

Interview with the CEO

Trust from society and a spirit of always being one step ahead of the rest support our growth.



This year was the 138th anniversary of the founding of the Seiko Holdings Group. Over this time, we have seen many changes and hardships, but we also have many achievements. And now, we are heading towards a new goal during a time of great change in the world. I would like to talk about the history of the Seiko Holdings Group and the Seiko brand, as well as our hopes for the future.

**Shinji Hattori**

Chairman & Group CEO  
SEIKO HOLDINGS CORPORATION

**Q.** First of all, what course did the company take from its founding to its period of growth?

**A.** “A Company that is Trusted by Society”  
**This philosophy of company founder Kintaro Hattori has been carried over as our corporate philosophy.**

The founder of our company, Kintaro Hattori, joined an apprenticeship at a clock store in the 1870s, when he was just 13 years old, and his diligence enabled him to learn the techniques required for repairing clocks. This was the start of everything for our company. In 1881, he opened K. Hattori in Ginza. Since no watches were made in Japan at the time, Kintaro purchased western clocks and pocket watches from foreign companies in Yokohama, and sold and repaired them at his store. In 1905, he entered agreements with dealers in Shanghai and Hong Kong, and started exporting to China.

In 1892, he established Seikosha based on his strong desire to manufacture his own clocks. This was how we started manufacturing wall clocks. About 30 years later, the company started production and sales of Japan's first wristwatch, which our founder had long wished to do. This can be said to be the result of Kintaro's spirit of always being one step ahead of the rest.

Kintaro also placed trust above all else. At the time in Japan, it was customary to receive payments only twice a year, but he started paying periodically for a period determined in advance, and this was a major factor in establishing trust. When the Great Kanto Earthquake of 1923 wrought unprecedented havoc, Kintaro reimbursed customers that had pocket watches in for repair with new ones, despite having lost all his company stores and factories. Furthermore, despite having to lay off all 3,000 employees at the time, he actively rehired those people when business was restarted in three months time. We have inherited Kintaro's philosophy of caring about his stakeholders including customers, employees, and business partners, and this is reflected in our spirit of “Always one step ahead of the rest” as well as our corporate philosophy of “A Company that is Trusted by Society.”



Kintaro Hattori, the founder



Laurel, the first wristwatch made in Japan



Pocket watches sent in for repair that were destroyed by fire due to the Great Kanto Earthquake of 1923

**Q.** What has supported company progress from the end of the World War II until the present day?

**A.** Being the official timer of the Tokyo Olympic Games in 1964 and developing quartz wristwatches lead to global recognition and deploying precision technologies in new segments enabled us to achieve global growth.

The most significant epoch-making event of our group was being selected as the official timer of the Tokyo Olympic Games in 1964. Our advanced stop watch technologies were recognized and we adopted electronic clock systems that enabled us to achieve zero complaints regarding the finishing order of swimming and athletics events. This was when the world recognized the Seiko brand. We later served as official timer of five other Olympic Games at Sapporo, Barcelona, Lillehammer, Nagano, and Salt Lake City, and have also been in charge of the IAAF World Athletics Championships since 1985. In 1969, we developed and launched the world's first quartz wristwatch, which transformed the global watch market. We have continued to develop various revolutionary products to always stay ahead of the competitors. The delicate design and manufacturing technologies we cultivated were then deployed in other precision devices from the 1960s, and have been carried over into today's Electronic Devices and Systems Solutions Businesses, where we develop products for a wide variety of fields that utilize cutting-edge technologies. We have had our eye on the overseas market from an early age. After starting exports to China at the beginning of the 1900s and establishing a manufacturing location in Hong Kong 50 years ago, we have continuously expanded our overseas sales and now sell our products in a hundred and some tens of countries. We have promoted globalization by building a supply chain stretching across the world, which has enabled us to achieve our current position.



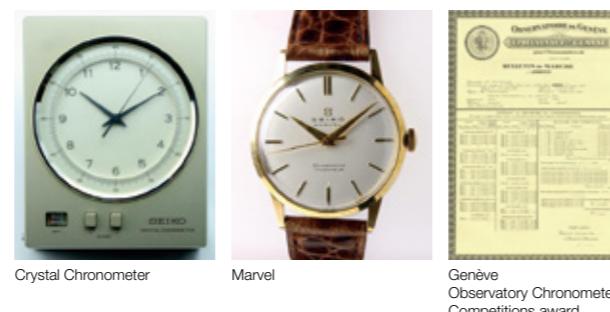
Hattori with IAAF president Sebastian Coe

**Q.** What are the strengths that have supported Seiko's ability to grow?

**A.** The reason that we have been able to become globally recognized and achieve such steady growth is due to three strengths: our technology, brand, and ability to propose solutions.

