

SMILE145

– SEIKO MILESTONE 145 –

Mid-Term Management Plan (FY2022 - FY2026)

May 10, 2022

1. Review of the 7th Mid-Term Management Plan
2. Environment Recognition for the Future
3. Positioning and Ideals of “SMILE145”
4. Value Creation Story for the years leading up to 2031
5. Growth Strategy
6. Financial Policy and Cash Allocation
7. Group-Wide Management Targets

■ Abbreviations used in this document

- SWC : SEIKO WATCH CORPORATION
- SII : Seiko Instruments Inc.
- NPC : SEIKO NPC CORPORATION
- SSOL : SEIKO Solutions Inc.
- STC : SEIKO Time Creation Inc.
- GS : Grand Seiko
- GB : Global Brands

INTRODUCTION

Group Purpose and Group 10-year vision

GROUP PURPOSE

**As a company trusted by society,
we will constantly pursue innovation,
inspiring people everywhere, and
creating a future full of smiles.**

CORPORATE PHILOSOPHY

A Company that is Trusted by Society

GROUP SLOGAN

SEIKO Moving ahead. Touching hearts.

Ideals leading up to the 150th Anniversary of our founding in 2031

GROUP 10-YEAR VISION

**Leveraging analog & digital synergies to offer products and services
that contribute to the creation of sustainable societies,
connecting people, things, and time throughout the world**



REVIEW

7th Mid-Term Management Plan

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

Basic Policies

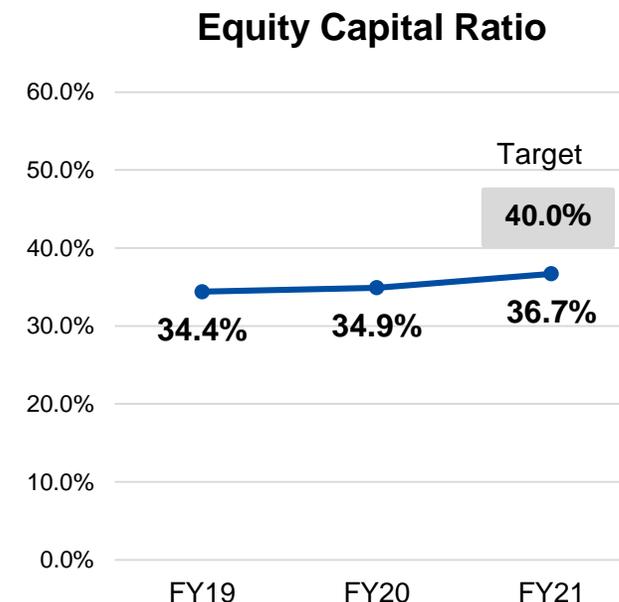
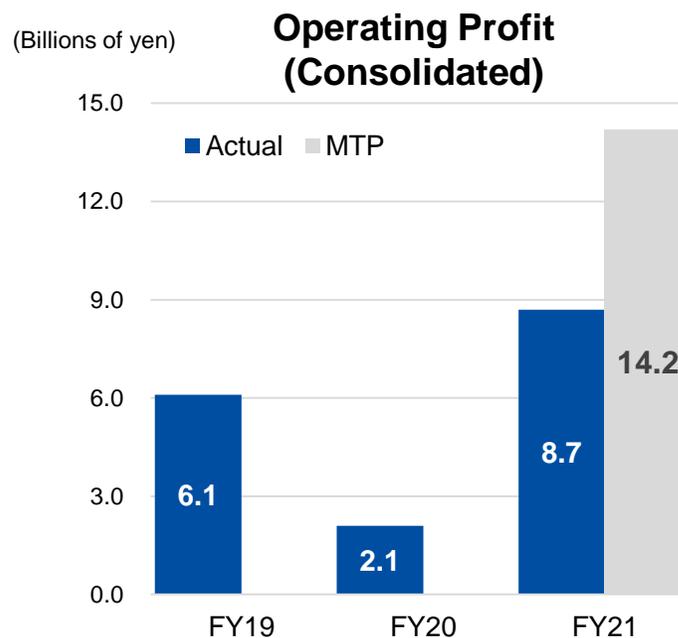
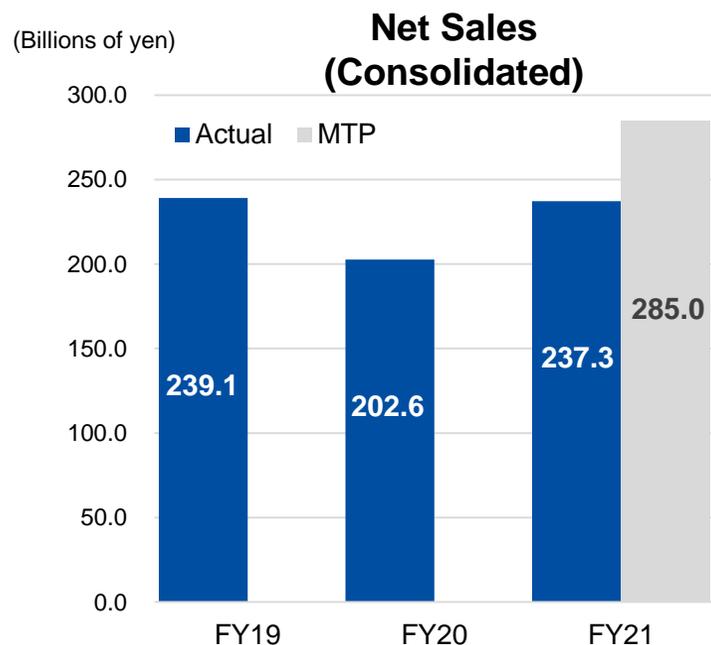
“With everyone fully committed and focused, We will invest aggressively in scenarios for the future. Backed by the strength of the SEIKO brand, our precision technologies and ability to propose solutions Will provide us with the sustained growth.”

■ FY2021(Final FY) Targets and Results (Consolidated)

(Billions of yen)

	Target	FY2021
Net sales	285.0	237.3
Operating profit	14.2	8.7
(%)	5.0%	3.7%

	Target	FY2021
Profit attributable to owners of parent	12.5	6.4
Equity Capital Ratio	40.0%	36.7%
Net interest-bearing debt	Approx.72.0	90.9



		Basic Policies	Results	Challenges
Business Activities	Watches	<ul style="list-style-type: none"> Accelerate Global Brands (GB) strategy to increase sales in the U.S. and Asia as well as in Japan Investment in advertising, manufacturing and after-sales service 	<ul style="list-style-type: none"> GB Sales doubled, mainly in the U.S. and Asia Successful digital marketing, especially overseas Integration of product development, procurement and manufacturing functions Introduced new after-sales services for GS 	<ul style="list-style-type: none"> Reform business models of domestic businesses Develop new business domains Diversify manufacturing sites Build CRM and OMO to provide high-quality customer experiences
	Electronic Devices	<ul style="list-style-type: none"> Shift key product portfolio targeting growth markets Carry out investments and strengthen management in new growth areas 	<ul style="list-style-type: none"> Increased sales in growth areas (medical and automotive) Established systems to increase production of precision components, etc. 	<ul style="list-style-type: none"> Overseas expansion of some businesses Enhance incubation functions
	Systems Solutions	<ul style="list-style-type: none"> Improve sustainable growth and reliability of business Create business structure resilient to environmental changes and shift to high added value through diversification Continuously transform practices and strengthen organizational structure 	<ul style="list-style-type: none"> Achieved 24 consecutive quarters of year-on-year growth in both revenue and profit Increased profitability, operating profit margin grew by approx. 4 percentage points Implemented M&As (2 companies) 	<ul style="list-style-type: none"> Accelerate activities to create new businesses Acquire human resources with industry knowledge Accelerate M&As
	Time Creation/WAKO	<ul style="list-style-type: none"> Selection and concentration, and reinforcement of the foundation to contribute to the brand and further growth 	<ul style="list-style-type: none"> Developed a high-end marionette product “Rondeau” Opened the GS Boutique Flagship Wako 	<ul style="list-style-type: none"> Shift to products with high-added-value
Management Foundation	Company-wide	<ul style="list-style-type: none"> Strengthen SDG initiatives Enhance corporate communication Recruit, cultivate, and leverage diverse human resources 	<ul style="list-style-type: none"> Started SDG activities Enhanced outbound communications (PR and IR) Increased the ratio of women in managerial positions from 10.9% to 13.5%* <small>*As of October 2021</small> 	<ul style="list-style-type: none"> Management system suited to a VUCA (volatile, uncertain, complex, and ambiguous) era Continue to enhance governance Promote utilization of human resources



ENVIRONMENT RECOGNITION FOR THE FUTURE

Changing Demographic Composition, Heightened Geopolitical Risks

- Aging population and falling birth rates, Alternation of generations
- Increase in world population

- ✓ Expansion of medical and health-related markets
- ✓ Difficulty in securing human resources



Environmental Problem

- Climate change
- Recycling-oriented society

- ✓ Growing environmental awareness
- ✓ Decarbonization, tighter environmental regulations



In a VUCA (volatile, uncertain, complex, and ambiguous) era, where many discontinuous changes are occurring, we will contribute to solving social issues through our business.

