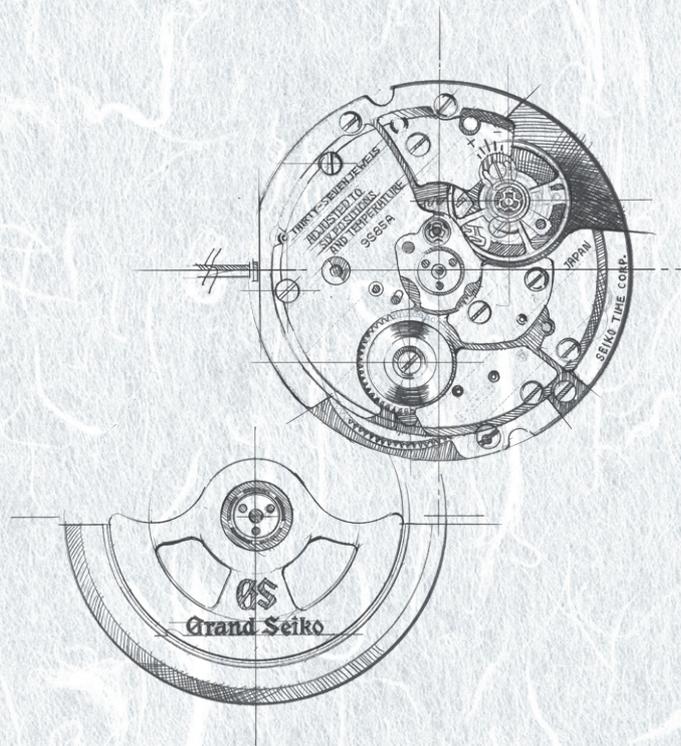


# SEIKO

SEIKO HOLDINGS GROUP

## VALUE REPORT 2019



## A Company that is Trusted by Society

Offering high-quality products and services with the consistent emphasis placed on a customer-oriented approach.

Further enhancing the value of the Seiko brand that has been nurtured by its customers.

Further improving management transparency and fairness and focusing on environmental concerns.

## Accelerating growth with an aim to become a leading company in the global market

For 138 years, the Seiko Holdings Group has moved through history together with its corporate philosophy of “A Company that is Trusted by Society.”

From this fiscal year, we now start our 7th Mid-Term Management Plan based on our long-term vision. For the next three years, we aim to win by stepping up investment for future growth.

Due to increased awareness in recent years concerning corporate accountability and contribution to the resolution of social problems, the Seiko Holdings Group has created this Value Report in order to comprehensively explain our philosophy and vision that were previously conveyed via corporate reports and our website, as well as the business activities and environmental, social, and governance activities based on that philosophy and vision, with a particular focus on the value creation process mentioned in our 7th Mid-Term Management Plan.

We hope that this Value Report will enable all of our stakeholders including our shareholders and investors to deepen their understanding regarding our efforts for sustained value creation and our concept of contributing to the resolution of social problems via our business.

This Value Report was created with the collaboration of various departments of the Seiko Holdings Group, based on the “International Integrated Reporting Framework” of the IIRC (International Integrated Reporting Council), the “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation” of the Ministry of Economy, Trade and Industry, and the opinions of our stakeholders.

We will work on enhancing the content of this Value Report based on your opinions so that it can be an effective tool for promoting dialog with all of our stakeholders.

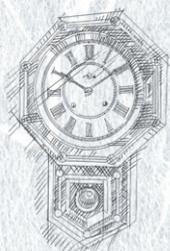


# CONTENTS

P.02

## History of Value Creation

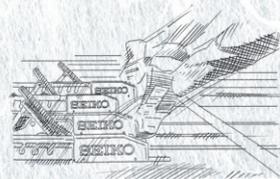
- P. 02 History of the Seiko Holdings Group
- P. 04 Three Strengths of the Seiko Holdings Group
- P. 06 Value Creation Process of the Seiko Holdings Group
- P. 08 Global Expansion
- P. 10 At a Glance
- P. 12 Financial/Non-Financial Review
- P. 14 Nine-Year Financial/Non-Financial Table



P.36

## Foundation Supporting Value Creation

- P. 36 Research and Technological Development
- P. 40 Branding Strategies
- P. 42 Human Resources Strategies
- P. 44 Corporate Governance
- P. 51 Corporate Ethics/Compliance
- P. 52 Risk Management
- P. 54 Social Contribution Activities
- P. 56 Environmental Activities



P.16

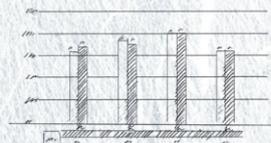
## Value Creation Towards 2025

- P. 16 Interview with the CEO
- P. 22 Message from the President

P.58

## Financial Information

- P. 58 Consolidated Balance Sheet
- P. 60 Consolidated Statement of Income
- P. 61 Consolidated Statement of Cash Flows
- P. 62 Segment Information



P.26

## Value Creation in Business Activities

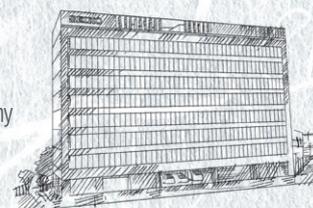
- P. 26 Watches Business
- P. 30 Electronic Devices Business
- P. 32 Systems Solutions Business
- P. 34 Clocks/Wako/Time Systems Business



P.64

## Company Information

- P. 64 Overview of Company
- P. 65 Information about Shares



Scope of Reporting  
Seiko Holdings Group including Seiko Holdings Corporation, its subsidiaries, and affiliates

Target Period  
April 1, 2018 to March 31, 2019 (including some activities from April 2019)

Forward-looking Statements  
Forecasts of future earnings performance in this document are based on information currently available to the Company and certain reasonable assumptions.  
Actual results may differ materially from these forecasts due to a range of factors.

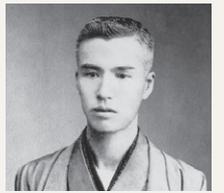
More detailed information regarding financial information not included in this report and corporate governance information can be found on our website.  
<https://www.seiko.co.jp/en/>



# History of Value Creation

## History of the Seiko Holdings Group

The spirit of our founder from more than 130 years ago has been inherited to create a new future for society.



Kintaro Hattori, the founder

**Company established 1881**



**1892**  
Started manufacturing wall clocks



**1913**  
Launched the first wristwatch made in Japan, Laurel

**1960**

Launched Grand Seiko, the wristwatch achieved the world's highest standard in accuracy



**1894**  
First clock tower in Ginza



**1932**  
Completed construction of current clock tower in Ginza



**1964**  
Official timer of the Tokyo Olympic Games (later serving as official timer of five other Olympic Games)



**1970**  
Installed the world's first radio-controlled clock system at the Osaka Expo



**1985**  
Launched the world's first automated ordering system for the restaurant industry



**1983**  
Launched the world's first wristwatch with computer



**1982**  
Developed thermal printer mechanisms



**1984**  
Launched Pyramid Talk, the talking clock



**1988**  
Launched the world's first automatic power-generating quartz watch (later renamed as Kinetic)



Developed precision turned parts for automobiles  
Developed components for hard disk drives



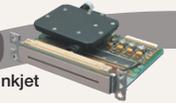
**1999**  
Launched the world's first Spring Drive watch



**1999**  
Started CREPiCO, Japan's first wireless credit card payment service



**2000**  
Developed inkjet print head



**1999**  
Launched a high-precision standard time server



**1987**  
Official timer of the IAAF World Athletics Championships in Rome (ongoing)





**2002**  
Started time stamp service



**2005**  
Developed mercury-free silver oxide battery



**2012**  
Launched the RP-E10, the smallest and fastest POS printer in the industry

**2013**  
Launched wireless router supporting LTE/3G



**2009**  
IAAF World Championships in Athletics Berlin



**2012**  
Launched Seiko Astron, the world's first GPS solar watch

**2014**  
Grand Seiko Hi Beat GMT wins prize at Grand Prix d'Horlogerie de Genève



**2017**  
Ultra compact/ultra lightweight mobile printer for business use



**2016**  
Started LINK TO ordering link service for the food service industry



**2019**  
IAAF World Championships in Athletics Doha



**2014**  
Launched the Space Link, the world's first satellite radio wave clock for home use

**2018**

Prospex wins prize at Grand Prix d'Horlogerie de Genève



**Systems Solutions Business**

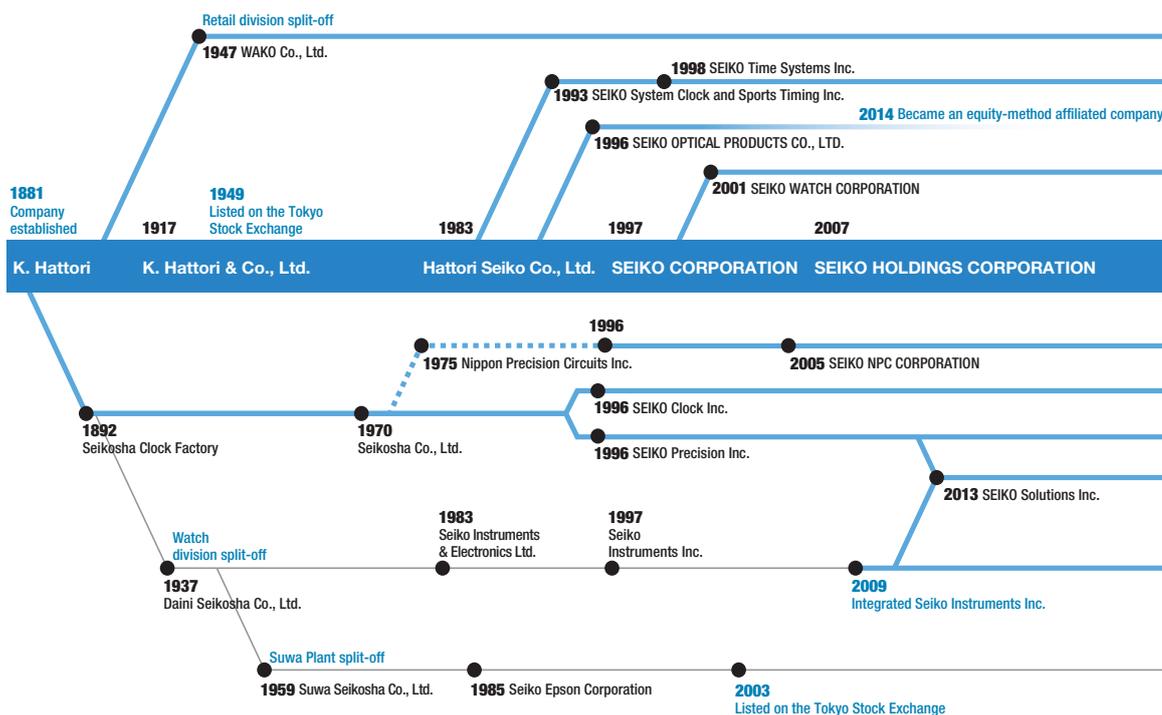
**2019**  
Developed Seiko Block Cam new clock service material



**Electronic Devices Business**

**Watches Business**

**Clocks/Wako/Time Systems Business**



## History of Value Creation

Three Strengths of the Seiko Holdings Group

We continue to create value by wielding three strengths born from technical ability and sensitivities accumulated over long years.

## Technology

cultivated via watch manufacturing Technological capability born from our spirit of "Craftsmanship, Miniaturization, Efficiency" creates further innovation

## Brand

trusted by the world Incomparable brand power obtained by continuously providing high-quality products and services

## Solution

for everything from manufacturing to experience creation Proposing thorough and total solutions from the perspective of our customers



Hospitality and ability to propose products



Ability to propose designs that focus on user-friendliness



Reliable quality



Customer support via a global network



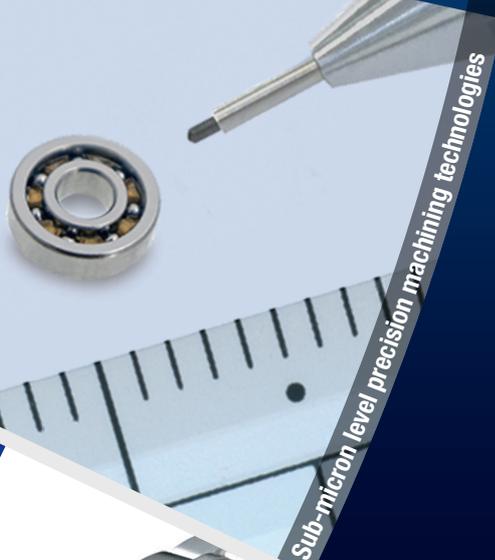
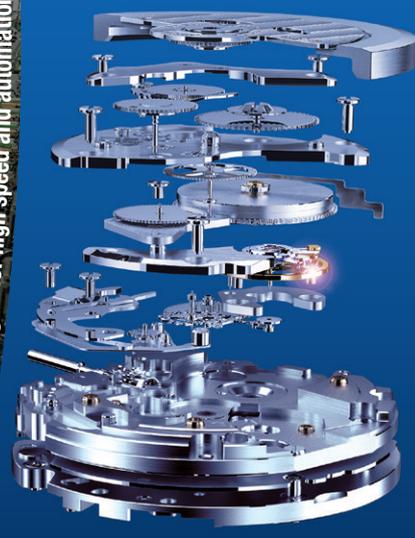
Advanced solutions with a combination of soft and hard factors