● Refined craftsmanship and cutting-edge technologies

Our strengths are supported by engineers and remarkable technological ability. We have built a world-leading brand by combining craftsmanship and cutting-edge technologies. I would like to talk about two stories that represent the amazing technological ability that led to Seiko being recognized throughout the world. From the late 1950s, manufacturers in Switzerland competed fiercely to make clocks with higher and higher precision, and the Observatory Chronometer Competitions were held to see who was the most accurate. We worked towards entering the Competitions with extraordinary enthusiasm, and after dominating Japanese competitions with the development of our first in-house designed model in 1956, "Marvel," we were also able to dominate the field of mechanical clocks at the Observatory Chronometer Competitions in 1968. Another major achievement was developing a quartz watch ahead of the rest of the world. We made efforts to achieve quartz watches from an early stage, and were able to develop and release the world's first quartz watch in 1969. Even more importantly, our predecessors released the patented technology they developed to the world. This lead to the dramatic popularization of quartz watches and greatly contributed to progress in power saving technologies in the entire electronic device industry.



As a matter of fact, Seiko has many unique and leading products that were world firsts or the highest quality in the world. The world's first television watch enabled by high precision technology, a wristwatch computer, and Spring Drive are only a few examples of our products that were world firsts. These were all created by electronics and craftsmanship and achieved by mastering "Craftsmanship, Miniaturization, and Efficiency". Our engineers also developed and provided order entry systems and payment terminals for the food service industry, and I believe that this was possible thanks to them going one step ahead of the rest and incorporating soft and hard elements according to the times.

● Brand power recognized by the world

I believe that the Seiko brand is a brand supported by advanced technical ability and trust accumulated over more than 130 years. I think that more than anything else, people expect products to not break, deviate, or betray them. Our products promise to not break, deviate, or betray our customers under environments that are harsh, if somewhat limited, such as in sports that compete in the range of hundredths of a second and deep or long ocean dives, and I believe that our customers can trust our brand because we are specialists that are always one step ahead of the rest. Furthermore, we are currently working on making the Grand Seiko brand known worldwide as a fine product with craftsmanship. In the past, our brand stood for quality that ensured accuracy and durability. Now people want things that are beloved, playful, and impressive. A brand requires something to excite stakeholders and in order to achieve this, it is extremely important for our employees to also feel emotion. We are currently deploying a branding strategy that provides exciting and joyful emotions via sports and music. Although precise information to

support society is of course important, we will aim for a brand that is more entertaining and vibrant. Our corporate slogan of "Seiko Moving ahead. Touching hearts." is one aspect of this. "Moving ahead" refers to technological innovations such as quartz, and "Touching hearts" refers to emotions and familiarity. This was actually chosen based on an in-house appeal for ideas that I myself proposed. The lyrics of this slogan song also incorporate ideas from all of our employees and was completed with my addition of music. I believe that it is very important that we ourselves make ideas and proposals in this way.

● Ability to propose solutions by utilizing cutting edge technologies and ideas

Another strength that supports our growth is the ability to propose solutions by deploying precision machining technologies in new fields. Utilizing these in Electronic Devices and Systems Solutions Businesses contributes to technological innovation in the fields of automobiles and medicine. We will continue to utilize our spirit of "Craftsmanship, Miniaturization and Efficiency" to develop technologies and products in cutting-edge fields. On the other hand, we also deliver satisfaction to our customers by making proposals that meet their needs, such as our Wako upscale specialty store and system clocks that tell people the time in towns and places where people gather.



Announcement of opening Seiko Dream Square

**Q.** What ideas are incorporated in the long-term vision?

**A.** We aim to be a global brand, the Seiko of the world, in order to achieve our biggest goal of being “A company with a dream.”

We aim to achieve our ideal form for the company in fiscal year 2025 based on our long-term vision of “We aim to be a global corporate group that shares excitement with all our stakeholders around the world.” Traditions are created by continuous reforms. We are able to continue our business today only because we have continued it up until now. For example, there are stories of parents passing down watches to their children. I believe this is an example of brand power that transcends generations. I hope that we can continue to grow like this heading



towards our 150th and 200th anniversaries. These ideas are incorporated in our long-term vision.