Evolution of Electronics Technology and Digitization

- Society 5.0
- Automation, robotization

- ✓ DX deepening
- ✓ Improved business efficiency

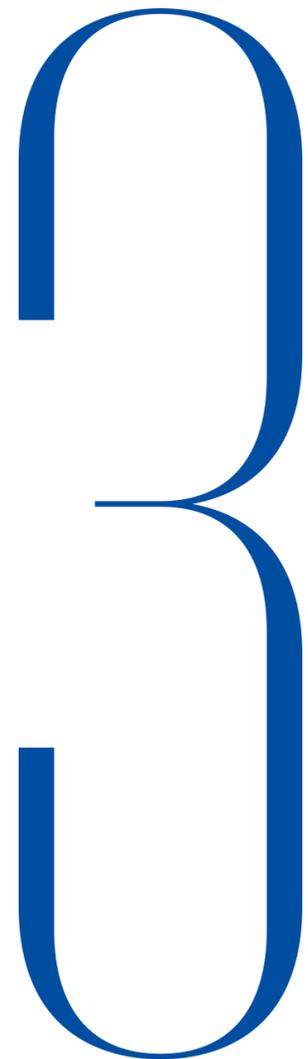


Support for the New Normal and after COVID-19

- Diversification of lifestyles and values

- ✓ Demand for high-added-value products
- ✓ Fusion of Real and Virtual





POSITIONING AND IDEALS OF “SMILE145”

A New Mid-Term Management Plan (FY2022-FY2026)



By 2026, we aim to become
 “A solutions company that offers **high-added-value** products and services
 that create **excitement** and generate **substantial profits**.”



Basic Policy

MVP Strategy

Moving: excitement

Valuable: high-added-value

Profitable: substantial profits

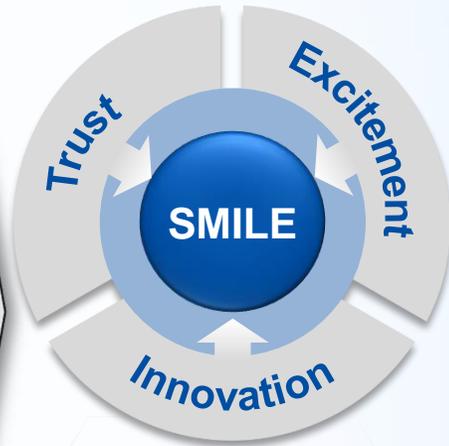
- ◆ Business strategy in line with a value creation story that **solves social issues**
- ◆ Shift to high-added-value products and services with a focus on **improving profitability**
- ◆ Develop businesses focused on DtoC and a market-driven approach with leveraging digital transformation (DX)
- ◆ Build **new business models** and domains, and achieve **ambidextrous management** through the acceleration of Group-internal synergies and open innovation
- ◆ **Support employees in taking on challenges**, and build an organizational culture and systems that turn failure into value

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VALUE CREATION STORY
FOR THE YEARS LEADING UP TO 2031

SEIKO PURPOSE

As a company **trusted** by society, we will constantly pursue **innovation**, inspiring people everywhere, and creating a future full of **smiles**.



Corporate Philosophy

A Company that is Trusted by Society

Group Slogan

SEIKO Moving ahead. Touching hearts.

Spirit of the Founder

Always one step ahead of the rest

Sustainability Policy

Starting with its Statement of Purpose, the Seiko Holdings Group will strive to use its business activities, which aim to create **WITH**, to realize the Group's steady growth and contribute to the development of a sustainable society.

Approaches to Social Issues for Value Creation

Well-being

A Better Life

Inclusion

For All People

Trust

Certainty and Trust

Harmony

Harmony with the Earth

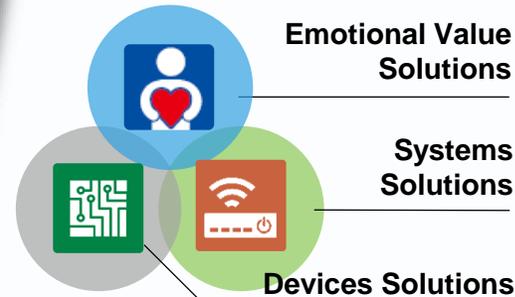


Growth Strategies

Five Group Core Strategies



Three Strategic Domains



Four Business Opportunities



GROUP 10-YEAR VISION

Leveraging analog & digital synergies to offer products and services that contribute to the creation of sustainable societies, connecting people, things, and time throughout the world



What We Aim to be in 2026

By 2026, we aim to become "A solutions company that offers high-added-value products and services that create excitement and generate substantial profits."

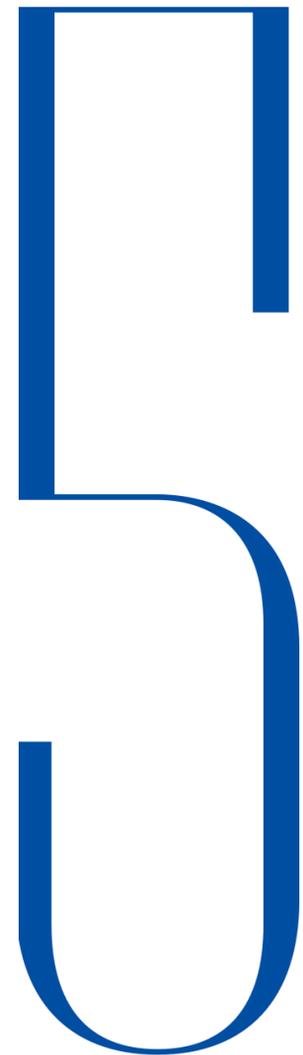


MVP Strategy

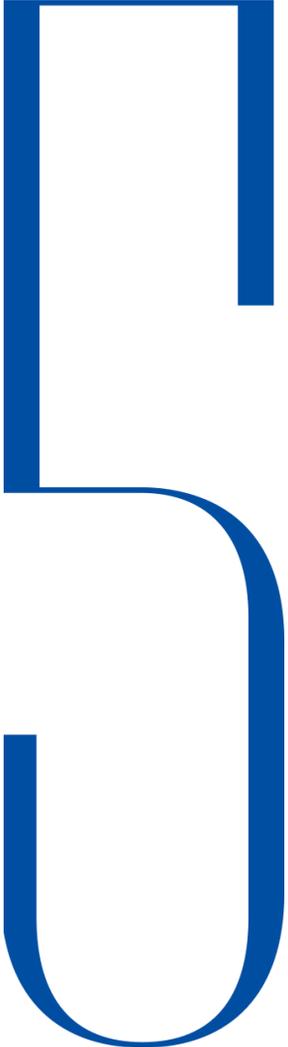
Moving: excitement
Valuable: high-added-value
Profitable: substantial profits

Environment Recognition (Opportunities & Risks)

- Acceptance of diversity
- Change of the communication
- Digitization progresses
- Aging population and falling birth rates
- Climate change



GROWTH STRATEGY



GROWTH STRATEGY

Five Group Core Strategies

Sustainability Policy

Starting with its Statement of Purpose, the Seiko Holdings Group will strive to use its business activities, which aim to create **WITH**, to realize the Group's steady growth and contribute to the development of a sustainable society.