Technologies for assembling small items



Mass production technologies for high speed and automation



Sub-micron level precision machining technologies



Design technologies for precision mechanisms



Trust built up over a long history



Basel World 2019



A refined dignity

A true global brand

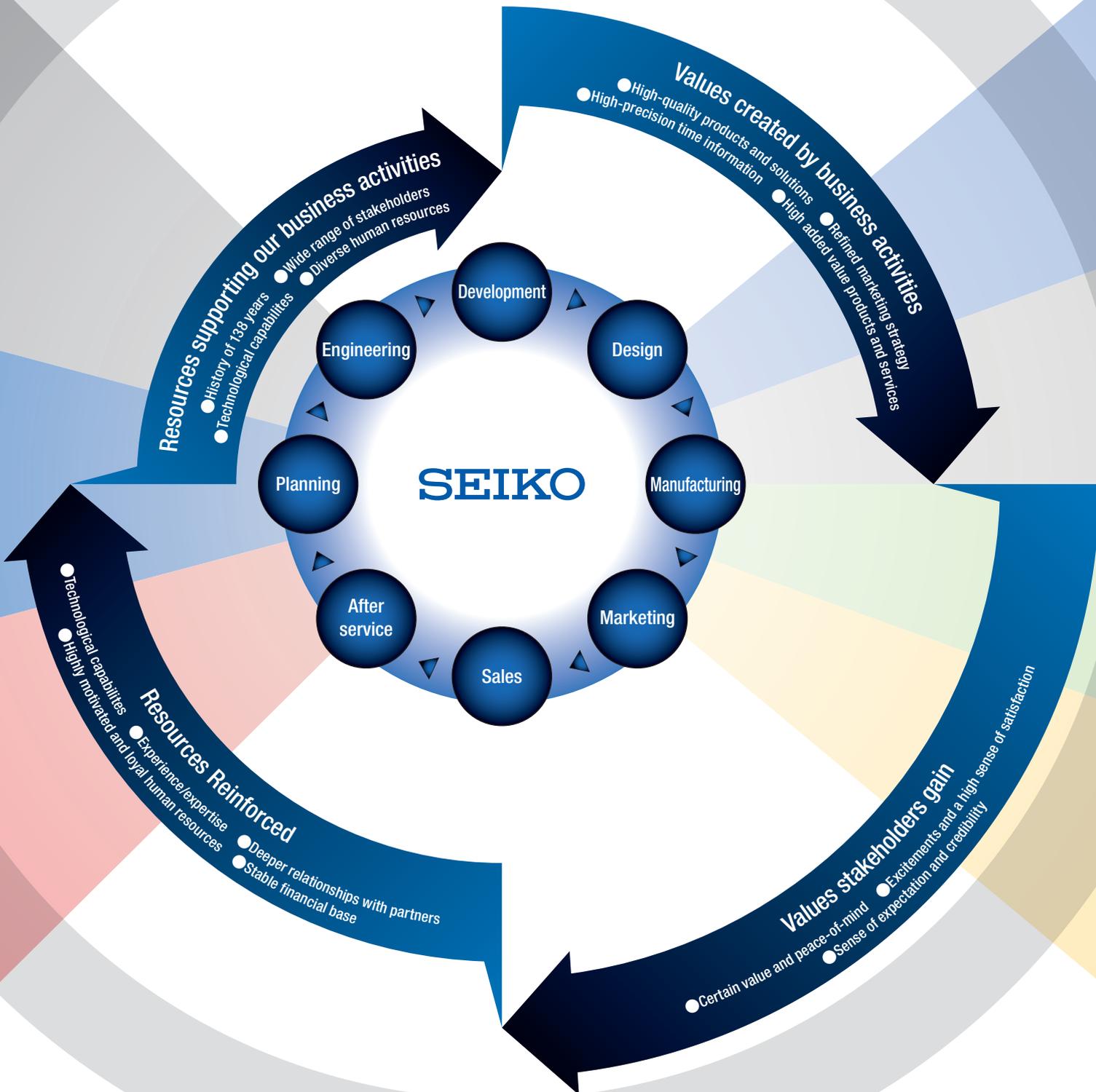


A pride in supporting challenges based on trust

## History of Value Creation

### Value Creation Process of the Seiko Holdings Group

We utilize outstanding technologies, brands, and solutions that have created traditions in order to provide our customers and society with new excitements and joy.





## Value provided to customers and society

### Connecting to the future with reliable quality

Visibility, robustness, and durability

### Products with sensibility

Providing the joy of holding, wearing, and giving

### Achieving high-density mounting

Compact, energy-efficient, and highly functional products

### Digital transformation

Providing efficiency, convenience, safety and security, reduced costs, improved quality, and reduced environmental impact

### Millisecond precision

Providing emotions via sports and music that connect people

# History of Value Creation

Global Expansion (as of March 31, 2019)

## A global brand established over the world

### Europe / Africa

Net sales ratio by region: **9%**  
 No. of group companies: **5**

### Asia / Oceania / Middle-East

Net sales ratio by region: **27%**  
 No. of group companies: **21**

### History of Global Expansion

#### Sales

Established in 1881

#### Manufacturing

1913: Shanghai  
Local office established

1968: Hong Kong  
Hattori (H.K.) LTD.\*1

1968: Hong Kong  
Precision Engineering Ltd.\*2

1970: U.S.A.  
SEIKO TIME CORPORATION\*3

1971: United Kingdom  
Seiko Time (U.K.) LTD.\*4

1972: Germany  
Seiko Time GmbH\*5

1973: Singapore  
Singapore Time Pte. Ltd.\*6

1974: Taiwan  
HO CHIEN Trading Ltd.\*7

1977: Australia  
Seiko Service Centre (Australia) Pty. Ltd.\*8

1977: Panama  
Seiko Time (Panama) S.A.\*9

1981: U.S.A.  
Seiko Instruments U.S.A., Inc.

\*1 Currently SEIKO Hong Kong Ltd. \*2 Currently Seiko Instruments (H.K.) Ltd. \*3 Currently Grand Seiko Corporation of America and Seiko Watch of America LLC  
 \*4 Currently SEIKO U.K. Limited \*5 Currently SEIKO Deutschland Branch of SEIKO U.K. Limited \*6 Currently Seiko Instruments Singapore Pte. Ltd.  
 \*7 Currently SEIKO Taiwan Co., Ltd. \*8 Currently SEIKO Australia Pty. Ltd. \*9 Currently SEIKO Panama, S.A. \*10 Currently Seiko Instruments Taiwan Inc.  
 \*11 Currently SEIKO France S.A.S. \*12 Currently SEIKO Precision (Thailand) Co., Ltd. \*13 Currently SEIKO (Thailand) Co., Ltd.



## Japan

Net sales ratio by region: **57%**  
 No. of group companies: **26**



Seiko Holdings Corporation  
 Seiko Watch Corporation



Seiko Instruments Inc.  
 Seiko Solutions Inc.

Grand Seiko Corporation of America



Grand Seiko Boutique  
 (Beverly Hills, Los Angeles)



Seiko Boutique  
 (New York)



SEIKO Australia Pty. Ltd.



## North / Central / South America

Net sales ratio by region: **7%**  
 No. of group companies: **5**

1983: Germany  
 Seiko Instruments GmbH

1984: Taiwan  
 Seiko Precision Co., Ltd.\*10

1986: France  
 Compagnie Generale Horlogere S.A.\*11

1986: Netherlands  
 SEIKO Nederland B.V.

1987: Singapore  
 Asian Electronic Technology Pte. Ltd.

1988: Thailand  
 SEIKOSHA (THAILAND) CO., LTD.\*12  
 Seiko Instruments (Thailand) Ltd.

1988: Hong Kong  
 SEIKO CLOCK (Hong Kong) Ltd.

1991: Thailand  
 MUANG THONG SEIKO LTD.\*13

2006: P.R.China  
 SEIKO Watch (Shanghai) Co., Ltd.

2005: P.R.China  
 Seiko Instruments (Shanghai) Inc.

1989: P.R.China  
 Dalian Seiko Instruments Inc.

1989: Malaysia  
 Instruments Technology (Johor) Sdn. Bhd.

2007: India  
 SEIKO Watch India Private Limited

2008: Russia  
 SEIKO RUS Limited Liability Company

2011: P.R.China  
 SEIKO CLOCK (Shenzhen) Co., Ltd.

2018: Italy  
 Seiko Italia-  
 sede secondaria italiana di Seiko France SAS

2006: P.R.China  
 Seiko Instruments Technology (Shanghai) Inc.

2002: P.R.China  
 Guangzhou SII Watch Co., Ltd.

1990

2000

2010

## At a Glance

### Watches Business



### Description of Business

The core business of the Seiko Holdings Group. With our brands such as Seiko, Grand Seiko, and Credor, we have remained one of the few manufacture d'horlogerie (full-scale manufacturers) in the world that consistently engages in parts production, assembly, and adjustment, and we sell watches manufactured by Group companies in Japan and overseas to places all over the world. We also operate watch retailers in Japan and sell watch movements (components) globally.

**Main Operating Companies** ● SEIKO WATCH CORPORATION ● Seiko Instruments Inc.

### Main Products and Services

#### Completed watches

#### Watch movements

### Electronic Devices Business



We manufacture and sell mechatronics devices and printer devices born from our history of watch development and manufacturing. We support the advancement of society and industry by providing precision components that compete with sub-micron precision as well as printer devices that provide the core components of industrial inkjet printers and thermal printers, and we boast the world's leading share of products such as integrated circuits for crystal oscillators and micro batteries.

**Main Operating Companies** ● Seiko Instruments Inc. ● SEIKO NPC CORPORATION

#### Mechatronics Devices

- Micro batteries/chip capacitors
- Crystal oscillators
- Integrated circuits for crystal oscillators
- Integrated circuits for sensors
- High-performance metal products
- Rare earth magnets
- Hard disk drive components
- Automobile parts
- Other precision turned parts

#### Printer Devices

- Inkjet print heads
- Thermal printer mechanisms
- POS printers ● Mobile printers

### Systems Solutions Business



We provide various solutions by products and services related to the information network systems and data services to support the age of IoT. We also provide one-stop optimal solutions from consultation at the initial stage to system construction and operation managements to meet the customer's wide requirements such as security for complex systems and improvement of productivity at offices and work sites.

**Main Operating Companies** ● SEIKO Solutions Inc.

- Wireless communication equipment
- Information network systems
- Data services
- Computer performance management software

### Others



As Others, the Clocks Business that provides everything from planning and production to after-sales services, the Wako Business that handles the Wako upscale specialty store that is a landmark in Ginza and provides high-quality services and products, the Time Systems Business that handles sports timing devices and system clocks used at public facilities and sports stadiums.

**Main Operating Companies** ● SEIKO Clock Inc. ● WAKO Co., Ltd. ● SEIKO Time Systems Inc.

#### Clocks

- Luxury mechanical clocks ● Wall clocks
- Table clocks ● Alarm clocks

#### Wako

- Watches ● Clocks ● Jewelry
- Men's and women's products ● Handbags
- Interior decoration products ● Food, etc.

#### Time Systems

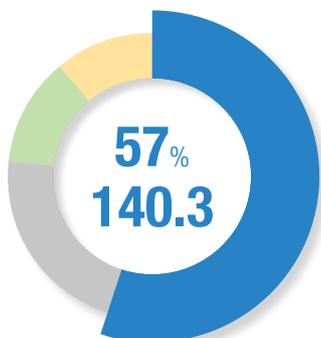
- Systems clocks ● Sports timing devices
- Digital signage ● Large display boards
- Baseball field scoreboards

## Consolidated performance (fiscal year 2018)

Net Sales **247.2** billion yen / Operating Profit **9.3** billion yen / Operating Profit ratio **3.8%**

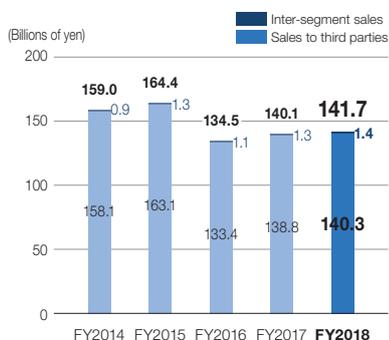
### Net Sales by Segment

(Billions of yen)



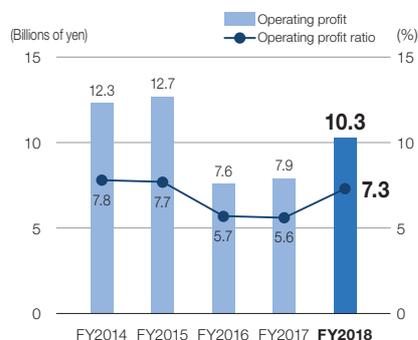
### Net Sales

(Billions of yen)

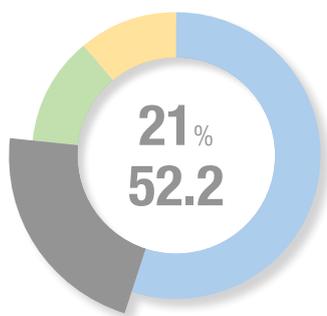


### Operating Profit/Operating Profit Ratio

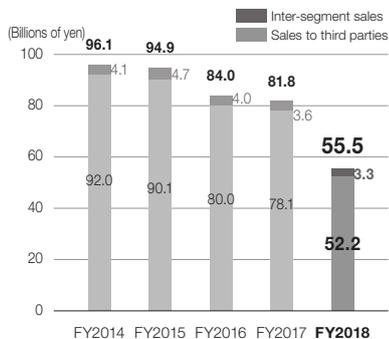
(Billions of yen)