The world around us is currently shifting from an information society and digital society to Society 5.0. I hope that we can instead make efforts around the world to enhance the emotional value that a watch and a clock has on the human heart. This is also an opportunity for us. On the other hand, we need to continue making proposals in the fields of Electronic Devices and Systems Solutions in order to shape the future. I believe that a combination of both of these things is what it means to be Seiko. In particular, the Systems Solutions Business is now at an opportune moment for tremendous growth. Recent years has seen increased recognition regarding

the 17 SDGs (Sustainable Development Goals) for achieving a sustainable world. These goals are highly compatible with our spirit of prioritizing reliability and durability, which enables products to be used for a long time without breaking. I believe that sustaining growth via initiatives to achieve these goals is also something that we must aim for. Our company has long made efforts to expand opportunities for women and promote green activities for co-existence with the environment, and we also continue to hold events for reconstruction from the Great East Japan Earthquake. Anticipation for our brand and being loved for social contribution. I hope that we can aim to be a benevolent company that is trusted in terms of everything, including our technologies, products, and social activities.

The world is now moving at a fantastic speed. Although it is important to adapt to these changes, our most important goal is to become “A company with a dream.” Becoming a leading global player by 2025. We aim to be a global brand, the Seiko of the world. This is not necessarily about our scope of sales, and can also be, for example, improving our brand recognition as a high-class luxury brand that equals Grand Seiko. I believe that the idea of adapting to the market and a spirit of being ahead of the rest involves producing both what the market desires and what the next generation requires.



Briefing session for 7th Mid-Term Management Plan

**Q.** In conclusion, what is your vision for company stakeholders?

**A.** We will aim to grow the Seiko brand stronger and more beloved in order to become a corporate group that the world expects us to create the future.

We will continue to grow and pursue our corporate philosophy of “A Company that is Trusted by Society.” Together with all of our stakeholders, we will grow the Seiko brand into one that is stronger and even more trusted and loved around the world than ever before and aim to become a company with a dream that our stakeholders can be proud of. I hope that together we can be a company that the world expects us to create the future.” In order to achieve this, we will take up challenges over the world in various fields of business including the Watches Business, and cultivate sophisticated human resources to achieve these goals so that we can be a corporate group that many people around the world have high hopes for.

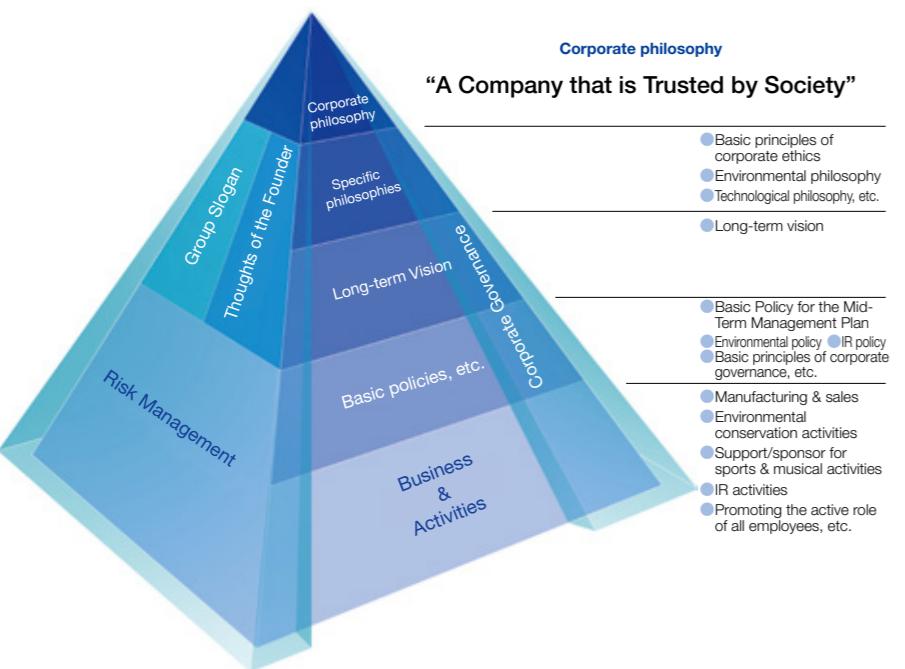


## Message from the President

# Aggressive approach aiming to achieve our ideal form for 2025



**Yoshinobu Nakamura**  
President  
SEIKO HOLDINGS CORPORATION



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.