WITH	Materiality (Key Issues)	SDGs
<p>Well-being A Better Life</p>	<p>Contribute to greater job satisfaction and active participation by diverse individuals</p> <p>Implement initiatives for respecting human rights</p> <p>Promote mental and physical health and achieve social welfare</p> <p>Cultivate and support the next generation</p>	
<p>Inclusion For All People</p>	<p>Contribute to the creation of a safe, secure, and inclusive social infrastructure</p> <p>Contribute to a prosperous society through support for culture and sports</p> <p>Contribute to local communities</p>	
<p>Trust Certainty and Trust</p>	<p>Provide high-quality products and services that are trusted by society</p> <p>Promote responsible procurement and supply chain</p> <p>Strengthen corporate governance and the compliance structure</p>	
<p>Harmony Harmony with the Earth</p>	<p>Implement initiatives for climate change and decarbonization</p> <p>Help to realize a recycling-oriented society</p> <p>Coexist and harmonize with nature</p>	

Measure

- ✓ Develop and promote a decarbonization roadmap
- ✓ Develop businesses to take advantage of decarbonization opportunities

Long-term targets for reducing CO2 emissions

- FY2026 : SCOPE1&2 25% reduction from 2020 level
- FY2030 : SCOPE1&2 42% reduction from 2020 level
SCOPE3 25% reduction from 2020 level
- Aim to achieve carbon neutrality by 2050.

■ **Specific initiatives to reduce CO2 emissions**

1. Review/improve manufacturing processes
2. Introduce/renew high-efficiency equipment
3. Expand use of renewable energy
4. Provide environmentally friendly products, services, and solutions
5. Develop technologies related to energy and resource saving
6. Collaborate with suppliers and customers

Business locations with renewable energy

Morioka Seiko Instruments Inc.



WAKO Co., Ltd.



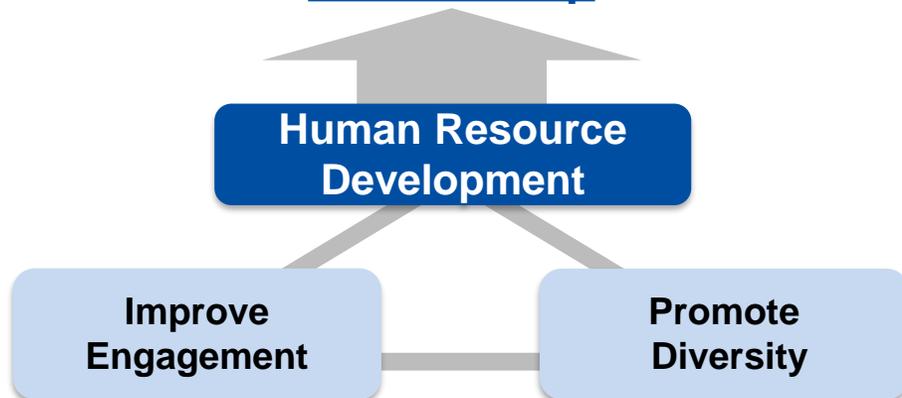
Seiko Instruments (Thailand) Ltd.



Basic Policy

Build an organizational culture and systems that turn failure into value, with human-resource development as a pillar of its growth strategy, by improving engagement and promoting diversity

Sustainable growth and development of the Group



Human Resource Strategy Targets (FY2026)

- Improve engagement indices
- Mid-career hiring rate
From 42.5% (April 2022) to 50.0%
- Ratio of women in managerial positions
From 13.5% (October 2021) to 20.0%

Human Resource Development

DX human resource development and entrepreneur development

- Develop business leaders with a management perspective

Support employee growth

- Develop an environment and measures that encourage our human resources and organizations to grow autonomously

Improve Engagement

- Conduct Engagement survey and clearly prioritize issues

Promote Diversity

Hiring and promoting the active participation of diverse human resources

- Strengthen and enhance mid-career / experts / foreign nationals hiring, etc.

Basic Policy

Make full use of digital technology and data to create high-added-value business that is customer-centric and that places an emphasis on the customer experience

BtoC biz.

- Improve customer experience through OMO (Online Merges with Offline) measures
- Customer-oriented digital marketing



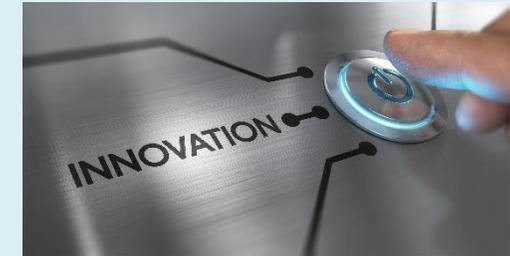
BtoB biz.

- B2B digital sales
- Marketing enhancement



INNOVATION

- Create new business models
- Reform business models



Digitalization

- Digitalization and automation of business processes



Business Systems

- Develop and upgrade the business systems operated by Group companies



Infrastructure/Security

- Sophisticated IT operations
- Enhance our system architecture
- Response to security incidents



Basic Policy

Further evolve its technology and create new value by combining its long-cultivated technological philosophy of “Craftsmanship, Miniaturization and Efficiency”* with digital technology

Value provided

- ✓ Development of devices and equipment to support excitement, high-added-value, and highly profitable products and services
- ✓ Consolidation and deepening of technical expertise to realize the solutions company

Initiatives

- Contribution to expansion of the luxury/premium domain
- Strengthening the Society 5.0 field
- Manufacturing innovation in line with SDGs such as contributions to process rationalization, resource conservation, labor saving, etc.
- Further promotion of new business creation and synergies among businesses
- Human resource development and improvement of development capabilities

■ Reinforcement of R&D structure

Seiko Holdings' R&D and production technology development functions will be spun off to **establish a new R&D company, Seiko Future Creation Inc.**, in July 2022.

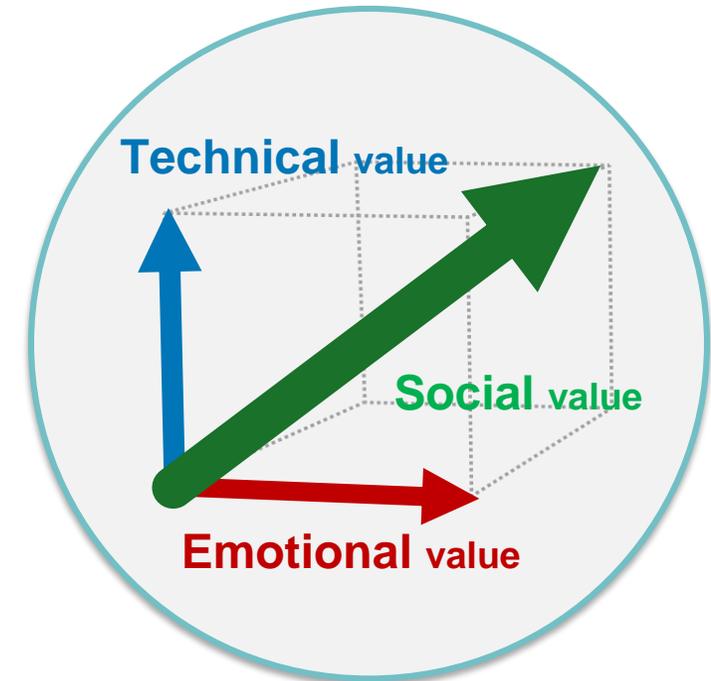
By spinning off the functions responsible for the development infrastructure across the group, we will accelerate the MVP strategy for SMILE145 by **speeding up decisions and activities.**

* “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.

Branding Strategy

Seiko will face social issues with the aim of enriching the hearts of people around the world, and create a future full of smiles through our social, technical, and emotional value.

