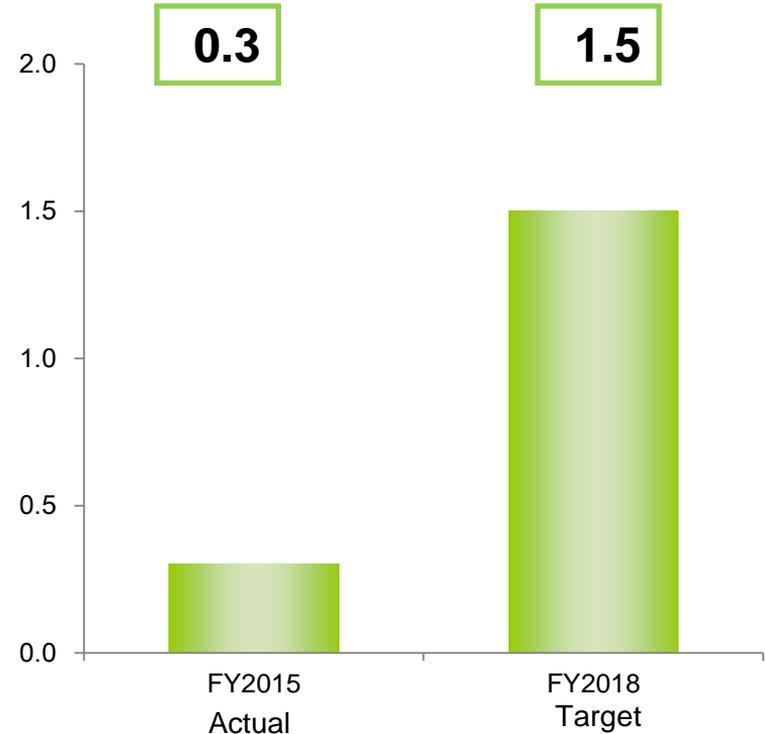
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)

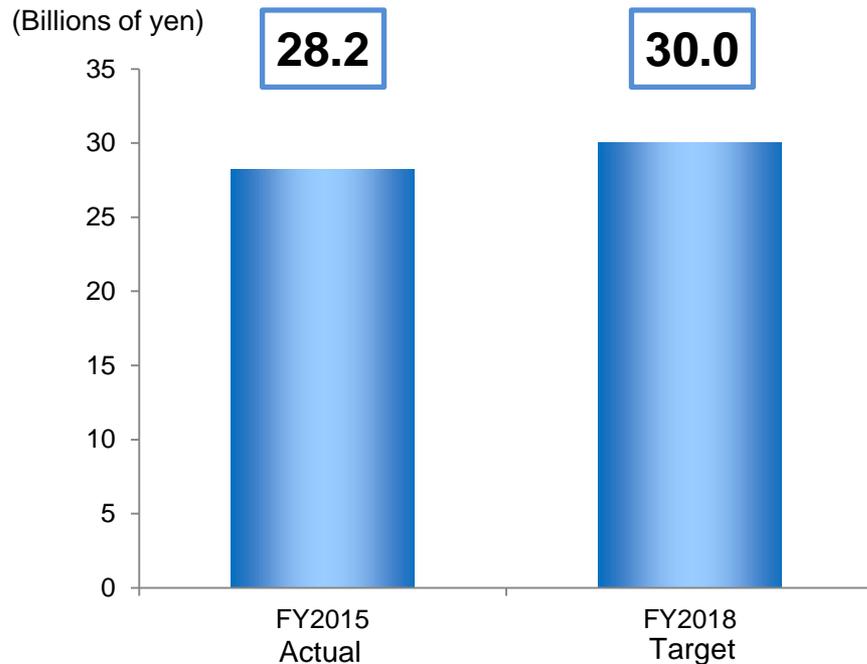


- ◆ Shifting management resources and carrying out selection and concentration of businesses to strengthen profitability
 - Turning unprofitable businesses around by restructuring and changing business models.
 - Downsizing back-office sections.
 - Shifting to stock business in order to achieve a stable earnings structure.

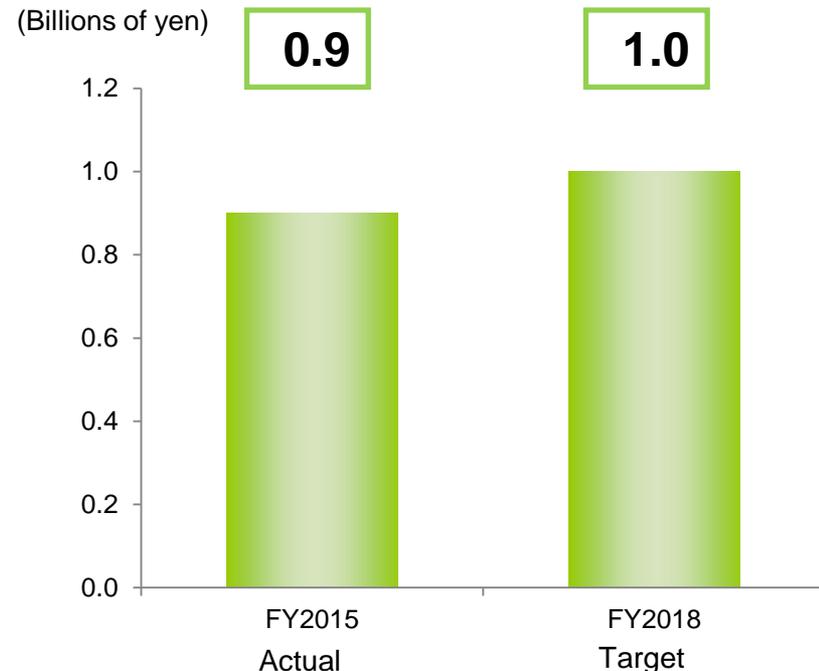
- ◆ Accelerating launch of new strategic businesses
 - Promoting and carrying out alliance businesses with other companies.
 - Establishing a strategic business section to effect acquisition of large projects.