### Introduction

#### Embodying "A Company that is Trusted by Society" by pursuing the "Seiko-like"

The Seiko Holdings Group conducts business activities based on our corporate philosophy of "A Company that is Trusted by Society."

We create the value expected of the Seiko Holdings Group via business activities based on this corporate philosophy and provide that value to our stakeholders in order to contribute to sustained social development and achieve improved corporate value.

We promote these business activities based on robust governance, basic policies, and methods such as risk management, as well as by sharing a long-term vision and philosophies including the basic principles of corporate ethics with all our employees.

Our group often uses a phrase called the "Seiko-like." Stakeholders also make frequent mention of this "Seiko-like" in regard to our products and services. One thing

that expresses this "Seiko-like" is our stance regarding manufacturing, particularly that of watches and clocks. We believe that the role of watches and clocks is not only to convey accurate time. For example, Grand Seiko that represent our company include mechanical movements with a precision that exceeds Swiss chronometer standards, and they use various movements such as quartz movements and Spring Drive, which is a unique Seiko mechanism. On the other hand, the affordable Seiko 5 boasts popularity both in Japan and overseas that remains unchanged since it was released back in 1963. Although the situations and thoughts behind the need for a watch may

vary from person to person, the "Seiko-like" expresses our history of careful development to ensure that people feel a sense of joy when they wear a watch or feel that they would like to gift their loved ones with a watch. Another aspect of the "Seiko-like" is the fact that we continue to pursue further miniaturization, high precision, and low power consumption technologies originally born from our watch manufacturing business. I believe that our stance of sincerely meeting various expectations common to all business activities is the "Seiko-like" that embodies our corporate philosophy of "A Company that is Trusted by Society."

#### Formulating the 7th Mid-Term Management Plan Aiming to win with an aggressive approach to achieve our long-term vision

In formulating the 6th Mid-Term Management Plan, the Seiko Holdings Group defined a long-term vision for the 10 years from 2016. The long-term vision included not only meeting the expectations of our stakeholders, but also the idea of becoming a company that can deliver emotions that exceed those expectations. In order to achieve this, we worked on "Strengthening Profitability and Investing for Growth" and "Reinforcing the Management Foundation" but we were unable to achieve the numeric target for "Strengthening Profitability and Investing for Growth" due to factors such as the rise of wearable watches and the Amazon effect in the global market, variation in demand from visitors from overseas to Japan as well as drastic changes in the external environment such as a slowdown in growth in the Chinese economy. Despite this situation, we refined and promoted the Global Brand strategy for the Watches Business. As a result of promoting five brands positioned as strategic brands for global expansion, such as the overseas expansion of Grand Seiko that is already established in Japan as a luxury watch, expanded domestic sales of Seiko ProspeX that has grown thanks to the support of fans overseas, and a strengthening of the world's first GPS solar watch, Seiko Astron, which created a new market upon its worldwide launch in 2012, we were able to see a steady rise in performance such as an increase in the weight of mid-high price watches.

We started our 7th Mid-Term Management Plan based on the above results with this fiscal year as the first year. In the 7th Mid-Term Management Plan, we will continue to aim to achieve our long-term vision.

Although the positioning of the previous mid-term management plan was "Continuing organizational reform to take on the aggressive approach," the positioning of the coming three years shall be "Aggressive Approach" as we believe the required preparations have been made.

We of course aim to "win" as a result of this aggressive approach. In order to do so, we will first enhance our branding investment in order to accelerate expansion in our overseas business. We will also actively challenge to new business fields as well as expand our fields of expertise, via development and M&A investment. In addition to marketing investment, we also plan to focus our strength on the development of high added-value products and services that lead to improved brand value more than ever before. On the other hand, we will also improve our corporate value via synergy within our group, and promote a management strategy with a long-term point of view in order to improve the organizational capacity of our company. We will also promote such initiatives to accomplish revolutionary transformation in all of our businesses so that we can continue to grow in any environment, thanks to our ability to propose solutions based on the "spirit of Seiko."

### Long-term vision

"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."