Three axes of value that support Seiko's branding strategy



Initiative

- Sports timekeeping, sponsorships and Seiko athletes (Ex. World Athletics Championships, Tokyo Marathon, New Team Seiko)
- Music events, sponsorships and support (Ex. Concert to Support Eastern Japan)
- Support for the development of the next generation (Ex. Seiko Exciting school on 'Time and Timepieces,' 'Sports' and 'Environment,' Seiko Summer Jazz Camp)
- Strengthen communication of emotional value mainly in the Watches and WAKO businesses

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GROWTH STRATEGY

Four Business Opportunities

Foundation Domain



Emotional Consumption

Develop businesses targeting customers who focus on products and services that appeal more directly to the emotions and senses



Society 5.0

Develop businesses that contribute to development of the digital society, by offering devices and ICT products and services related to a high-level integration of cyberspace and physical space



Expansion Domain



Wellness

Develop businesses oriented toward offering products and services that improve people's quality of life (QOL) from sports, healthcare, and medical perspectives



Society / Environment

Develop businesses that solve challenges for the development of society, such as helping to build infrastructure for each industry involved in social development, and contributing to the global environment



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GROWTH STRATEGY

Our Three Strategic Domains

▶ Aims of our Three Strategic Domains

- (1) Establish management unified by a common purpose, which aims to create business synergies through a purpose-driven approach
- (2) Innovate into a business model that solves social issues through DX
- (3) Create a distributed business structure that responds to the risk of changes in the business environment



Emotional Value Solutions Domain

- **SWC:** Watches, watch movements
- **STC:** Clocks, system clocks
- **WAKO:** High-end jewelry, apparel, fashion accessories



Devices Solutions Domain

- **SII:** Quartz crystals, micro batteries, materials, printers, precision turned parts
- **NPC:** Sensors, crystal oscillator ICs



Systems Solutions Domain

- **SSOL:** Wireless communications equipment, information network systems, data services, computer performance management software

Group Purpose

Basic Policy



EVS : Emotional Value Solutions Domain

SWC / STC / WAKO

Vision

- ✓ Create products and services with high functional, emotional, and social value, with a sense of beauty and meticulous attention to detail that excite customers
- ✓ Improve our brand and corporate value by selling products that are partners for life, and can be enjoyed together in times of joy, through a superior customer experience

Target value
(FY2026)

Operating Profit 14.5 - 15.0 billion yen
MVP Ratio* 60 %

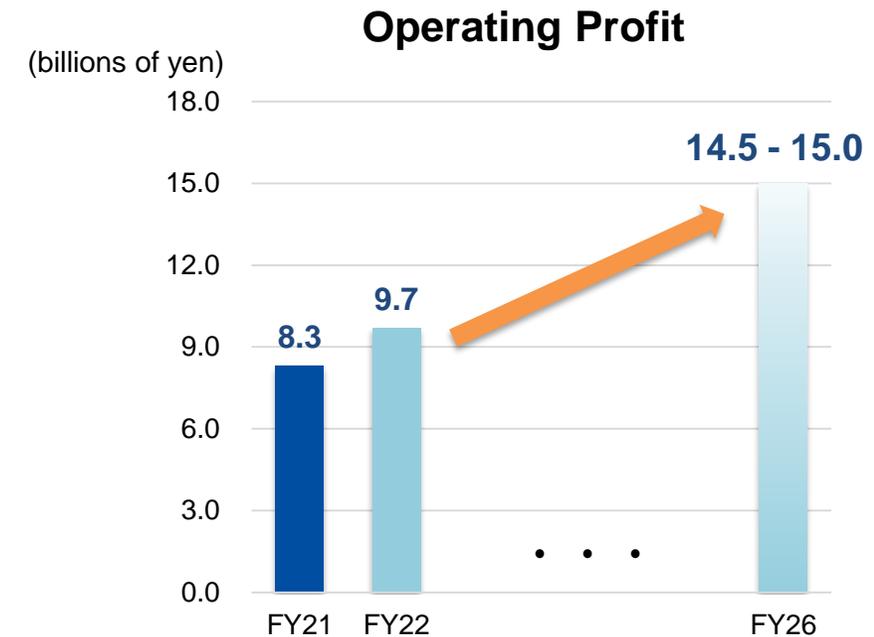
*Growth areas as % of EVS domain sales

Social Needs

- Polarization of personal consumption (increasing expectations for products with high-added-value)
- Growing interest in ethical consumption
- Changes in purchasing behavior focusing on “experiences”

MVP Strategy

- Offer products and services that create excitement and pursue high-added-value
- Evolution of CX (Customer Experience)
- Enhanced data utilization through DX (CRM (Customer Relationship Management System))



**Watches Business KPI
(FY2026)**

GB Ratio*

Over 85%

*Percentage of GB sales to total completed watches sales

Global Brands (GB) Strategy



We are developing globally brands that have "technical capabilities" and a "special story" and deliver "joy and excitement" to our customers.

Global Brands (GB)



Grand Seiko (GS)



PROSPEX



ASTRON



Presage



King Seiko



SEIKO 5 Sports

Watches Business Main measures

1. Expansion of high-end products business (luxury domain) centered around GS

- Creation of products with high emotional value
- Strengthen and expand directly-managed boutiques and e-commerce
- Enhancement of global after-sales service system

Grand Seiko Boutique



GS
Grand Seiko

CREDOR



After-Sales Service



Watches Business Main measures

2. Expansion of mid-range products business (premium domain) by GB
 - Strengthen high-added-value products with superior functionality and design
 - Strengthen and expand directly-managed boutiques and e-commerce



Seiko PROSPEX
Boutique



PRESAGE



KING SEIKO



Watch Business Main measures

3. Provide excitement to people and society through superior customer experience

- Creation of high-quality, high-added-value customer experiences through digital CRM and acquisition of loyal customers
- Launch of Seiko House Ginza

Customer Journey with CRM



Seiko House Ginza



- From the Wako Building in Ginza 4-chome, Seiko conveys Japanese technology and the spirit of Japanese craftsmanship to the future, and Seiko's attitude of moving forward with society.
- A workshop where visitors can experience the high level of Seiko's craftsmanship will be opened to provide a place for all watch lovers to gather.



DS : Devices Solutions Domain

SII / NPC

Vision

- ✓ Offer the high functionality and quality demanded by society, with devices solutions that are created through technical innovation
- ✓ Realize Society 5.0 (resolution of social issues by integrating cyberspace and physical space)

Target value
(FY2026)