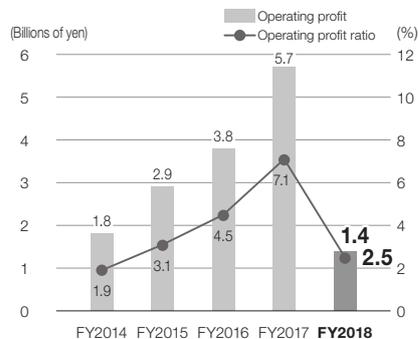
(Billions of yen)



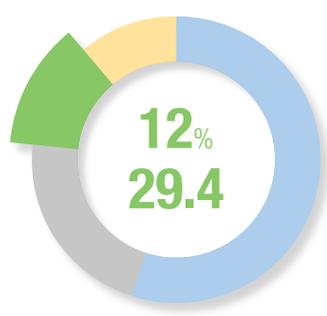
(Billions of yen)



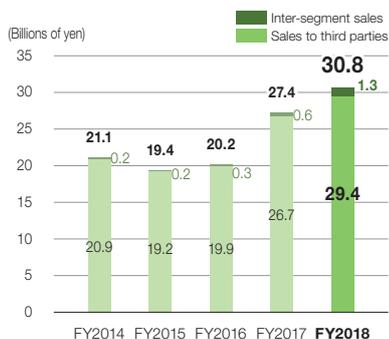
(Billions of yen)



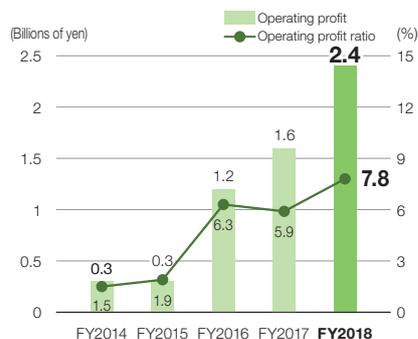
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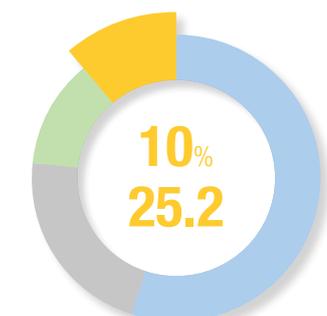
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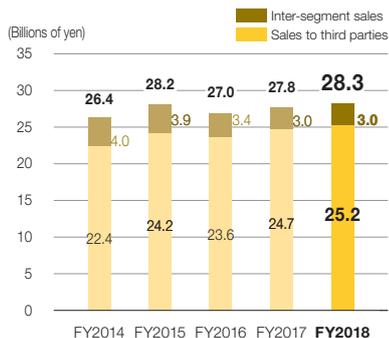
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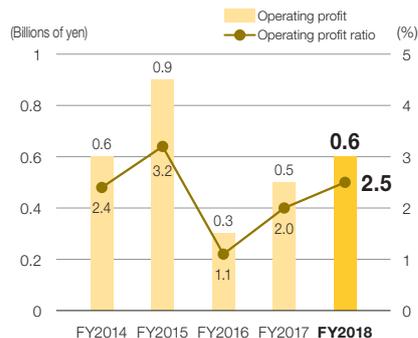
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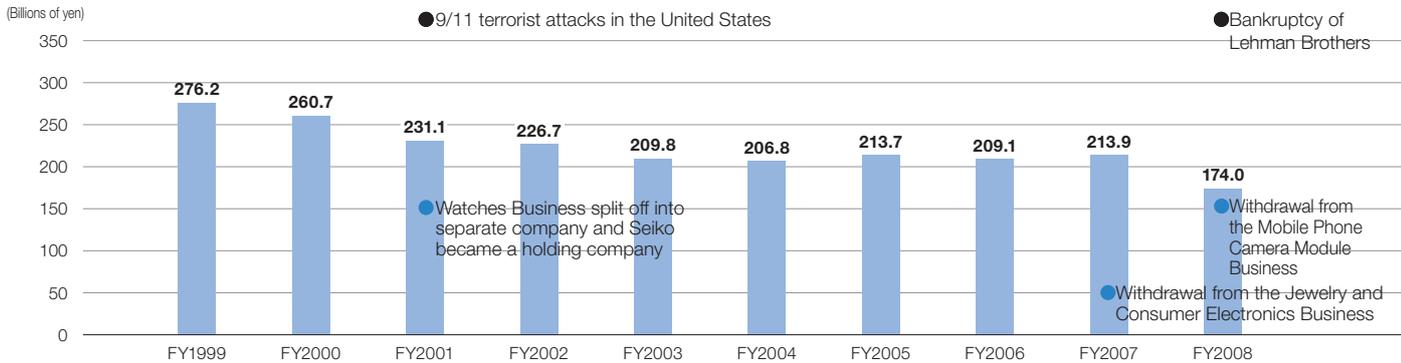
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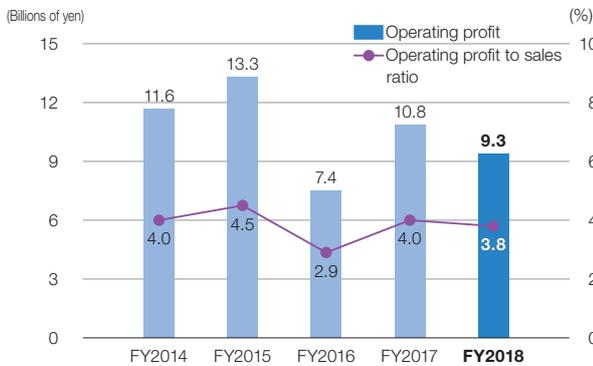
# History of Value Creation

## Financial/Non-Financial Review (as of March 31, 2019)

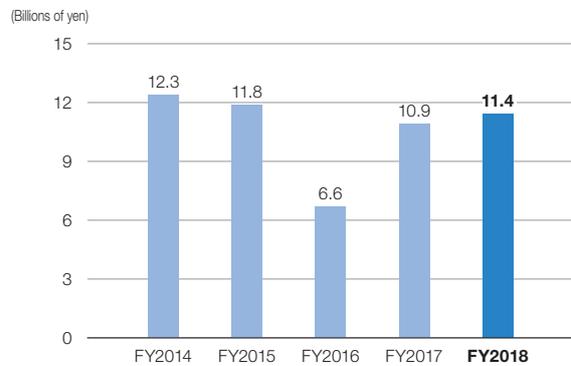
### 20 year net sales transition



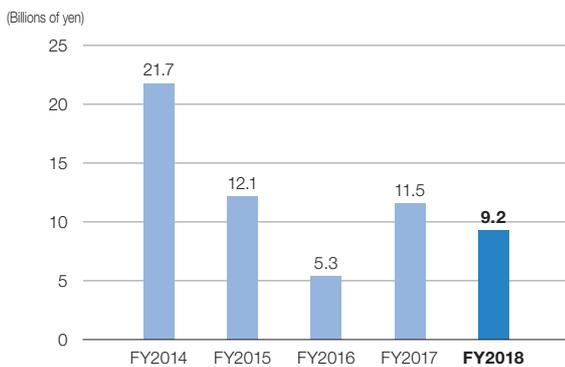
### Operating profit/operating profit to sales ratio



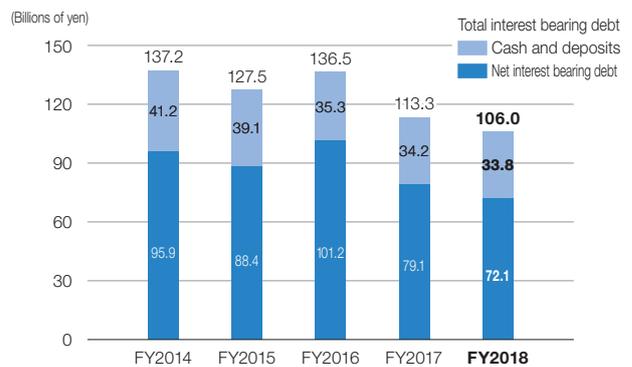
### Ordinary profit



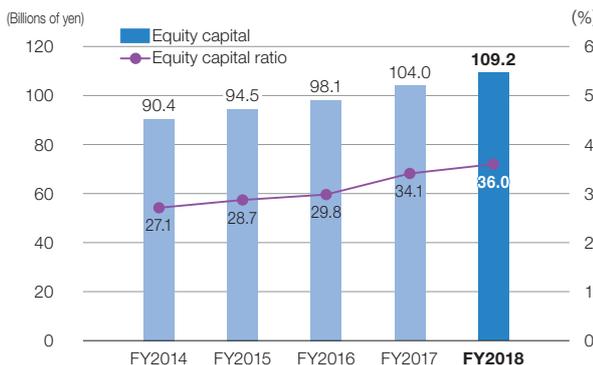
### Profit attributable to owners of parent



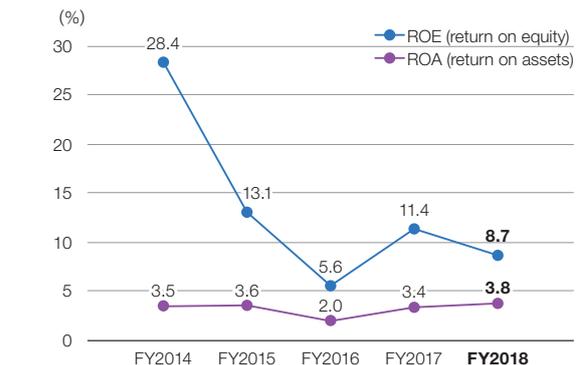
### Net interest bearing debt\*1

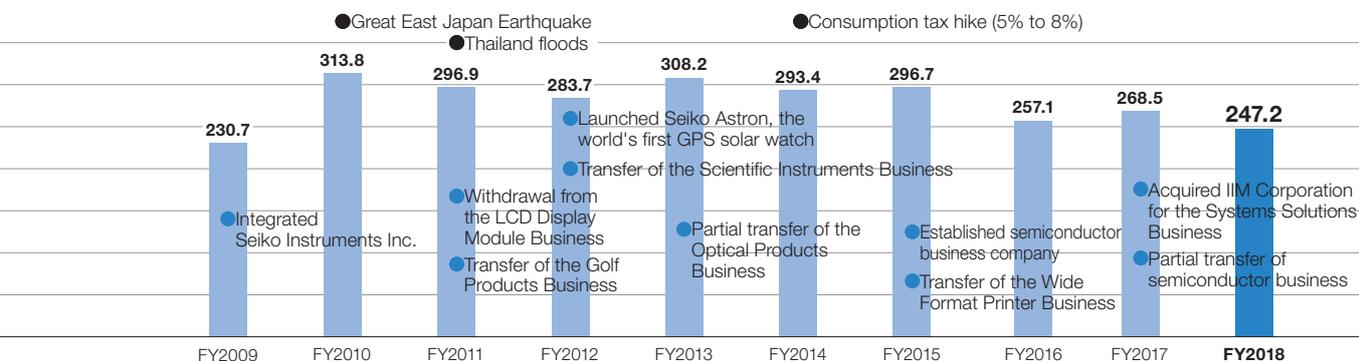


### Equity capital/Equity capital ratio\*2



### ROE/ROA\*3\*4

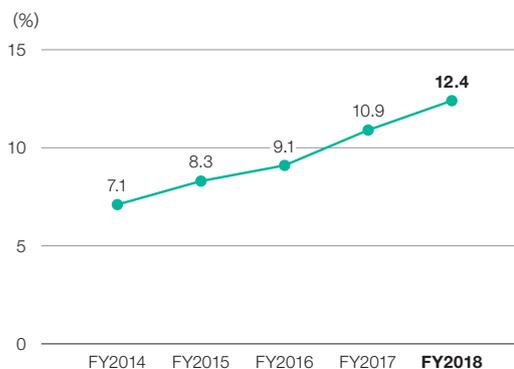




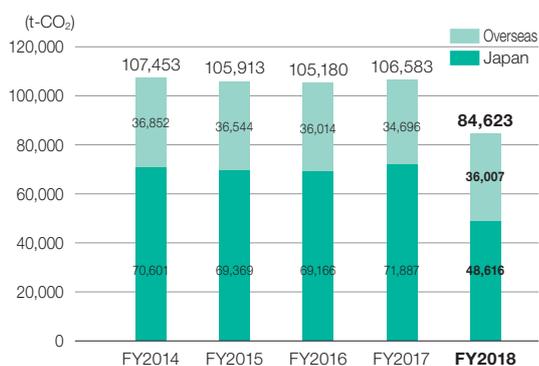
### Number of employees



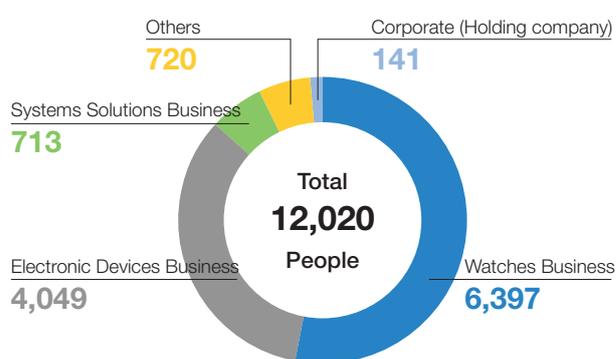
### Ratio of women in managerial positions\*5



### CO<sub>2</sub> emissions\*6



### Employee composition



\*1 Net interest bearing debt = interest bearing debt – cash and deposits

\*2 Equity capital ratio = equity capital / total assets x 100

The Company has applied

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) applied from the beginning of FY2018, and the indexes for FY2017 are presented after reclassification