Maintaining stable earnings structure in other businesses (stable profitability)

Net Sales



Operating Income



- ◆ Putting top priority on continuing to earn operational profits in the Clocks, Wako, and Seiko Time Systems businesses
- ◆ Contributing to an increase in Seiko's brand value through each business

Basic policies of the 6th Mid-Term Management Plan aimed at achieving the long-term vision



- 1) Strengthening profitability and investing for growth
- 2) Reinforcing the management foundation

Enhancing corporate communication

- ◆ Continuing and strengthening corporate branding activities
 - Continuing and strengthening PR and CSR activities through sports and music, based on the Group slogan “SEIKO Moving ahead. Touching hearts.”
- ◆ Enhancing and continuing IR activities
 - Continuing and strengthening constructive dialogue with shareholders and investors, with the aims of sustainable growth and increasing mid- to long-term corporate value.

Continuing basic policies on capital and financial policy

◆ Enhancing equity capital

- Aiming for an equity capital ratio of 35% or higher (final fiscal year).

◆ Considering capital efficiency and stable distribution of profits to shareholders

- Continuing to pay stable dividends, targeting a full-year dividend of 15 yen or more.

◆ Reducing interest bearing debt

- Continuing to reduce interest-bearing debt funded from operating cash flow.
- Further reducing interest-bearing debt by improving efficiency of funding.

Enhancing corporate governance

- ◆ Pressing ahead with enhancement of the governance system, taking into consideration response to the Corporate Governance Code
 - Introducing a performance-based compensation system for directors.
 - Setting up advisory committees focused on independent directors.
 - Introducing mechanisms to evaluate the effectiveness of the Board of Directors.

Enhancing organizational and group functions, and continuing with basic policies on human resources

- ◆ Realigning organization and functions of SHD Group
 - Integrating functions of corporate sections within the Group.
 - Integrating and reorganizing businesses within the Group .
- ◆ Cultivating diverse human resources
 - Cultivating and promoting global human resources.
 - Furthering efforts to promote active participation by women.
 - Aiming for a 12% ratio of women in management positions by FY2018 (for the Group as a whole).
 - Providing a labor environment and career plans that enable diverse working styles.

Generating cash flows through business activities

Well-balanced distribution

Return on investment for growth

Investment to increase brand value

- Advertising and promotional investment
- Capital investment
- Strategic investment

Reinforcing the financial foundation

- Reducing interest-bearing debt
- Improving equity capital ratio

Return to shareholders

- Continuing to pay stable dividends

4. Target Figures of the 6th Mid-Term Management Plan

<Condition>

- Exchange Rate (JPY) : USD1=¥110 EUR1=¥125
- The joint venture semiconductor business company will be excluded from the scope of consolidation of Seiko Holdings from FY2018 .
(when the company is accounted for under the equity method)

Consolidated target figures of FY2018 (final fiscal year)

Net sales JPY 310.0 billion

Operating income JPY 17.0 billion

Equity capital ratio 35% or higher

Net interest bearing debt JPY 75.0 billion or less

Consolidated Net Sales and Profit

(Billions of yen)	FY2015 Actual	6th Mid-Term management Plan FY2018
Net Sales	296.7	310.0
Operating Income	13.3	17.0
%	4.5%	5.5%
Ordinary Income	11.8	18.0
%	4.0%	5.8%
Profit attributable to owners of parent	12.1	12.5
%	4.1%	4.0%

Net sales and Operating income by Reported Business Segment

(Billions of yen)	FY2015 Actual			6th Mid-Term management Plan FY2018		
	Net Sales	Operating Income	%	Net Sales	Operating Income	%
Watches	164.4	12.7	7.7%	190.0	17.0	8.9%
Electronic Devices*	94.9	2.9	3.1%	75.0	2.5	3.3%
Systems Solutions	19.4	0.3	1.9%	25.0	1.5	6.0%
Others	28.2	0.9	3.2%	30.0	1.0	3.3%
Cons. Adj.	-10.3	-3.6	—	-10.0	-5.0	—
Cons. Total	296.7	13.3	4.5%	310.0	17.0	5.5%

* Assuming exclusion of the joint venture semiconductor business company from the Electronic Devices Business in FY2018.

(Billions of yen)	FY2015 Actual	6th Mid-Term management Plan FY2018
Total Assets	329.1	340.0
Net Assets	102.6	120.0
Equity Capital Ratio	28.7%	35%
Net Debt	88.4	75.0

- ◆ *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.*

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