Operating Profit 7.5 - 8.0 billion yen
MVP Ratio* 60 %

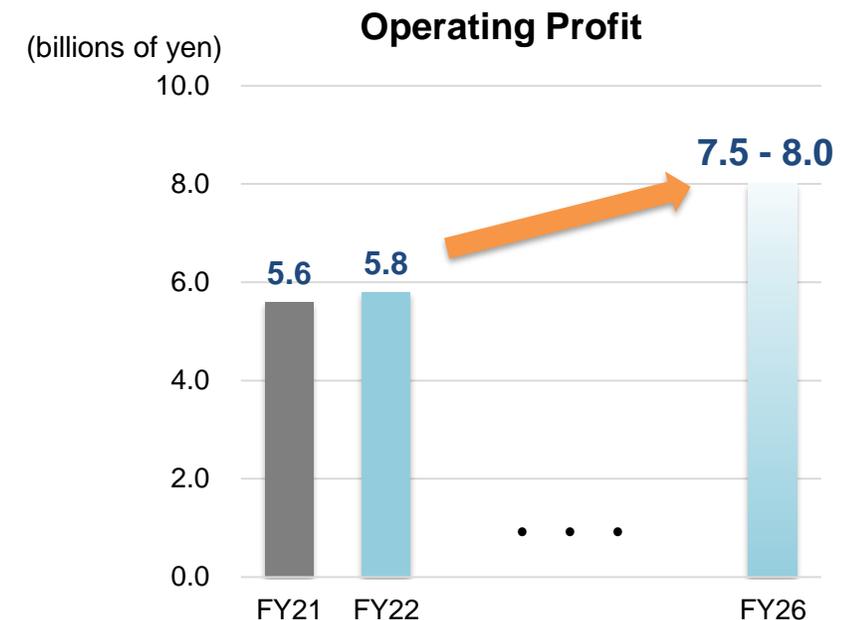
*Growth areas as % of DS domain sales

Social Needs

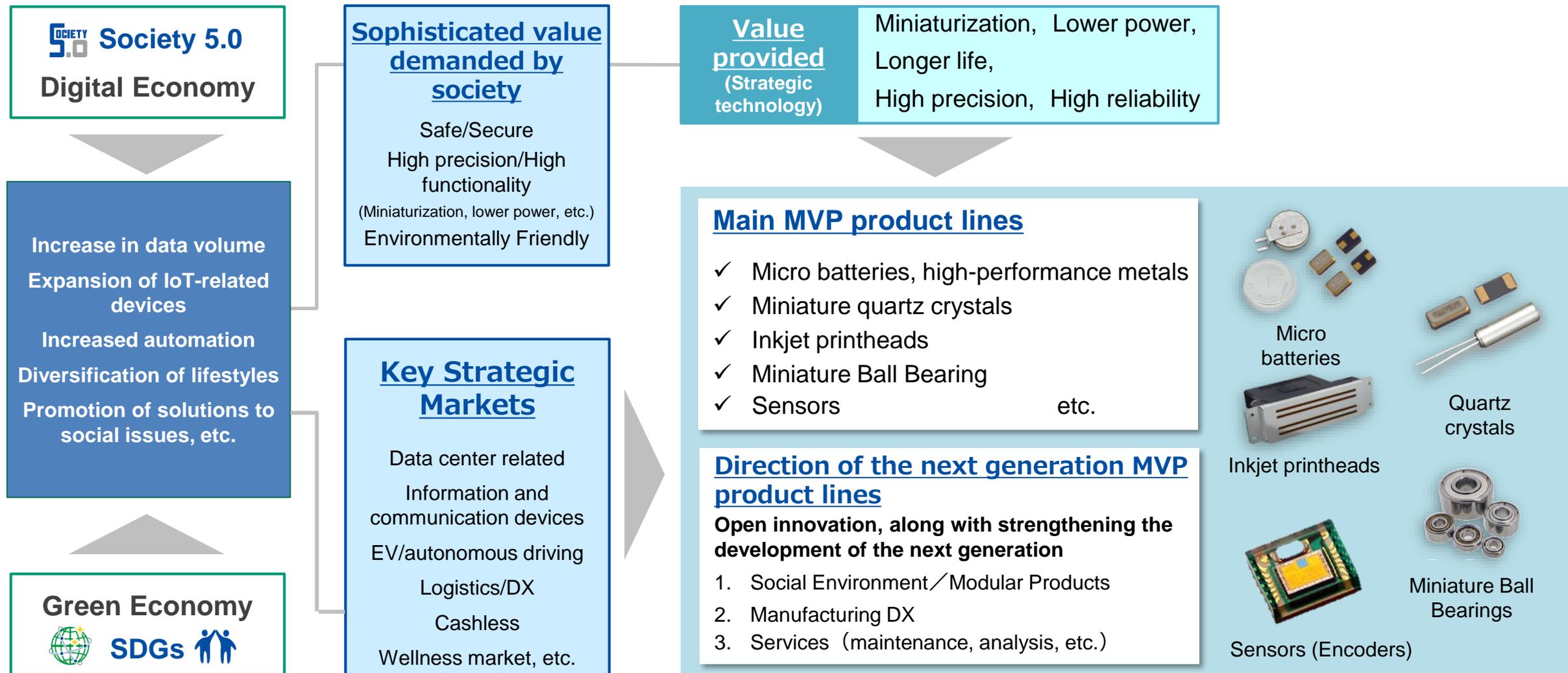
- Realization of CPS (Cyber Physical System)
- Building a safe and secure society
- Realization of a recycling-oriented society

MVP Strategy

- Actively deploy to growth markets in the digital economy (information and communication devices, automotive, IoT, etc.)
- Expand sales to the green economy market by leveraging technologies for miniaturization, lower power consumption, and long lifetime
- Accelerate product development in wellness and social/ environmental fields



✓ MVP Strategy





SS : Systems Solutions Domain

SSOL

Vision

- ✓ Achieve sustainable growth by offering social innovation through one-stop ICT solutions
- ✓ Increase the value of customers, society, and the Group by continuously offering value in line with customer needs

Target value
(FY2026)

Operating Profit **6.5 - 7.0 billion yen**
MVP Ratio* **73 %**

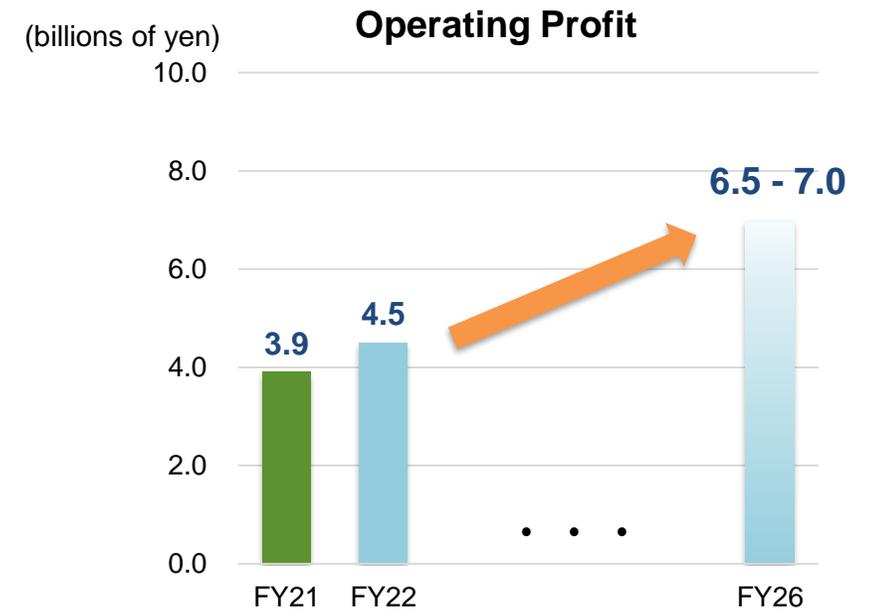
*Stock Business as % of Marginal Profit in the SS domain

Social Needs

- Increasing complexity and lack of transparency in society, Diversification of values
- Transition from a seller's market to prioritizing buyers and users
- Accelerating Digital Shift

MVP Strategy

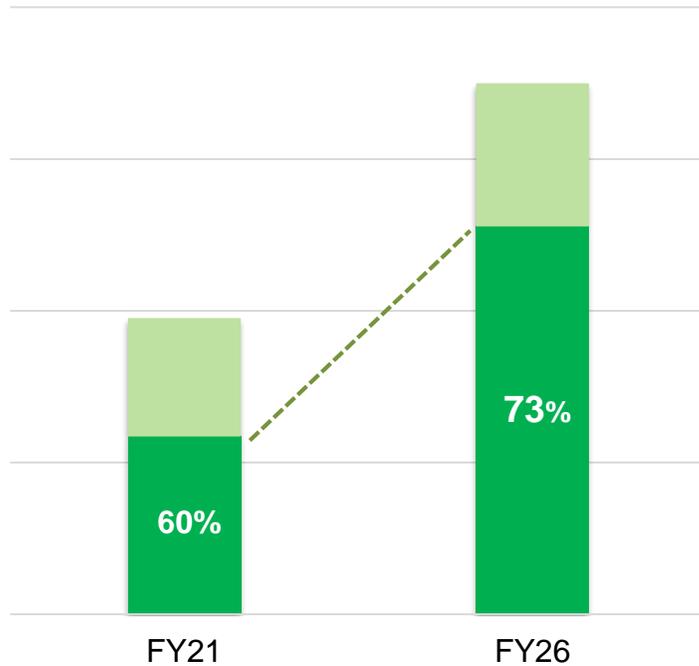
- Further advance the transition to the stock business
- Diversify further through M&As and alliances
- Expansion of DX Platforms