\*3 ROE = profit attributable to owners of parent / ((equity capital at beginning of fiscal year + equity capital at end of fiscal year) / 2) x 100

\*4 ROA = ordinary profit / ((total assets at beginning of fiscal year + total assets at end of fiscal year) / 2) x 100

\*5 Scope of calculation: Seiko Holdings Corporation and 13 operating companies in Japan

\*6 Scope of calculation: Seiko Holdings Corporation and 20 operating companies in Japan and overseas

Semiconductor business company excluded from scope of calculation from FY2018 due to being excluded from the scope of consolidation in January 2018

## History of Value Creation

### Nine-Year Financial/Non-Financial Table

<Financial>	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Consolidated Statement of Income</b>						
Net sales (by segment)						
Watches	106,965	112,452	121,022	150,739	159,075	164,453
Electronic Devices* <sup>1</sup>	167,454	147,165	125,267	93,038	96,137	94,900
Systems Solutions* <sup>2</sup>	—	—	—	22,868	21,142	19,455
Others* <sup>3</sup>	48,291	46,706	45,928	51,307	26,450	28,218
Adjustments	(8,831)	(9,386)	(8,427)	(9,668)	(9,332)	(10,323)
Consolidated total	313,881	296,937	283,790	308,286	293,472	296,705
Gross profit	96,638	90,195	87,053	103,540	104,266	108,540
Gross profit to sales ratio (%)	30.8%	30.4%	30.7%	33.6%	35.5%	36.6%
Selling, general and administrative expenses	84,981	83,462	81,530	89,526	92,599	95,233
Operating profit (by segment)						
Watches	7,965	7,380	7,874	12,253	12,334	12,722
Electronic Devices* <sup>1</sup>	6,204	1,301	(1,513)	1,351	1,865	2,917
Systems Solutions* <sup>2</sup>	—	—	—	349	327	364
Others* <sup>3</sup>	(1,235)	(563)	(32)	761	633	907
Adjustments	(1,278)	(1,385)	(805)	(702)	(3,493)	(3,603)
Consolidated total	11,656	6,733	5,523	14,014	11,667	13,307
Operating profit to sales ratio (%)	3.7%	2.3%	1.9%	4.5%	4.0%	4.5%
Ordinary profit	6,585	1,280	3,243	10,165	12,373	11,879
Ordinary profit to sales ratio (%)	2.1%	0.4%	1.1%	3.3%	4.2%	4.0%
Profit attributable to owners of parent	2,181	(11,014)	5,527	7,422	21,778	12,142
Profit attributable to owners of parent to sales ratio (%)	0.7%	(3.7%)	1.9%	2.4%	7.4%	4.1%
Advertising and sales promotion expenses	7,079	7,962	9,476	13,343	16,624	18,366
Salaries and wages	35,205	34,165	32,693	36,139	36,060	37,200
Provision for bonuses	949	901	1,113	2,007	2,202	2,074
Retirement benefit expenses	1,687	2,518	2,016	1,034	1,928	1,610
Research and development expenses* <sup>4</sup>	5,497	5,294	5,046	3,851	4,112	4,023
<b>Consolidated Balance Sheet</b>						
Cash and deposits	51,958	51,765	42,830	43,002	41,292	39,131
Inventories	60,974	59,370	60,638	57,022	62,910	65,196
Interest bearing debt* <sup>5</sup>	240,573	241,443	203,454	200,881	137,250	127,560
Net assets	46,270	31,965	40,801	64,766	92,589	102,692
Total assets	400,457	386,128	355,308	366,753	333,701	329,115
<b>Consolidated Statement of Cash Flows</b>						
Net cash provided (used in) operating activities	20,498	11,119	21,450	15,598	16,562	15,096
Net cash provided (used in) investing activities	(8,696)	(11,215)	(2,027)	(10,917)	46,254	(8,334)
Net cash provided (used in) financing activities	(14,394)	362	(29,274)	(3,517)	(66,816)	(6,645)
Free cash flow	11,802	(96)	19,423	4,681	62,816	6,762
Depreciation	16,845	15,078	12,886	12,242	10,892	10,325
Purchase of property, plant and equipment	(13,349)	(12,732)	(19,790)	(11,006)	(9,350)	(13,054)
<b>Management Indices</b>						
ROE (return on equity) (%)* <sup>6</sup>	6.0%	(36.0%)	17.5%	14.6%	28.4%	13.1%
ROA (return on assets) (%)* <sup>7</sup>	1.6%	0.3%	0.9%	2.8%	3.5%	3.6%
PER (price earnings ratio) (times)* <sup>8</sup>	22.9	(3.3)	14.3	11.4	5.8	7.6
Equity capital	37,189	24,079	39,013	62,871	90,410	94,521
Equity capital ratio (%)* <sup>9</sup>	9.3%	6.2%	11.0%	17.1%	27.1%	28.7%
Net interest bearing debt* <sup>10</sup>	188,614	189,678	160,623	157,879	95,957	88,428
Net D/E ratio (times)* <sup>11</sup>	4.1	5.9	3.9	2.4	1.0	0.8
Basic earnings per share (yen)* <sup>12*13</sup>	62.17	(301.26)	147.07	179.58	526.95	293.81
Net assets per share (yen)* <sup>12*14</sup>	1,019.87	658.26	943.82	1,521.18	2,187.60	2,287.18
Dividend per share (yen)* <sup>12</sup>	10.00	0.00	12.50	25.00	50.00	62.50
Dividend payout ratio (%)	16.1%	—	8.5%	13.9%	9.5%	21.3%
<b>Exchange rate (fiscal year average) (JPY)</b>						
USD	85.7	79.1	83.1	100.2	109.9	120.1
EUR	113.2	109.0	107.1	134.3	138.7	132.6
<b>&lt;Non-financial&gt;</b>						
Number of employees (people)	18,442	15,968	14,712	13,439	13,565	13,437
Ratio of women in managerial positions (%)* <sup>15</sup>	—	—	5.3%	6.3%	7.1%	8.3%
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )* <sup>16</sup>	—	—	—	103,075	107,453	105,913

(Millions of yen)

	FY2016	FY2017	FY2018
	134,592	140,156	<b>141,788</b>
	84,077	81,852	<b>55,548</b>
	20,287	27,411	<b>30,809</b>
	27,043	27,852	<b>28,363</b>
	(8,885)	(8,743)	<b>(9,215)</b>
	257,115	268,529	<b>247,293</b>
	96,292	102,297	<b>96,338</b>
	37.5%	38.1%	<b>39.0%</b>
	88,804	91,461	<b>86,943</b>
	7,615	7,902	<b>10,391</b>
	3,809	5,793	<b>1,414</b>
	1,283	1,605	<b>2,401</b>
	304	551	<b>697</b>
	(5,525)	(5,015)	<b>(5,511)</b>
	7,487	10,836	<b>9,394</b>
	2.9%	4.0%	<b>3.8%</b>
	6,671	10,911	<b>11,410</b>
	2.6%	4.1%	<b>4.6%</b>
	5,392	11,541	<b>9,249</b>
	2.1%	4.3%	<b>3.7%</b>
	15,882	16,393	<b>16,905</b>
	34,819	34,639	<b>32,454</b>
	1,867	1,986	<b>1,879</b>
	770	1,383	<b>1,470</b>
	3,901	4,669	<b>4,190</b>
	35,355	34,229	<b>33,844</b>
	66,177	57,011	<b>58,305</b>
	136,586	113,387	<b>106,022</b>
	107,161	105,170	<b>110,415</b>
	328,857	305,297	<b>303,036</b>
	4,209	27,885	<b>17,508</b>
	(13,200)	(17,430)	<b>(7,093)</b>
	5,713	(11,759)	<b>(10,670)</b>
	(8,991)	10,455	<b>10,414</b>
	10,959	10,128	<b>8,980</b>
	(12,138)	(6,954)	<b>(6,341)</b>
	5.6%	11.4%	<b>8.7%</b>
	2.0%	3.4%	<b>3.8%</b>
	17.4	9.2	<b>11.7</b>
	98,119	104,010	<b>109,221</b>
	29.8%	34.1%	<b>36.0%</b>
	101,230	79,158	<b>72,178</b>
	0.9	0.7	<b>0.6</b>
	130.71	280.01	<b>224.42</b>
	2,380.50	2,523.54	<b>2,649.99</b>
	75.00	75.00	<b>75.00</b>
	57.4%	26.8%	<b>33.4%</b>
	108.4	110.8	<b>110.9</b>
	118.8	129.7	<b>128.4</b>
	13,065	12,033	<b>12,020</b>
	9.1%	10.9%	<b>12.4%</b>
	105,180	106,583	<b>84,623</b>

## Summary

FY2011 and FY2012 saw decreased net sales due to Great East Japan Earthquake and the flooding in Thailand in 2011. The Watches Business performed favorably after FY2013, mainly in the Japanese market, but from FY2016, net sales temporarily slumped due to market changes such as shifts in consumption by foreign tourists in Japan and a global stagnation in the market for affordable watches. Furthermore, net sales for FY2018 decreased compared to net sales for FY2010, as a result of promoting selection and concentration mainly in the Electronic Devices Business (including the partial transfer of the semiconductor business in January 2018). However, performance steadily recovered in the Watches Business from FY2016 due to acceleration of a shift to mid-high priced watches, and net sales in the Systems Solutions Business expanded by 150% from when it became a separate segment in FY2013.

On the other hand, although selling, general and administrative expenses increased due to measures such as enhanced investment in branding and advertising, consolidated operating profit returned to a positive increase over the past three years when the impact of the exclusion of the semiconductor business from the scope of consolidation is excluded, thanks to the effect of restructuring and improvement conducted in unprofitable businesses in each segment, despite a temporary decrease.

Interest expenses also greatly decreased due to continuous efforts for reducing interest bearing debt, including the effective utilization of assets, and this led to greatly improved non-operating balance.

## Improved non-operating balance

(Billions of yen)



- \*1 Name changed to the Electronic Devices Business from FY2013  
 \*2 Separate segment from FY2013 (included in the Electronic Devices Business until FY2012)  
 \*3 Included the Optical Products Business until FY2013 (from FY2014, an equity method affiliated company)  
 \*4 Total of research and development expenses include in general and administrative expenses and manufacturing cost  
 \*5 Interest bearing debt = loans payable + lease obligations  
 \*6 ROE = profit attributable to owners of parent / ((equity capital at beginning of fiscal year + equity capital at end of fiscal year) / 2) x 100  
 \*7 ROA = ordinary profit / ((total assets at beginning of fiscal year + total assets at end of fiscal year) / 2) x 100  
 \*8 PER = stock price / basic earnings per share  
 \*9 Equity capital ratio = equity capital / total assets x 100  
 The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) applied from the beginning of FY2018, and the indexes for FY2017 are presented after reclassification  
 \*10 Net interest bearing debt = interest bearing debt - cash and deposits  
 \*11 Net D/E ratio = net interest bearing debt / net assets  
 \*12 The Company conducted a share consolidation of every five shares of its common stock into one share as of October 1, 2017. The value on the left reflect the share consolidation.  
 \*13 Profit attributable to owners of parent pertaining to common stock / average number of shares of common stock outstanding during the period  
 \*14 Net assets at end of fiscal year related to common stock / number of common stock at end of fiscal year  
 \*15 The ratio started to be managed from March, 31, 2013  
 Scope of calculation: Seiko Holdings Corporation and 13 operating companies in Japan  
 \*16 Scope of calculation: Seiko Holdings Corporation and 20 operating companies in Japan and overseas  
 Overseas operating companies included in scope of calculation from March 31, 2014  
 Semiconductor business company excluded from scope of calculation from FY2018 due to being excluded from the scope of consolidation in January 2018

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 led to the dramatic popularization of quartz watches and greatly contributed to progress in power saving technologies in the entire electronic device industry.



Crystal Chronometer



Marvel



Genève Observatory Chronometer Competitions award

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

**Introduction**

**Embodying “A Company that is Trusted by Society” by pursuing the “Seiko-like”**

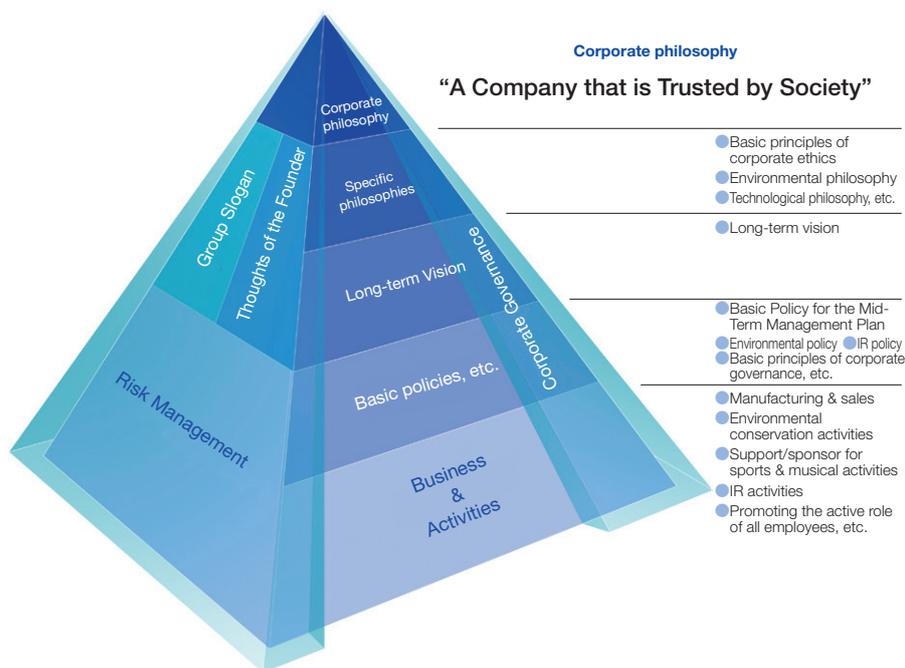
The Seiko Holdings Group conducts business activities based on our corporate philosophy of “A Company that is Trusted by Society.”