### 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."

### 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."

**Policies by Segments****Aiming to be a major global player via enhancement and expansion of our main businesses**

Now I would like to discuss our 7th Mid-Term Management Plan for each segment. In the Watches Business, we started the Global Brand strategy from the first fiscal year of the previous mid-term management plan, and Global Brands grew greatly in those three years, particularly Grand Seiko, luxury watches and Seiko Prospex, sports watches. Working to further reduce costs also led to steady results in the Watches Business, including improved profitability. In the next three years, the Watches Business will see Seiko grow towards a true global brand that is ahead of the rest with cutting-edge technologies, expert craftsmanship, and a uniquely Japanese sense of beauty, and is set to become a major player in the world watch market looking ahead to the year 2025. With the Global Brand strategy as our growth engine, we will further accelerate our strategy to accomplish revolutionary transformation, while also expanding sales both in Japan and overseas, particularly in the United States and Asia.

The Electronic Devices Business saw slower growth in some products due to a slowdown in the Chinese market, but our profitability remained stable as a result of expanded sales in our fields of expertise, elimination of unprofitable businesses, and cost reductions. In the 7th Mid-Term Management Plan, we will further enhance our strengths of "Craftsmanship, Miniaturization and Efficiency" and promote selection and concentration in order to shift focus to important products that target growing markets and our fields of expertise.

The Systems Solutions Business saw the addition of IIM Corporation, a company that deploys security solutions and performance management for IT systems, to our subsidiaries, as well as steady growth during the previous mid-term management plan via increased sales in new fields of business and expansion in stock business. The 7th Mid-Term Management Plan will continue expansion of our stock business while also aiming to expand our business and build a business structure that is resilient to environmental changes, via diversification including the utilization of M&A. In addition, we will reform behavioral patterns and both power up and shape up our organization.

The Clocks/Wako/Time Systems Business has a long history of supporting the development of Seiko, and still retains links with many of our stakeholders, making it truly positioned as a legacy business. This business will continue to play a role in improving the value of our brand

and the Tokyo Olympics/Paralympics held in 2020 will be an opportunity for it to pursue further globalization.

In regard to new research and development, we will strive to develop new high-end movements, new materials, and connected modules via active investment, in order to achieve a shift to high-end, high-added value products. Furthermore, we will focus on the research and development of new products, new materials, and new technologies for growth markets in not only the Watches Business, but also the Electronic Devices Business and Systems Solutions Business.

**Corporate****Enhancing our management foundation via branding, human resources, and financial strategies**

We will enhance our branding, human resources, and financial strategies in order to strengthen our management foundation. Our branding strategy involves further boosting our image as a dynamic company by strengthening our fields of sports and music while actively promoting digital communications and events for younger generation, as well as continuing to invest in improving our corporate brand value in the medium to long-term.

Our human resources strategy involves 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.

Our financial strategy involves aiming to 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. We will also aim for continuously improving equity capital ratio by accumulating profit, and maintaining stable dividends.

**Efforts for achieving SDGs****Working on solving social problems as if it was our obvious mission**

The 7th Mid-Term Management Plan continues to promote efforts for achieving the SDGs. The Seiko Holdings Group aims to share excitement with all our stakeholders around the world via products, quality and service, and we believe that it is our rightful mission to do so while solving social problems as a company that is trusted by society.

Wristwatches are products that require a high level of durability and shock resistance, even when compared to other precision devices. As a result of focusing our efforts on this for long years to ensure the satisfaction of our customers, our basic approach of product development was born, which is making products that never break and products that can be used for a long time. Our basic stance for achieving the SDGs is rooted in achieving such customer satisfaction and handling limited resources preciously.

The production of watches and clocks requires an environment with clean air and clear water. We have been involved in environmental conservation activities from an early age, and in regard to the rising awareness and requirements regarding global environmental problems in recent years, we strongly recognize environmental considerations from a lifecycle perspective and wish to contribute to the resolution of social problems via the creation of new technologies, new products, and new businesses.

In addition to environmental conservation activities, we have also long promoted the active participation of women in the workplace and currently promote measures to ensure that all of our employees can play an active role. The new mid-term management plan continues to focus and enhance/expand on the five key points of gender equality, clean water and sanitation, affordable and clean energy, responsible consumption and production, and climate action, and we will continue to consider other issues that we can contribute to and expand our activities to tackle the 17 goals given as SDGs.

**To our stakeholders****Striving to be a company that shares excitement with all of our stakeholders**

We will do our best to achieve this new mid-term management plan. For our customers, we will strive to provide products and services that exceed their expectations. For our shareholders and investors, we will further improve our corporate value and maintain stable dividends in order to ensure that you will retain our shares in the long term. We hope that you will all continue to have high expectations for the growth of the Seiko Holdings Group as we strive to be a company that shares excitement with all of our stakeholders.