✓ Stock Business

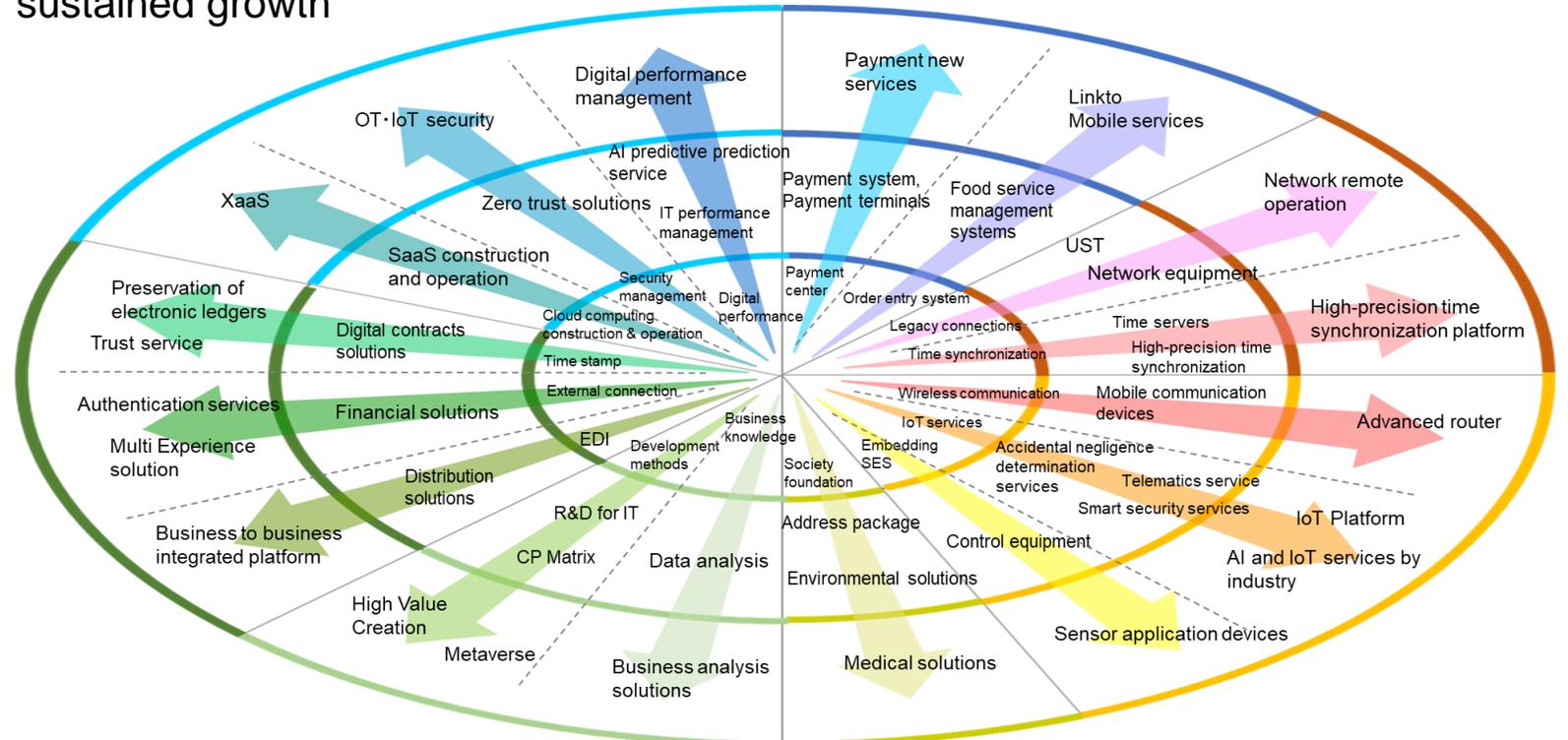
Strengthen business sustainability and management credibility

Stock Business as % of Marginal Profit

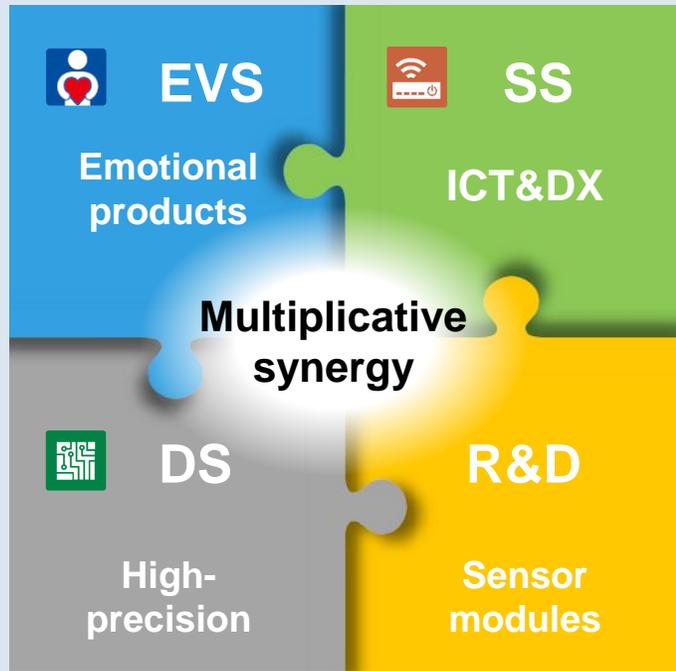


✓ Diversification

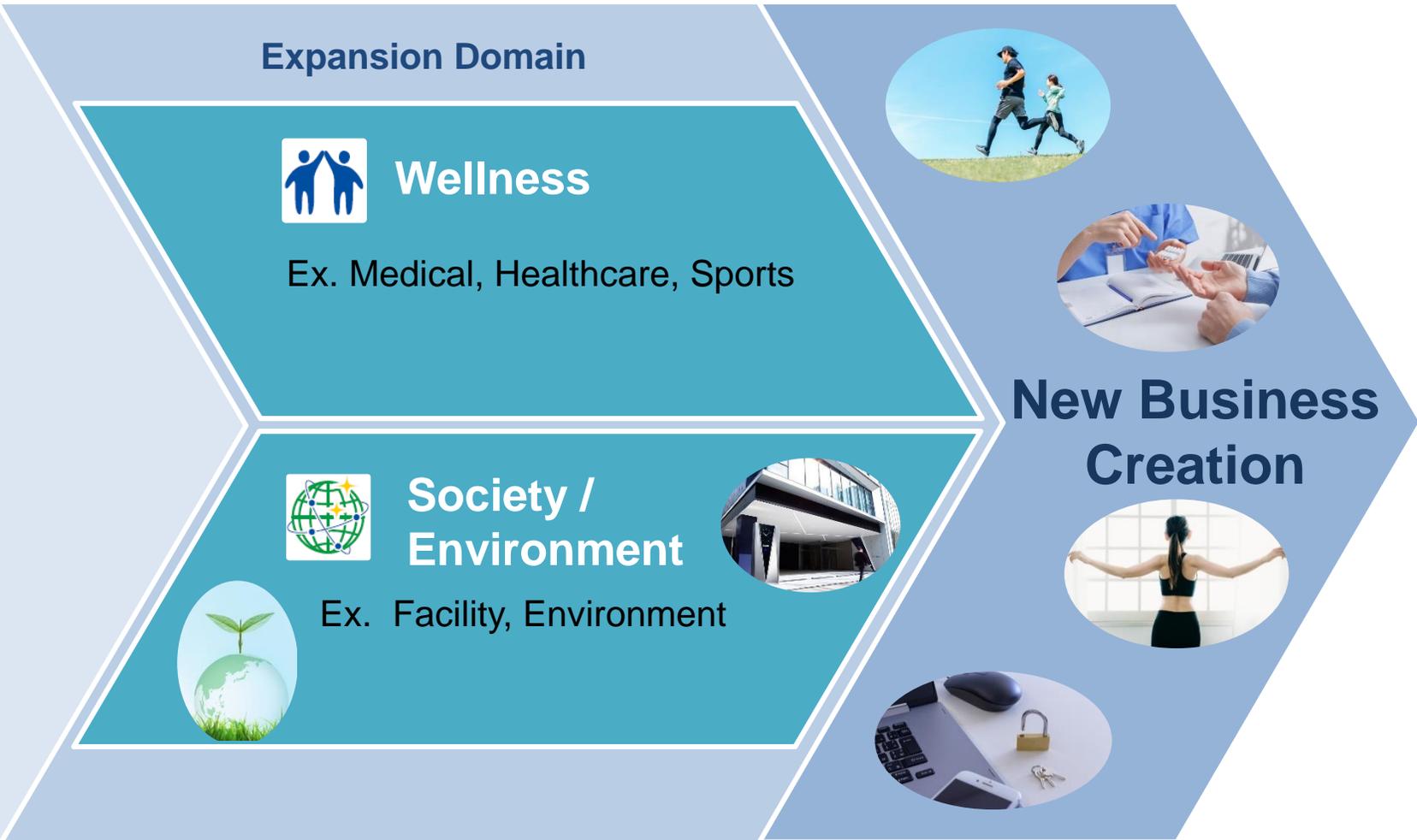
Maximize earnings from existing businesses and launch new businesses to achieve sustained growth