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



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.

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, clear 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.



Watches Business

Grand Seiko

Leading manufacture d'horlogerie, full-scale manufacturer, achieved by craftsmanship and cutting-edge technologies

Description of Business

Since launching Laurel, the first wristwatch in Japan, in 1913, we have been regarded by our customers as a brand symbolizing accuracy and reliability.

We have an extensive portfolio to meet diversifying customer needs from fashion watches to elegant and luxury watches with a wide range of mechanisms including not only quartz and mechanical movements, but also GPS solar, and Spring Drive movements.

Of these products, watches such as Grand Seiko, Seiko Astron, Seiko Prospex, and Seiko Presage are positioned as Global Brands, and as the name suggests, are sold globally.

We all handle everything from component manufacturing to assembly and global sales of movements (quartz, mechanical, etc.), which are the heart of a wristwatch.



Shuji Takahashi

President & COO & CMO  
SEIKO WATCH CORPORATION

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

	Target Figures (Billions of yen)		
	FY2018 Actual	FY2019 LE	FY2021 MTP
Net Sales	141.7	148.0	165.0
Operating Profit	10.3	11.5	14.5

Business Overview

The market for affordable watches drastically changed due to variation in the Chinese economy and the rise of wearable watches (smart watches) such as the Apple Watch released in 2015. Owing to this market situation, we started the Global Brand strategy in order to increase the weight of mid-high price watches. Although we were unable to meet the target values of the 6th Mid-Term Management Plan due to drastic market changes, the expansion of Global Brands including Grand Seiko enabled us to increase watch net sales by 1.6 billion yen to 141.7 billion yen for FY2018 (an increase of 1.2% year-on-year). Performance remained robust for Grand Seiko and Seiko Prospex both in Japan and overseas. Operating profit came to 10.3 billion yen (an increase of 31.5% year-on-year) due to increased sales of completed watches and the effect of cost reductions implemented from the previous fiscal year.

## Major Efforts

In the global watch market, growth is continuing for mid-high price watches, where emotional value is required, and future growth is expected in emerging markets due to population growth and economic development. In view of this external environment, the 7th Mid-Term Management Plan will continue to focus on expanding sales of Global Brands. In particular, we will promote active investment in advertising and increased production in order to expand sales of mid-high price watches in the United States and Asian markets, while also building the after-sales service system required to handle such expanded sales.

## Product Strategy

Grand Seiko brand was split off into an independent brand in 2017 in order to raise its presence in the global market as a brand with a unique view of the world. We have expanded the design range of this brand that was previously focused on business to include sports watches such as diver's watches and elegant watches popular with ladies, as well as luxury watches by further enriching their content of precious metals. In addition to high precision, details boasting the pride of MADE IN JAPAN, such as zaratsu polishing for ensuring a case seamless mirror finishing and multiple face cutting of thick watch hands, ensures that these watches are rated highly not only in Japan but also overseas, including western countries.

In addition to Grand Seiko, we are expanding Global Brands such as Seiko Prospex with fully-fledged functionality for sports and outdoor situations, Seiko Astron, which is the world's first GPS solar watch, and Seiko Presage, which combines traditional Japanese technology and spirituality. Other brands we deploy are Credor that offers the highest level of elegance and luxury in a Japanese watch, Seiko Luchia ladies watch offered in Japan and Asian countries, and the Seiko 5 Sports relaunched in 2019 for younger generations.

### Global Brand

**GS**  
**Grand Seiko**

#### Grand Seiko

Combining the cutting-edge technology and masterful craftsmanship necessary to reach the pinnacle of quality



**PROSPEX**

#### Seiko Prospex

A sports watch representing Japan with fully-fledged functionality



**ASTRON**

#### Seiko Astron

The world's first GPS solar watch



**PRESAGE**

#### Seiko Presage

Transmitting a uniquely Japanese sense of beauty to the world



## Development

### The highest level of planning and development in the world

The precision standards of Grand Seiko mechanical components are even stricter than those of the Swiss chronometer standards. We actively strive to develop not only mechanical watches but also unique movements, and since dominating the world with the release of our quartz watches in 1969, we have developed various unique mechanisms such as Spring Drive and Kinetic movements, as well as the world's first GPS solar movement launched in 2012.

These efforts have been well received globally, with



Grand Seiko Hi-Beat 36000 GMT that was the first mechanical watch made in Japan to win a prize at Grand Prix d'Horlogerie de Genève in 2014



Seiko Prospex the 1968 Automatic Diver's Re-creation that won the sports prize at Grand Prix d'Horlogerie de Genève in 2018

Grand Seiko winning the sports prize at the Grand Prix d'Horlogerie de Genève competition in 2014 and Seiko Prospex also winning a prize in 2018.

### Material development via fundamental research

We are one of the only watch manufacturers in the world that can develop our own hair springs, which are components essential to mechanical watches. The "SPRON" metal material we have developed for hair springs supports the quality and reliability of our brand as a material that boasts high strength, durability, heat resistance, and corrosion resistance, and it continues to evolve via our ceaseless research.

We also promote the development of high hardness and high corrosion resistance case materials and watch face materials for the outer case components that are essential for watches.



A component called the balance, which holds a hair spring made with SPRON.

## Manufacturing

### Leading manufacture d'horlogerie

We are one of the few manufacture d'horlogerie (full-scale manufacturers) in the world that consistently engages in parts production to assembly.

### Consistent assembly via craftsmanship

At the Shizuku-Ishi Watch Studio of Morioka Seiko Instruments Inc. and the Shinshu Toki-no-Waza Studio of Seiko Epson Corporation, experienced engineers with exceptional skills, including contemporary master craftsmen, perform assembly and metal carving for luxury watches.



Movement assembly by the contemporary master craftsman

### Cutting-edge automatic assembly lines

The movement production line at Morioka Seiko Instruments Inc. features intelligent robots for the high-speed assembly of components, which work 24 hours a day manufacturing quartz movements at a pace faster than one item per second. It is no exaggeration to say that this flexible production line that can handle model changes and increases and decreases in production is the essence of our production technology.

### Improved component precision using MEMS

The precision of mechanical watches, which are made up of 200 to 300 parts, is greatly affected by the delicacy of those parts. In order to maximize the machining precision of parts, we have been actively adopting MEMS (Micro Electro Mechanical Systems) ahead of our competitors. MEMS is a cutting-edge machining technology used for super high-precision parts such as semiconductors, and it enables the production of lightweight parts with micrometer-scale precision. We will continue to make our parts more lightweight and durable than before.



Escape wheel (left) and pallet fork (right) successfully made more lightweight and durable by using MEMS.

## Logistics/sales

### Logistics strategy

As one initiative for expanding sales of mid-high price watches, we promote a boutique strategy. As of 2019, we have established more than 70 stores such as Seiko Boutiques that feature Global Brands and Grand Seiko Boutiques that stock Grand Seiko exclusively, mainly in high streets in countries around the world. We are continuing to improve our brand value via initiatives such as last year's opening of the "Seiko Dream Square" that enables customers to select products while experiencing the dream of the Seiko brand in Ginza, which is the birthplace of Seiko, as well as the opening of the first Seiko Prospex Boutique in August 2019.

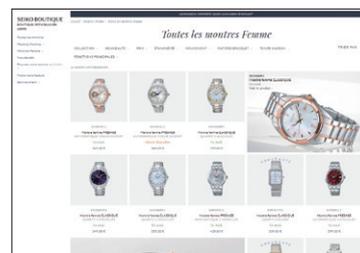


Seiko Flagship Salon (Wako in Ginza, Tokyo)

In Japan we are also expanding shops that exclusively stock mid-high price brands, such as the Seiko Flagship Salon that focuses on our major collections such as Grand Seiko, Credor, Seiko Galante, as well as brands such as Seiko Astron and Seiko Prospex. Overseas, we will accelerate expansion of Global Brands such as Grand Seiko by focusing our efforts on developing luxury distribution channels that handle mid-high price watches, as well as expansion of our boutiques.

### Digital marketing

We focus on digital marketing on social networking services as well as E-commerce on websites, etc., both in Japan and overseas. In order to carry the culture of wristwatches onto the next generation, in particular the millennial generation, we promote the appeal of wristwatches via social networking services.



Official E-commerce page of Seiko Boutique in France

## After-sales service

Seiko Watch Corporation aims to provide the same high level of service all over the world by monitoring and improving the level of service provided in all of our locations. As one of the methods for achieving this goal, we are implementing global initiatives such as holding skill training sessions specialized for cultivating mechanical engineers. This is to create a system for handling repairs, which are expected to see an increase in demand due to the expanded global sales of mechanical watches. Taking these different level courses enables watch repair engineers to improve their skills and gain the techniques required to repair mechanical watches that demand precision.

Since Grand Seiko models require an even higher level of techniques, engineers are certified for Grand Seiko repairs only after long-term training that ensures that they are able to overhaul watches beloved by our customers. Enhancing our after-sales service system is positioned as

an important measure in the 7th Mid-Term Management Plan, and is essential for improving our brand value. We will improve our service to ensure that we can meet various customer needs and constantly provide high quality services.



Follow-up training for engineers certified for Grand Seiko repairs in Asia



**Tetsu Kobayashi** President  
Seiko Instruments Inc.

## Achieving “Craftsmanship, Miniaturization and Efficiency” via precision design, machining, and assembly technologies, and the ability to propose solutions

### Description of Business

We have developed a wide range of businesses based on the reliable technologies cultivated during our manufacturing of wristwatches. The Electronic Devices Business born from the development and manufacturing of quartz watches is mainly handled by Seiko Instruments Inc. and Seiko NPC Corporation. We have obtained a high level of trust via high-precision machining and assembly based on miniaturization and low power consumption.

### Business Overview

Industries and social lives are changing due to innovations known as the fourth industrial revolution, which includes fields such as IoT, artificial intelligence (AI), and robotics. We will contribute to achieving the imminent IoT society that is expected to rapidly expand via the provision of various devices.

In regard to the Electronic Devices Business in the 6th Mid-Term Management Plan, we worked on improving profitability by strengthening our fields of expertise despite slow growth in the market for inkjet print heads. Although the first half of the final fiscal year saw steady performance for precision components, thermal printer mechanisms, and high performance metal products for semiconductor production equipments, drastic changes in the world market in the second half prevented us from achieving the net sales and operating profit targets in our mid-term management plan.

As a result, net sales of the Electronic Devices Business in FY2018 decreased by 26.3 billion yen to 55.5 billion yen (a 32.1% decrease year-on-year) and operating profit decreased by 4.3 billion yen to 1.4 billion yen (a 75.6% decrease year-on-year). However, we actually saw an increase in profit if the effect of excluding the semiconductor business from the scope of consolidation in January 2018 is excluded.

#### 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

	Target Figures		
	FY2018 Actual	FY2019 LE	FY2021 MTP
Net Sales	55.5	55.0	63.0
Operating Profit	1.4	2.5	3.0

(Billions of yen)

\* “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.

## Major Efforts

### Mechatronics Devices -electronic components-

We utilize our technologies based on watches to provide the industrial, medical, and automobile business areas with devices that support decentralization, energy-saving, and high-reliability in the expanding field of IoT.

We actively develop rechargeable microbatteries that are used as the main power source of wearable devices such as wrist-type and hearable-type devices, which are seeing increasing growth. We also utilize our expertise in producing products thinner and smaller to provide products as energy solutions in new areas of growth, such as special applications for the medical industry.



### Mechatronics Devices -precision parts-

We deploy the precision machining and assembly technologies that we have established with sub-micron precision to the automobile and industrial markets in order to apply them in growth industries.

Electric vehicles, advanced networks, and the practical application of self-driving vehicles have led to rapid advances in the field of automobiles. This leads to requirements for higher safety and reliability in components. We have built up achievements and trust by providing ABS parts and special metallic valve engine parts for more than 20 years.

We will continue to actively expand these efforts into the field of electric vehicles, which is expected to go mainstream.



### Printer Devices

We will actively enter neighboring markets with high potential for growth to establish a highly profitable business structure while maintaining our foundation of global top-class products.

In regard to thermal printers, we will maximize the strengths of our printer mechanisms that boast one of the top shares in the world thanks to their stable printing quality and durability, and strive to expand sales of completed printers.

In regard to mPos, mobile point of sales, which are seeing increased use, we will promote receipt printers with the first LCD panel in the industry that are convenient for mobile payment service, as well as mobile printers featuring low voltage operation, ultra compact/lightweight/robust design, and low-cost in order to meet mobile payment needs.



In regard to inkjet print heads, we will continue to release and expand new products that meet customer needs in fields where expanded sales are expected, such as advertising materials, construction materials, and packaging materials.





**Jun Sekine** President  
SEIKO Solutions Inc.

## Optimal ICT solutions to support the age of IoT

### Description of Business

The Systems Solutions Business started from the development of in-house production management systems. We have provided ICT solutions for supporting transformation of customers' business models from the perspective of customers, based on our founder's spirit of "Always one step ahead of the rest," as exemplified by our development of the world's first automated ordering system for the restaurant industry and Japan's first wireless credit card payment service. We respond to increasingly complex customer needs by providing one-stop optimal systems solutions ranging from consultations to building, operating and managing systems.