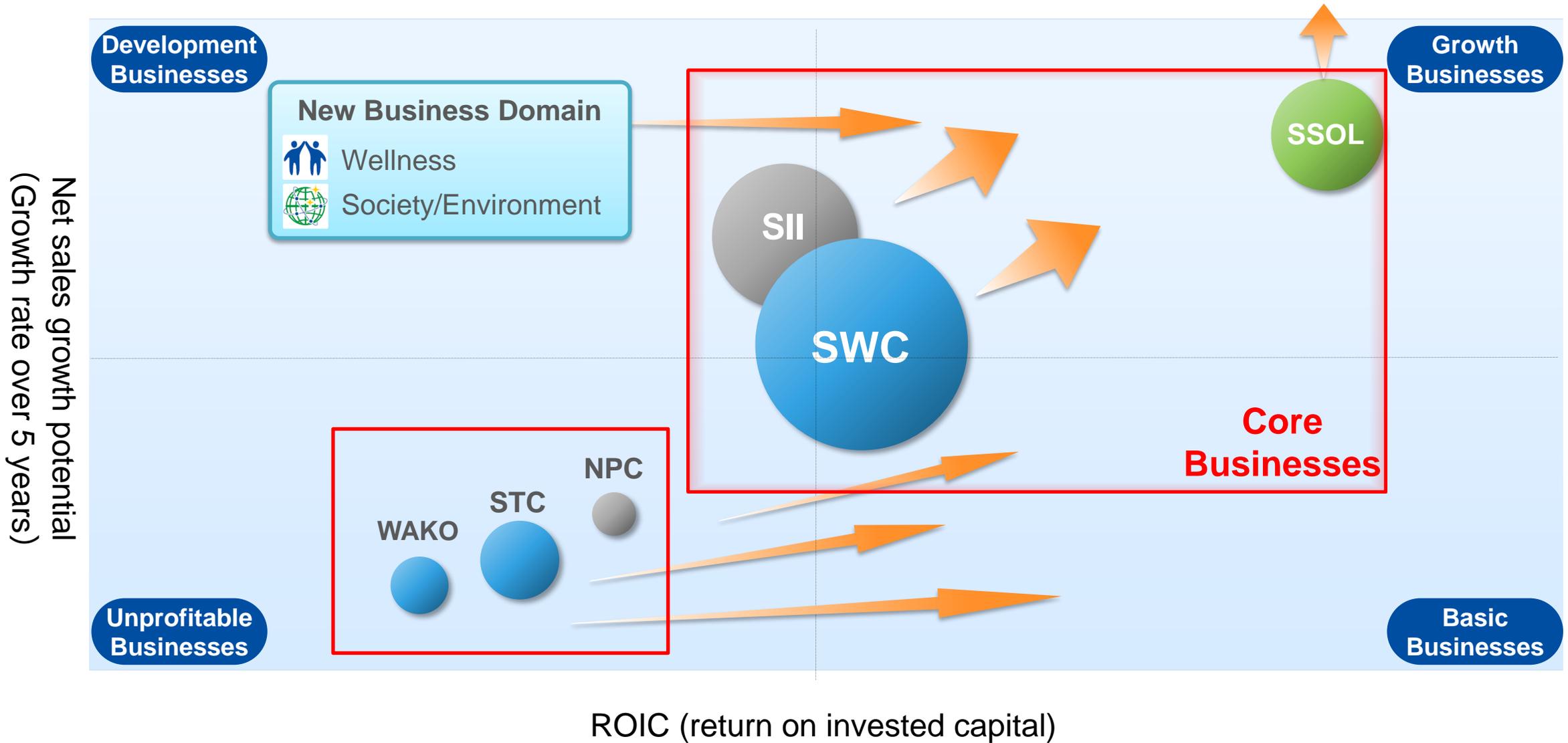
(Technologies) (Markets) (Business models)
Create new businesses from the perspective of **Tech × Data × Model**

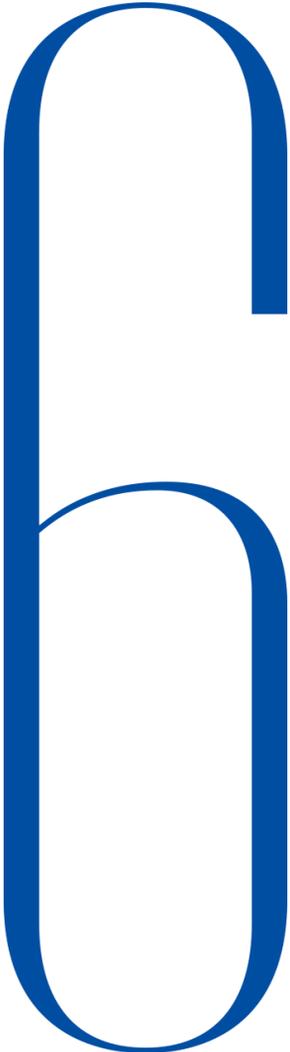


Synergies from connecting areas (businesses) and multiplying strengths



* The size of the bubble represents net sales.





FINANCIAL POLICY AND CASH ALLOCATION

Financial Policy

Cash Allocation Approach

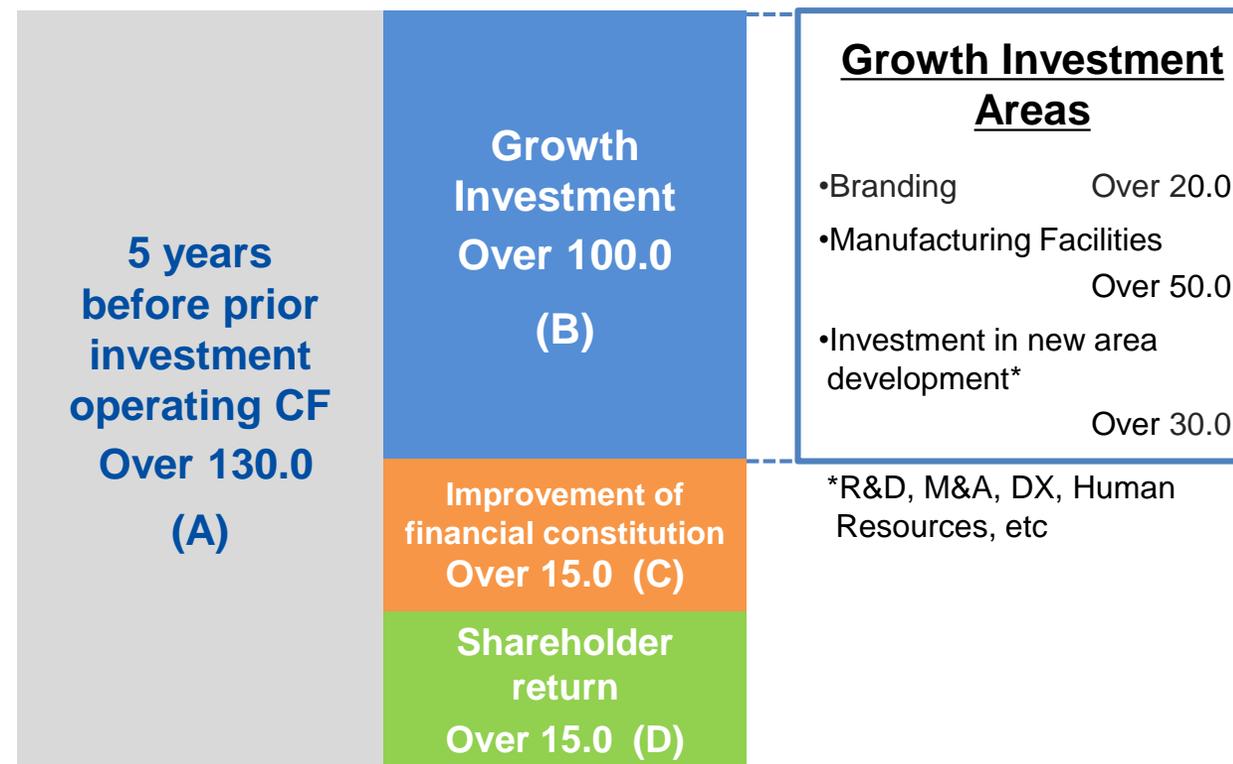
- (A) Increase our growth investment capabilities by improving the gross profit margin
- (B) Make investment to establish sustainability
- (C) Improve the financial constitution based on capital costs
- (D) Shareholder return policy based on capital costs

(B) Investment Policy for Establishing Sustainability

- ✓ Active investment based on sales growth potential and an ROIC
- ✓ Establishment of a stable revenue base
- ✓ Taking on the challenges of new business domains

Cash Allocation

(billions of yen)



Aiming to further increase operating CF before investments to invest in growth, improve financial strength, and further increase shareholder returns.