### Business Overview

In the Japanese markets related to IT and telecommunications, based on the abundant cash flows of companies, there is a rising trend in investment in service expansion and labor-saving, due to efforts to promote work style reforms and an exacerbating labor shortage. In addition to the promotion of a cashless society led by the government, demand for credit card payments and digital money is further accelerating with the appearance of new operators and payment methods such as QR payment. In regard to the Systems Solutions Business, sales in new areas increased and the stock-type business continued to expand, and net sales and operating profit were both well above the targets of the 6th Mid-Term Management Plan, with net sales for FY2018 increasing by 3.3 billion yen to 30.8 billion yen (an increase of 12.4% year-on-year) and operating profit increased by 0.7 billion yen to 2.4 billion yen (an increase of 49.6% year-on-year). Results were favorable due to factors including growth in the mobile solutions business and demand for development of new systems for the financial industry.

#### 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

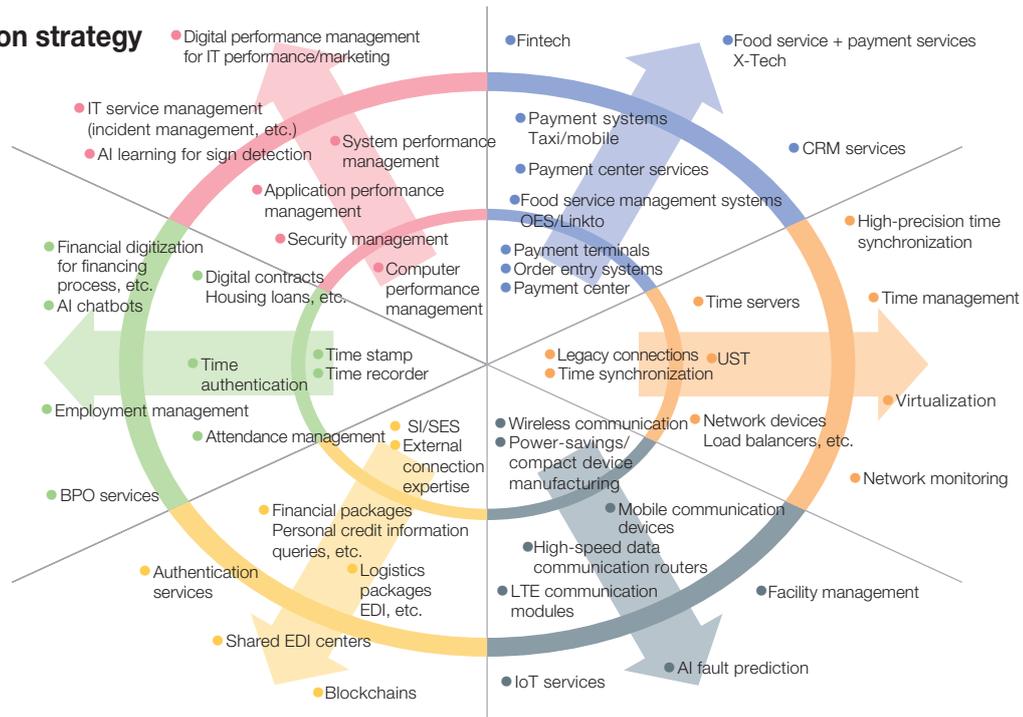
- (1) Improve sustainable growth and reliability of business
- (2) Create business structure resilient to environmental changes and shift to high added value through diversification
- (3) Continuously transform practices and strengthen organizational structure

	Target Figures (Billions of yen)		
	FY2018 Actual	FY2019 LE	FY2021 MTP
Net Sales	30.8	32.0	35.0
Operating Profit	2.4	2.5	3.0

## Major Efforts

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 as well as a business foundation that achieves high growth with high added value, via diversification including the utilization of M&A. In addition, we will continue to reform behavioral patterns and both power up and shape up our organization.

### Diversification strategy



### Digital Performance Management Solutions

Amid the growing move toward raising competitive advantages through business digitalization, we support increasingly complex digital business and contribute to stable operation of services and improvements in user experiences, leading to higher levels of customer satisfaction and enhanced corporate value.

### X-Tech (Cross-Tech) Solutions

We provide a wide range of solutions that include digital contracts and ordering in addition to one-stop support for settlements, from terminals to center services, that help promote digitalization and cashless transactions in customers' businesses and raise the level of user satisfaction.

### ICT Solutions

We provide network communication and mobile solutions that support customers' business infrastructures in such areas as high-speed data communications, high-precision time synchronization and financial EDI. We contribute to improved work efficiency and the resolution of labor shortages on site by promoting the realization of an IoT society.



System performance management conference held by Seiko Solutions Inc. and its subsidiary, IIM Corporation  
COMPUS (COMputer Performance User Study group)



FIT2018 (Financial Information Technology)

## Together with the Seiko brand

As a legacy business, we have believed that “customers always favor a quality product,” and specialize in quality-centered, customer-centered manufacturing.

### 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

	Target Figures (Billions of yen)		
	FY2018 Actual	FY2019 LE	FY2021 MTP
Net Sales	28.3	29.0	31.0
Operating Profit	0.6	0.8	1.0

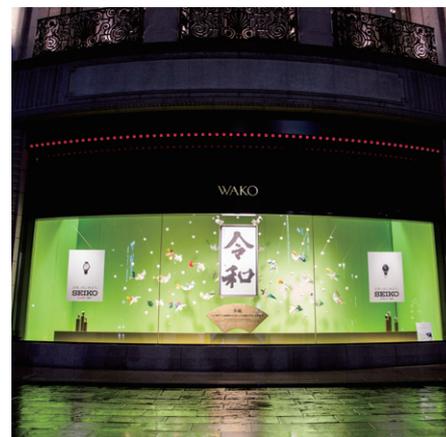


**Shuntaro Ishii** President WAKO Co., Ltd.

## Wako Business

### Description of Business

Wako is well-known as a landmark of Ginza, where Seiko was established. In addition to the watches and clocks of the Seiko brand, we provide superior hospitality cultivated with a long history of traditions and a wide range of products boasting high quality, such as jewelry, men's and women's products, interior decoration products, and food that have been uniquely developed based on the opinions of our customers or sourced from Japan and overseas based on strict standards. Our show window is also a landmark of Ginza that is enjoyed by customers from around the world with its ability to express things beyond languages, and contributes to improving the value of the Seiko brand.



### Major Efforts

We assign Wako as a new base for directly communicating the Seiko brand to the world from the center of Ginza and enhance collaboration between the Wako brand and the Seiko brand, which are both outstanding luxury brands in Japan. We will utilize the Tokyo Olympics and Paralympics in 2020 as an opportunity to consider the globalization of the WAKO brand so that it can be active on the global scale.



## Time Systems Business

### Description of Business

We provide everything from planning and development to manufacturing, sales, and after-sales service of all products, including system clocks used at public facilities such as schools, hospitals, and stations, specialized clocks for broadcasting stations, and sports timing devices that can measure up to ten-thousandths of a second, baseball field scoreboards, and digital signage. We also handle automation devices that utilize advanced image processing technologies.

We are the only Japanese company that can support multiple-sport events, due to our rich experience, expertise, and advanced technical capability cultivated in international competitions such as the IAAF World Athletics Championships.



Photo finish camera

### Major Efforts

We will strive to expand our value chain from device sales to a solution business. We will also aim to use our foothold in Asia to further improve our image processing technologies and global expansion, and contribute to improving our brand value via business expansion and the development of products and technologies related to sports timing, etc.



World clock at Tekko Building, Tokyo



"Yukyu", luxury mechanical clock



Kenji Hagiwara

President  
SEIKO Clock Inc. and SEIKO Time Systems Inc.

## Clocks Business

### Description of Business

We lead the world's clock industry as a comprehensive manufacturer that is involved in everything from planning, development and manufacturing to sales and after-sales service. We deliver high-quality clocks that combine craftsmanship techniques with cutting-edge technologies not only in Japan but to countries all over the world. We provide products and services that etch moments in the hearts of our customers, such as luxury mechanical clocks represented by the "Yukyu", wall clocks with a night light for bedrooms, clocks that help out in emergency situations such as a natural disaster, clocks that notify the handicapped of the time via sound, as well as study support alarm clocks for children, and thereby continue to pursue the satisfaction of various customers.

### Major Efforts

We will strengthen our expansion in Japan and overseas and further improve our clock design and manufacturing technology in order to further enhance the Seiko brand and contribute to society.

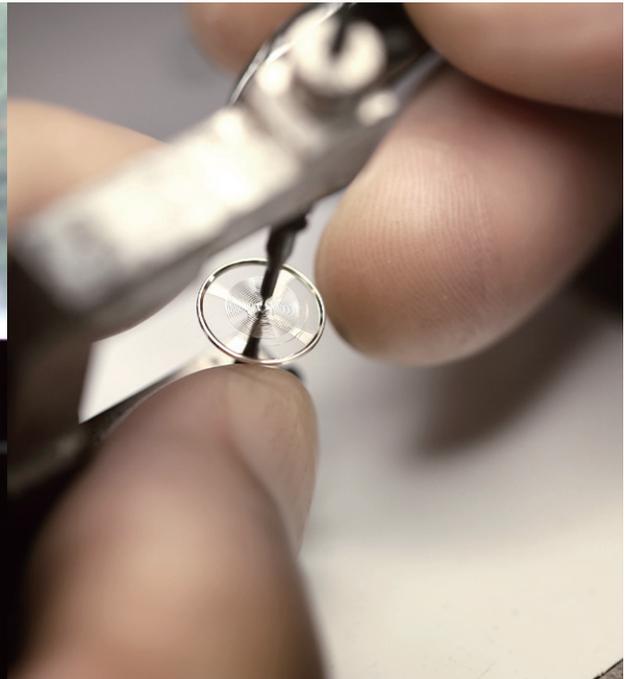
## Research and Technological Development

Our founder's spirit of "Always one step ahead of the rest"

### Craftsmanship leading to cutting-edge technologies



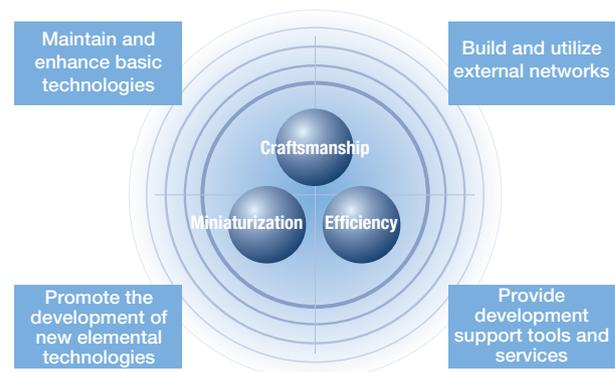
"Craftsmanship, Miniaturization, Efficiency" is a technological philosophy that means: "Craftsmanship" creates new value based on our advanced techniques and know-how. "Miniaturization" reduces product size through precision processing and high-density assembly technologies. "Efficiency" promotes the most efficient use of all resources including energy.



#### The technological philosophy of "Craftsmanship, Miniaturization, Efficiency" leads to **research and development and production engineering technology capability**

Since its establishment in 1881, the Seiko Holdings Group has been involved in clock and watch production as a Japanese manufacturer. The principles that have formulated the foundation of the Seiko Holdings Group during this time are "Craftsmanship" for creating new value based on our advanced techniques and know-how, "Miniaturization" for reducing product size through precision processing and high-density assembly technologies, and "Efficiency" for promoting the most efficient use of all resources including energy. Mastering technologies based on these principles of "Craftsmanship, Miniaturization, Efficiency" has enabled us to assemble more than 200 components and develop technologies for the stable manufacturing of high-quality watches. We have simultaneously researched how to miniaturize and improve the precision and power consumption efficiency of each component, such as the small gears used in mechanical watches and the crystals, semiconductors, and batteries used in quartz

watches. These efforts have increased our development capability that leads to the creation of new products and technologies unique to the Group. In addition to this advanced development capability, the innovations in production engineering technologies that we have pursued over long years have led to the birth of cutting-edge technologies, such as our ability to assemble movements at a high speed of less than one second per movement. The Seiko Holdings Group will continue to pass on its production engineering technology capability to the next generation and develop future technologies for a new age.

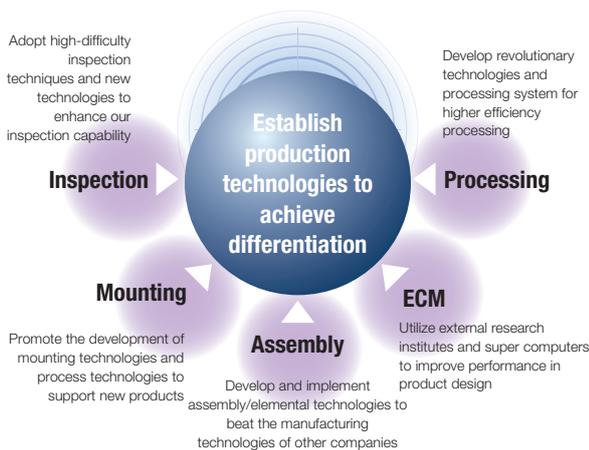




Caliber 68 Series  
dedicated movement for Credor  
boasting one of the thinnest  
designs in the world

## Producing thin and compact watches with advanced assembly and machining technologies

The precision technologies common to our products were born from the integrated assembly, adjustment, and casing conducted during our in-house watch manufacturing. Our compact and thin watches condense all the elements required to mark the passage of time into a tiny package. We take pride in the fact that we are a true manufacture d'horlogerie as we have the high capability required to consistently produce these major components in-house. For example, with the Caliber 68 Series products that are one of the thinnest movements in the world, our expert craftspeople perform final finishing with their fingertips to perform shape adjustment at a precision of hundredths of a millimeter and hinge adjustment to ensure the appropriate gap between components. We have also developed various mechanisms for improving the precision of timing, such as the Mechanical Hi-Beat and quartz mechanisms.

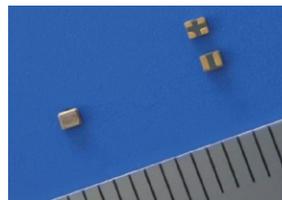


## Technology born from watch manufacturing for precision processed parts and electronic device products

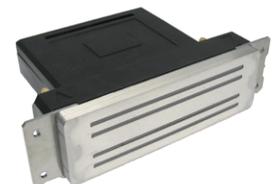
The Seiko Holdings Group utilizes its precision processing technologies cultivated in watch manufacturing to develop and provide key parts and modules with stable quality to various industries, such as ABS parts for automobiles, printing devices, hard disk components, medical components, and smartphones. This is also thanks to the technological capability we have cultivated via integrated in-house production since the founding of our company. For example, we have achieved robust industrial inkjet print heads that continuously eject ink quickly and accurately at intervals of approximately 70 microns. This was made possible by our technological capability to perform stable and high-precision manufacturing. Furthermore, telecommunication systems that accurately and seamlessly connect devices are required for the coming IoT society. We have developed the smallest crystal oscillators in the world that remain practical with a thickness of 0.5 mm, as well as manganese-silicon type lithium rechargeable microbatteries (MS621R) that enable reflow mounting.

## Production management systems of in-house manufacturing lines give birth to systems solutions

We also develop time servers and master clocks that support the stability and fairness of lifestyles via the stable supply of time information, which is a common lifestyle infrastructure, as well as time authentication, financial and logistics software, and environment monitoring/building management systems, etc. Our time servers maintain the accuracy of the time running in computers and network devices in the field of IT. This improves the reliability of transactions between companies such as financial institutions, and customers also adopt our systems for the management of electronic data that requires accurate times, such as digital medical records at medical institutions.



Ultra compact SMD type crystal oscillator  
A mere 1.2 x 1.0 mm and maximum thickness of 0.5 mm  
One of the smallest in the world that remains practical



RC1536 series inkjet head  
Supporting the high productivity requires for industrial printers with a unique ink circulation system and high ejection pressure

## Research and Technological Development

### Technology succession and global engineer training

The Seiko Holdings Group has adopted a "professional system" for passing on the skills and techniques cultivated in our manufacturing of products such as watches and precision components to the next generation. This system certifies highly skilled employees in various positions as specialists or "meisters" and is systematically implemented to perform assessment and remuneration according to technical standards, train successors, and pass on skills in order to raise the level of specialization and ensure that skills and techniques are carried on.

Since establishing an overseas manufacturing subsidiary in the 1960s, the Seiko Holdings Group has gained long years of experience as a pioneer in global manufacturing for a Japanese company. We also promote and train local employees as executives and focus on improving the technical development capability of local employees to cultivate a large number of excellent engineers.



### Creating new fields of business

The Seiko Holdings Group also actively pursues product development in new fields.

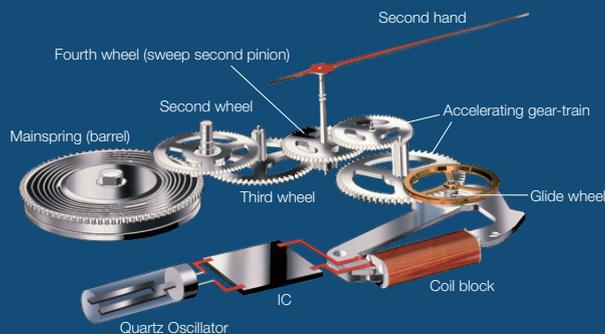
For example, we also work on research and development of new technologies and new businesses that target new growth fields where we can utilize our strengths. In regard to image processing technologies, we promote development and fundamental research via the promotion of ICT such as 3D-CAD, and develop equipment such as automatic inspection devices via image processing. We are also working to develop AI learning for sign prediction systems and high-precision time synchronization solutions, as well as enhance our IoT solutions.

We speed up this development via initiatives such as design-based thinking and open innovation.



### Spring Drive

In the pursuit of precision in mechanical watches, we provide watches with ingenious mechanism called the Spring Drive to replace the regulator and escapement, in order to completely eliminate errors due to friction between the pallet fork and the escape wheel. Although it is a mechanical watch that uses the force of an unwinding spring to drive the gear train, it does not use a balance, a pallet fork, or an escape wheel. Instead, an IC applies a magnetic brake on the rotation of the last wheel of the gear train, based on a signal provided by a quartz oscillator, to precisely control the rotational speed at 8 Hz. Through this mechanism, the Spring Drive achieves the same level of precision as a quartz watch.



# TOPICS

## Developing leading technologies in a wide range of businesses

### Development of new technology/ first exhibit at MEDTEC

In March 2019, we collaborated with Ohara Inc. to exhibit for the first time at Medtec Japan 2019, Asia's largest tradeshow for the design and manufacture of medical devices. There we exhibited a "trace liquid feeding pump module" for use with devices such as insulin pumps for diabetes treatment, which we had been working on and developing for commercialization. The "trace liquid feeding pump module" is a compact portable medical device for the continuous injection of liquid medicines in order to improve the QOL of patients, and achieves miniaturization and improved precision and power consumption efficiency by utilizing our strength of Craftsmanship, Miniaturization, and Efficiency. We will continue to promote our unique technologies in the growing market of the medical device industry.



Trace liquid feeding pump module



### Color tones appealing to the emotions/ the first practical application of anodization technology in wristwatches

We have utilized our unique technologies such as mirror finishing cases, zaratsu polishing, and multiple face cutting to elevate a uniquely Japanese sense of beauty to a high-quality watch. We have also successfully adopted anodization technology in watch components for the first time in the world to achieve high resistance to discoloration and wear. This also enables us to achieve the color tone intended by the designer in the required locations without the need for coloring agents. This technology generates an artificial oxide film via a metal electrolysis process to generate color via light interference, and since this process requires particular control of the oxide film thickness, we were able to achieve it thanks to our high-precision component processing technologies and surface processing technologies cultivated over our long years of watch manufacturing.



The bezel text is finished in gold via a laser anodization process. This means no peeling or discoloration.



The rotor is finished with a multi-color gradation via an anodization process. Depicts the light of dawn rising from the darkness of night.



Moving ahead. Touching hearts.  
For Playfulness, excitement and a sense of thrill.

Seiko has continued to provide the world with more than just products, services, and technologies. To demonstrate our strong commitment to "Moving ahead and Touching hearts," we seek to support and encourage those with real passion in the areas of sport, where athletes strive for new achievements in time and scores, and music, which provides people with quality time and uplifting experiences. In this, we wish to share fun and excitement with the world, and thereby aim to improve our brand value as a company that appeals to human emotions in a manner that transcends generation and language.

# SPORTS

## Sports branding

We continuously enhance our brand investment to strengthen the image of "sports timing = SEIKO."

### IAAF World Athletics Championships, the pinnacle of athletics.

Seiko supports the championships by measuring accurate time as the Official Timer of the event. Starting in 1985, we have now been in charge of timing and measurement at 16 consecutive championships as of the IAAF World Athletics Championships Doha 2019. Seiko strives to be a partner that understands the feelings of people that are serious about facing the challenges of sport as we support timing at various competitions, both professional and amateur.



IAAF World Athletics Championships Doha 2019

## TEAM SEIKO

Team Seiko was formed in 2018 with athletes Ryota Yamagata and Chisato Fukushima, swimmer Masato Sakai, and trampolinist Ginga Munetomo. They work hard together with friendly rivalry.





## Enhancing Digital Communication

In order to create contact points with people who are not familiar with Seiko, we utilize SNSs and have started a new Web magazine called "SEIKO HEART BEAT MAGAZINE" on our website (available only in Japanese). The magazine includes articles regarding sports, music, and the businesses of our Group companies.



# MUSIC

## Music branding

Seiko supports music and cultural activities based on the idea of "delivering quality time via music."



### Radio program **SEIKO SOUND STORAGE**

This monthly J-WAVE radio program invites famous guests active in various circles to hear about their music and life.

SEIKO presents



### Music program **Seiko presents Sound Inn "S"**

Our Sound Inn "S" music program spotlights various artists, from the young and upcoming to established talent. Talk and sound deliver quality time and emotions that transcend the boundaries of generation, genre, and language.



2019 Japan Open



2019 World Judo Championships



## Co-sponsored events

Each year, Seiko sponsors many sports events and provides timing and measurement with millisecond precision to convey the dynamics and emotions of each moment.

### Major events co-sponsored by Seiko (FY2019)

<b>Athletics</b>	Seiko Golden Grand Prix (Osaka) IAAF World Athletics Championships (Doha)
<b>Marathons</b>	Mumbai Marathon (India) Tokyo Marathon (Tokyo)
<b>Swimming</b>	Japan Swim (Tokyo) Japan Open (Tokyo)

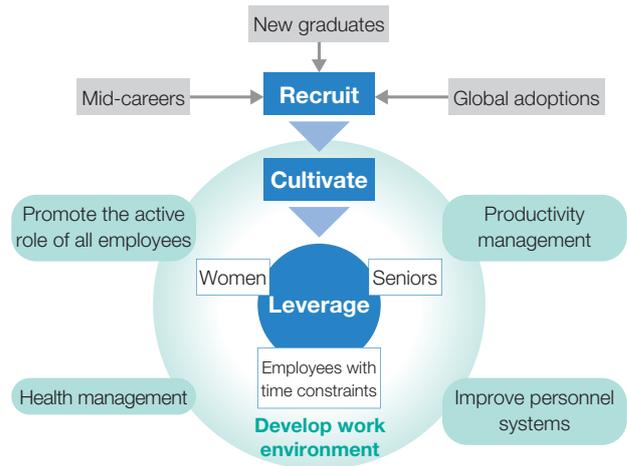
<b>Gymnastics</b>	All-Japan Artistic Gymnastics Championships (Tokyo)
<b>Judo</b>	World Judo Championships (Tokyo)
<b>Figure skating</b>	NHK Trophy (Sapporo)
<b>Fencing</b>	Japan Fencing Championships (Tokyo)
<b>Tennis</b>	Toray Pan Pacific Open Tennis (Osaka)

## Human Resources Strategies

# Aiming for sustainable growth of the Group by creating a virtuous cycle of "recruiting," "cultivating," and "leveraging" human resources

### Basic policy

In the 7th Mid-Term Management Plan of the Seiko Holdings Group, the basic policy of 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. We have established an "Employee Empowerment Committee" to promote further diversity across the entire Group, promote the sharing of information and exchange of opinions, and prepare a workplace environment where all employees can play an active role, including women, seniors, and employees with time constraints, while also promoting initiatives for improving productivity and health management.



### Health management

The Seiko Holdings Group started initiatives for promoting the empowerment of women from fiscal year 2013, and has expanded to activities for promoting the active role of all employees and work style reforms from fiscal year 2017. From fiscal year 2019, we have added the perspective of health management to our initiatives for promoting the active role of all employees, and the Employee Empowerment Committee, HR management at each company, and health insurance union work together to achieve this goal.

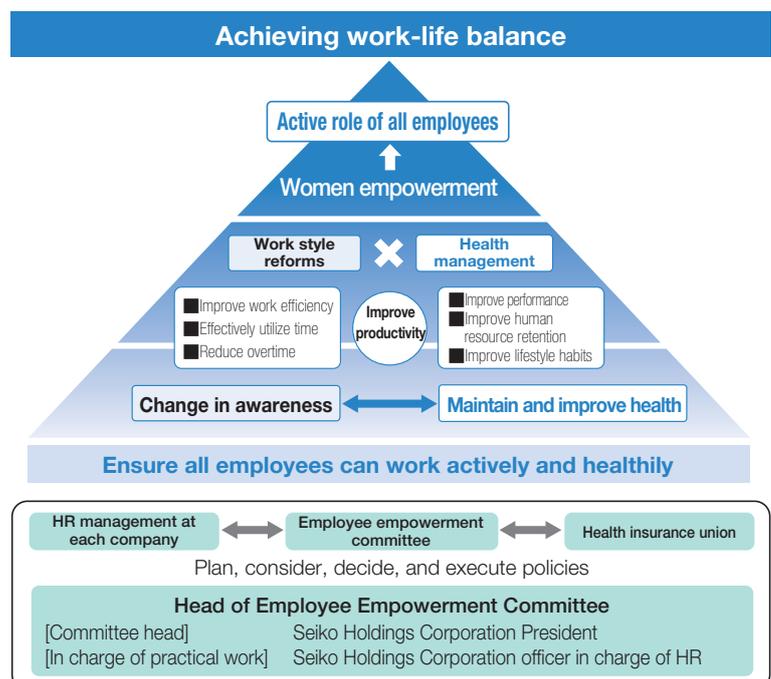
#### <Declaration of health management>

The driving force behind further growth at Seiko is each and every one of our employees. A company cannot develop without human resources. Seiko considers human resources to be our greatest asset and actively strives to maintain and improve employee health. We also strive to maintain an environment where all employees can work actively and continue to aim for the continuous growth of the Group.