GROUP-WIDE MANAGEMENT TARGETS

Consolidated Management Indicators (KPI)

Financial Index	FY2026
Consolidated operating profit	18.0 - 20.0 Billion yen
Consolidated gross profit margin (GP%)	+ 5.0 percentage points (compared to FY2021)
Consolidated ROIC (Return on invested capital)*	Over 6.5%

*ROIC = (Ordinary income after income taxes + Interest expense) / (Interest bearing debt + Net assets)

ESG Indicator	FY2026	
Reducing CO ₂ emissions	SCOPE1 · 2	25% down*1
Increased Engagement Score*2		

*1 CO₂ emission reduction rate compared to FY2020

*2 Engagement survey to begin in FY2022

Management Indicators by Domain (KPI)

	FY2026			
	EVS	DS	SS	Cons.
Operating profit	14.5 - 15.0 Billion yen	7.5 - 8.0 Billion yen	6.5 - 7.0 Billion yen	18.0 - 20.0 Billion yen
Gross profit margin (GP%)	+ 5.0% pt. or more	+ 5.0% pt. or more	+ 5.0% pt. or more	+ 5.0% pt.
ROIC	—	—	—	Over 6.5%
MVP ratio (*Growth areas as % of DS domain sales)	60%	60%	73%	—

Appendix

(Appendix) SDG Materiality and Key Actions

WITH	Materiality	Key Actions	SDGs
Well-being A Better Life	Contribute to greater job satisfaction and active participation by diverse individuals	Develop human resources as a pillar of our growth strategy, and work to improve engagement and promote diversity	
	Implement initiatives for respecting human rights	Conduct thorough investigations regarding human rights	
	Promote mental and physical health and achieve social welfare	Develop products to enter medical and healthcare businesses	
	Cultivate and support the next generation	Support the growth and development of the next generation through hands-on events, classes, etc.	
Inclusion For All People	Contribute to the creation of a safe, secure, and inclusive social infrastructure	Create and provide digital solutions to help realize a new age of society, where all people and goods are connected	
	Contribute to a prosperous society through support for culture and sports	Promote sports, music, and cultural activities that enrich people's lives and enhance our corporate value	
	Contribute to local communities	Support activities in local communities that promote social revitalization at all our facilities, both inside and outside Japan	
Trust Certainty and Trust	Provide high-quality products and services that are trusted by society	Develop high-quality, high-added-value products and services by leveraging the strengths of each business domain to increase sustainable business activities	
	Promote responsible procurement and supply chain	Establish and operate a sustainable supply chain management system that addresses social issues, including human rights and the environment	
	Strengthen corporate governance and the compliance structure	Maintain and improve corporate governance and compliance operations based on respect for all relevant laws and regulations	
Harmony Harmony with the Earth	Implement initiatives for climate change and decarbonization	Plan and promotion of reduction measures in line with the SHD Group's long-term goal of reducing CO2 emissions	
	Realization of a recycling-oriented society	Create and expand lineup of environmentally friendly products and services / Promote 3Rs (Reduce, Reuse, Recycle)	
	Coexist and harmonize with nature	Aim for coexistence with nature by increasing activities to conserve biodiversity and natural capital in each of our business locations	

- **Disclosure under the TCFD (Task Force on Climate-related Financial Disclosures)**

Seiko Holdings Group expressed its support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) in October 2021. The Group will disclose information based on the recommendations of the TCFD during FY2022.



- **Approach to International Initiatives**

The Group will actively promote membership in international initiatives such as SBT (Science-based targets), RE100 (Renewable Energy 100%), etc.

■ International initiatives that have expressed endorsement as of May 2022



United Nations Global Compact



The Valuable 500

The Seiko Holdings Group has established and revised three policies: "Procurement," "Human Rights," and "Environment," which support the Sustainability Policy.



• Human Rights Policy

As a key action of the materiality "Initiatives to ensure respect for human rights," establishment of a due diligence system in FY2022, to be operational from FY2023.

• **Revision of compensation system for officers*1**

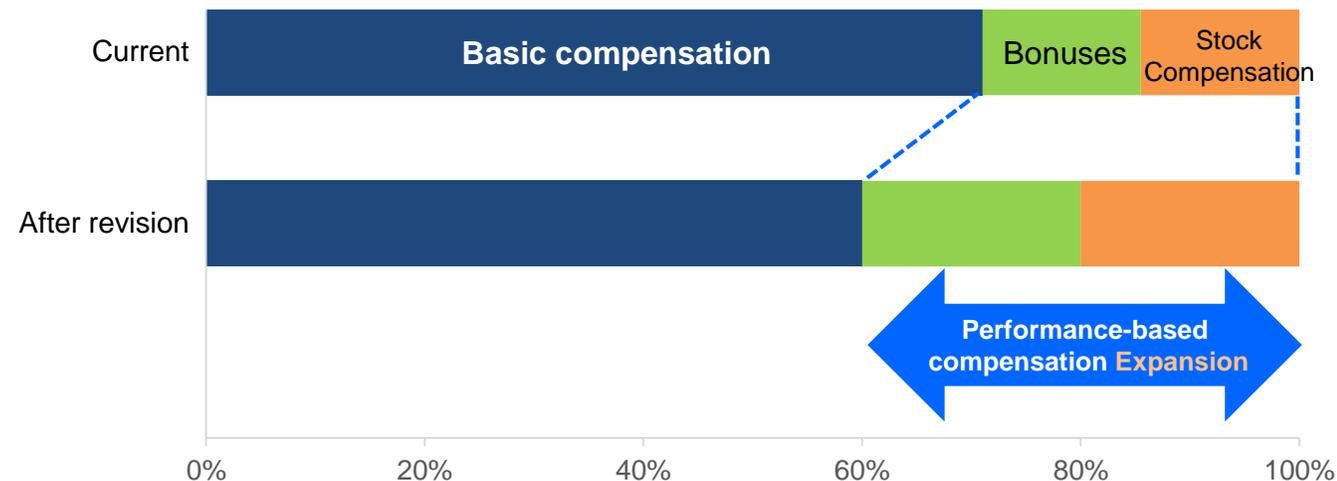
Revise the compensation system for officers to strengthen incentives, ensure competitive compensation levels, and ensure the effectiveness of the mid-term management plan

- ✓ Expand the proportion of performance-based compensation
- ✓ KPIs for performance-linked compensation are linked to KPIs in the mid-term management plan

Consolidated ROIC and non-financial KPIs added as KPIs for performance-based compensation.

*1. To be revised on July 1, 2022

■ In the case of a representative director



• **Increase ratio of outside directors*2**

Increase in the number of outside directors and introduction of the executive officer system increased the ratio of outside directors

Internal directors : -3 persons (from 9 to 6)

Outside directors : +1 person (from 2 to 3)

Ratio of outside directors increases to 1/3

*2. To be formalized following approval at the Annual General Meeting of Shareholders (to be held on June 29, 2022) and the Board of Directors Meeting

*The forecasted results which appear in this presentation 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.

*Numbers are cut off to the unit indicated, unless otherwise specified.



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Sustainability & Backcasting