中村吉伸

Yoshinobu Nakamura  
President  
SEIKO HOLDINGS CORPORATION

#### <Promotion system>



## Supporting the development of employees' abilities

In addition to stratified training, we provide various opportunities for improving the motivation and skill of our employees, such as executive candidate cultivation and career training. We also focus on cultivating global human resources, and hold seminars for deepening cross-cultural

understanding as well as giving our younger employees English conversation lessons by outside teachers.



English conversation lesson

## Promoting the active role of all employees

### Improving the ratio of women in managerial positions

In regard to the empowerment of women, we have held training and seminars, transmitted information via a Group intranet, and adopted various systems from FY2013 and continue to do so. The 7th Mid-Term Management Plan sets a goal of 15% women in managerial positions in Japan and strives for further promotion of women empowerment.



### Vitalization of senior human resources

The revised Act on Stabilization of Employment of Elderly Persons of Japan was enacted in April 2013 and, in principle, all persons wishing to work will be offered continuous employment (by the Company) until the age of 65. The Seiko Holdings Group is striving to energize our senior staff members with initiatives that encourage them to change their mindsets and recognize that they are "trusted key personnel" that the Company needs and who can leverage their vital capabilities in terms of accumulated knowledge, personal connections and specialized skills.

### Parental leave and parental shortened working hours

The Seiko Holdings Group is making efforts to ensure a good balance between work and childcare for employees eligible for parental leave. We offer a program of reduced working hours in line with the Child Care and Family Care Leave Act. We are striving to create a pleasant environment in which employees can work with peace of mind and to their full potential.

#### Usage of System for Parental Leave and Shortened Working Hours for Parental Care (Major subsidiaries in Japan)

	(FY)	2014	2015	2016	2017	2018
Parental leave (people)		75	87	74	100	101
Shortened working hours for parental care (people)		100	112	115	112	109

### Employing individuals with disabilities

The Seiko Holdings Group actively promotes the employment of individuals with disabilities. At our special subsidiary, Aoba Watch Service Co., Ltd., many persons with disabilities play an active role in work focused on watch repairs.



Aoba Watch Service Co., Ltd., the special subsidiary

## Safe, pleasant work environment

### Safety and health management

Seiko Holdings Corporation fully implements the safety and health management regulations specified in the Labor Standards Act, Industrial Safety and Health Act and other legal provisions of Japan relating to safety and health. We aim to ensure the safety and health of employees through such means as appointing persons in charge of overall safety and health, health supervisors and industrial physicians, providing periodic health checks and establishing the Health Committee.

### Promoting mental health measures

In accordance with the Guidelines for Promoting Mental Health Care in Enterprises of Japan issued by the Ministry of Health, Labour and Welfare in August 2000 and in response to the shift to mandatory stress check tests following revisions to the Industrial Safety and Health Act of Japan in December 2015, we are promoting employee stress check tests, management training, specialized care from industrial physicians, and the establishment of an external consultation desk, etc.

Corporate Governance - List of Directors (current as of October 1, 2019)



**SEIKO HOLDINGS CORPORATION**

Chairman & Group CEO <b>Shinji Hattori</b>	President <b>Yoshinobu Nakamura</b>	Senior Executive Director Human Resources and IT Planning <b>Akihiro Okuma</b>	Executive Director Public Relations, Sports Branding, and Corporate Culture <b>Hiromi Kanagawa</b>
Executive Director Finance & Corporate Strategy Planning and Accounting <b>Shimesu Takizawa</b>	Director Legal & Intellectual Property and Real Estate <b>Kazuhiko Sakamoto</b>	Director Secretariat and General Affairs <b>Makoto Ichimura</b>	Director Watches Business <b>Shuji Takahashi</b>
Director <b>Tetsu Kobayashi</b>	Outside Director <b>Tsuyoshi Nagano</b>	Outside Director <b>Yasuko Teraura</b>	Corporate Auditor <b>Seiichi Mikami</b>
Corporate Auditor <b>Haruhiko Takagi</b>	Outside Corporate Auditor <b>Tomoyasu Asano</b>	Outside Corporate Auditor <b>Hideki Amano</b>	Outside Corporate Auditor <b>Masatoshi Yano</b>

**SEIKO WATCH CORPORATION**

Chairman & CEO <b>Shinji Hattori</b>	President & COO & CMO <b>Shuji Takahashi</b>	Director, Chief Executive Vice President Sales Division I <b>Minoru Ishiguro</b>	Director, Senior Executive Vice President Sales Division II <b>Akio Naito</b>
Director, Executive Vice President Corporate Strategy & Planning Division <b>Taku Yoneyama</b>	Director, Executive Vice President Marketing Planning & Development Division <b>Kiyoko Niwasaki</b>	Director, Executive Vice President Product Planning & Development Division <b>Hiroshi Nakahara</b>	Director, Senior Vice President Sales Division II and Management Planning Dept.(Americas) <b>Teruyo Ishimaru</b>
Director, Senior Vice President Sales Division I and Management Planning Dept.(Asia II) <b>Yoshikatsu Kawada</b>	Director <b>Yoshinobu Nakamura</b>	Director <b>Hiromi Kanagawa</b>	Corporate Auditor <b>Atsushi Kaneko</b>
Corporate Auditor <b>Seiichi Mikami</b>	Corporate Auditor <b>Hideo Hattori</b>	Outside Corporate Auditor <b>Yutaka Nishimura</b>	Senior Vice President Sales Division I and Sales Planning Dept., Operations Dept. and Customer Service Dept. <b>Hiroshi Shimizu</b>
Senior Vice President Marketing Planning & Development Division, Marketing Dept. I, Marketing Dept. II and Marketing Dept.(CR) <b>Yasunori Hagiwara</b>	Senior Vice President Sales Division I and Management Planning Dept.(Asia I) <b>Toru Tsuchiya</b>	Senior Vice President Product Planning & Development Division and Movement Design & Engineering Dept. <b>Masato Takenaka</b>	Senior Vice President Corporate Strategy & Planning Division and Corporate Strategy & Planning Dept. <b>Naoaki Tanimura</b>

**Seiko Instruments Inc.**

Chairman <b>Yoshinobu Nakamura</b>	President General Manager of Internal Controls Planning Office <b>Tetsu Kobayashi</b>	Director, Chief Executive Vice President General Manager, Electronic Components Business Headquarters and Precision Device Business Headquarters <b>Kazunari Watanabe</b>	Director, Executive Vice President General Manager, Watch Business Headquarters <b>Hiroshi Nakahara</b>	Director, Executive Vice President General Manager, Corporate Technology Division and Quartz Crystal Division <b>Shinji Nureki</b>
Director, Executive Vice President <b>Akihiro Okuma</b>	Director, Executive Vice President General Manager, Corporate Strategy Division <b>Shimesu Takizawa</b>	Director, Senior Vice President Deputy General Manager, Corporate Strategy Division <b>Hideo Hattori</b>	Director, Senior Vice President General Manager, Motion Device Division <b>Takahiro Naito</b>	Director <b>Kazuhiko Sakamoto</b>
Corporate Auditor <b>Makoto Hirota</b>	Outside Corporate Auditor <b>Norimasa Kuroda</b>	Corporate Auditor <b>Hiroaki Sahara</b>	Corporate Auditor <b>Haruhiko Takagi</b>	Executive Vice President General Manager, Human Resources & General Administration Division <b>Yumiko Ishida</b>
Senior Vice President General Manager, Manufacturing Administration Office Watch Division and Deputy General Manager, Production Engineering Center <b>Yasuto Nakamura</b>	Senior Vice President <b>Tatsuo Sagami</b>	Senior Vice President General Manager, Real Estate Dept. <b>Takumi Yoshitomi</b>	Senior Vice President General Manager, Printing Device Business Headquarters <b>Kenji Otsuka</b>	Senior Vice President General Manager, Precision Mechanical Device Division <b>Masao Kasuga</b>
Senior Vice President General Manager, Printek Division <b>Yoshihiro Takeda</b>	Senior Vice President Deputy General Manager, Corporate Technology Division <b>Kunio Nakajima</b>			

## SEIKO NPC CORPORATION

President <b>Hiroaki Okawa</b>	Director, Senior Vice President Production & Human Resources Executive Officer <b>Kimio Yomogida</b>	Director <b>Yoshinobu Nakamura</b>	Director <b>Akihiro Okuma</b>	Director <b>Shimesu Takizawa</b>
Director <b>Kunio Nakajima</b>	Director <b>Hitoshi Murakami</b>	Corporate Auditor <b>Haruhiko Takagi</b>	Senior Vice President General Administration Executive Officer <b>Hideaki Tadokoro</b>	Senior Vice President Sales & Design Solution Executive Officer <b>Toshimitsu Ogasawara</b>

## SEIKO Solutions Inc.

President <b>Jun Sekine</b>	Director, Chief Executive Vice President CTO and Senior Executive Manager, Business Promotion Unit <b>Tatsumi Hasegawa</b>	Director, Senior Executive Vice President <b>Akihiro Okuma</b>	Director, Senior Executive Vice President Strategic Business Unit I & II <b>Yoshio Kobayashi</b>	Director, Executive Vice President Senior Executive Manager, Corporate Affairs Unit <b>Takashi Nishimoto</b>
Director, Executive Vice President Senior Executive Manager, Business Finance & Accounting Unit <b>Yoshiyuki Hashimoto</b>	Director <b>Yoshinobu Nakamura</b>	Director <b>Makoto Ichimura</b>	Corporate Auditor <b>Shunji Tanaka</b>	Corporate Auditor <b>Haruhiko Takagi</b>
Executive Vice President Senior Executive Manager, Data Service Business Unit <b>Hiroyuki Watanabe</b>	Executive Vice President Senior Executive Manager, Network Solutions Business Unit and Executive Manager, Network Solutions Technology Division <b>Hiroaki Onishi</b>		Executive Vice President Senior Executive Manager, Mobile Solutions Business Unit <b>Toshimasa Ike</b>	Executive Vice President Senior Executive Manager, Systems Solutions Business Unit and Executive Manager, Region Business Division <b>Junichi Fujii</b>
Senior Vice President Senior Executive Manager, Digital Transformation Business Unit <b>Nobuchika Matsuoka</b>	Senior Vice President Senior Executive Manager, Strategic Business Unit I, Executive Manager, IoT Division and Mobile Solutions Sales Division <b>Takeshi Ichikawa</b>			

## SEIKO Clock Inc.

President <b>Kenji Hagiwara</b>	Director, Senior Executive Vice President Business Strategy & Product Planning Division <b>Ichiro Doi</b>	Director, Senior Vice President Domestic Marketing Division <b>Akira Banno</b>	Director, Senior Vice President International Marketing <b>Koichi Fukumuro</b>	Director, Senior Vice President General Administration Division <b>Satoshi Morita</b>	Director, Senior Vice President Research & Technology Division <b>Osamu Sugita</b>
Director <b>Yoshinobu Nakamura</b>	Director <b>Kazuhiko Sakamoto</b>	Director <b>Satoshi Yoshino</b>	Director <b>Hitoshi Murakami</b>	Corporate Auditor <b>Seiichi Mikami</b>	Senior Vice President Research & Technology Division <b>Hironori Yamada</b>

## WAKO Co., Ltd.

Honorary Chairman <b>Shinji Hattori</b>	Chairman <b>Tatsuhiko Adachi</b>	President <b>Shuntaro Ishii</b>	Representative Senior Executive Director <b>Masahiko Shoyama</b>	Managing Director, Senior Vice President <b>Hidetoshi Okamoto</b>	Managing Director, Senior Vice President <b>Kazuhiko Sakamoto</b>
Director, Senior Vice President <b>Takeshi Endo</b>	Director <b>Shuji Takahashi</b>	Director <b>Kiyoko Niwasaki</b>	Director <b>Takashi Aizawa</b>	Director <b>Makoto Ichimura</b>	Corporate Auditor <b>Seiichi Mikami</b>
Senior Vice President <b>Toshihiro Machida</b>	Senior Vice President <b>Mitsuo Shibuya</b>	Senior Vice President <b>Akiko Seno</b>	Senior Vice President <b>Takayuki Arai</b>		

## SEIKO Time Systems Inc.

President <b>Kenji Hagiwara</b>	Executive Director President's assistant and Timing Division Jurisdiction <b>Hiromi Kanagawa</b>	Director Sales Division Headquarters and Head of Construction Management <b>Shogo Sumida</b>	Director Engineering Division Headquarters and Corporate Management Dept. Jurisdiction <b>Ryozo Suenaga</b>
Director Sales Division Deputy Headquarters <b>Kazuo Yamamura</b>	Director Manufacturing Division Headquarters and Factory Automation Division Headquarters <b>Mitsunaga Yata</b>	Director <b>Shuntaro Ishii</b>	Director <b>Satoshi Yoshino</b>
Director <b>Naoki Tajima</b>	Director <b>Hitoshi Murakami</b>	Corporate Auditor <b>Seiichi Mikami</b>	Corporate Auditor <b>Hideo Hattori</b>

# Corporate Governance

## Basic Principles of Corporate Governance

As a company based on the principles to being a company that is trusted by society, Seiko Holdings Corporation sees as core business challenges compliance with all laws and regulations, implementation of management transparency and fairness, and honoring social ethics—and to realize these goals by striving to apply and reinforce our corporate governance framework. We will work to drive sustainable growth and enhance the corporate value of the Company and the Group.

### Basic policy

#### (1) Securing the Rights and Equal Treatment of Shareholders

The Company strives to develop a necessary environment for appropriately and effectively securing shareholder rights such as voting rights at the general meeting of shareholders and provide necessary information accurately to ensure that shareholders can appropriately exercise their rights. The Company is also committed to securing equality between shareholders, including minority shareholders and foreign shareholders.

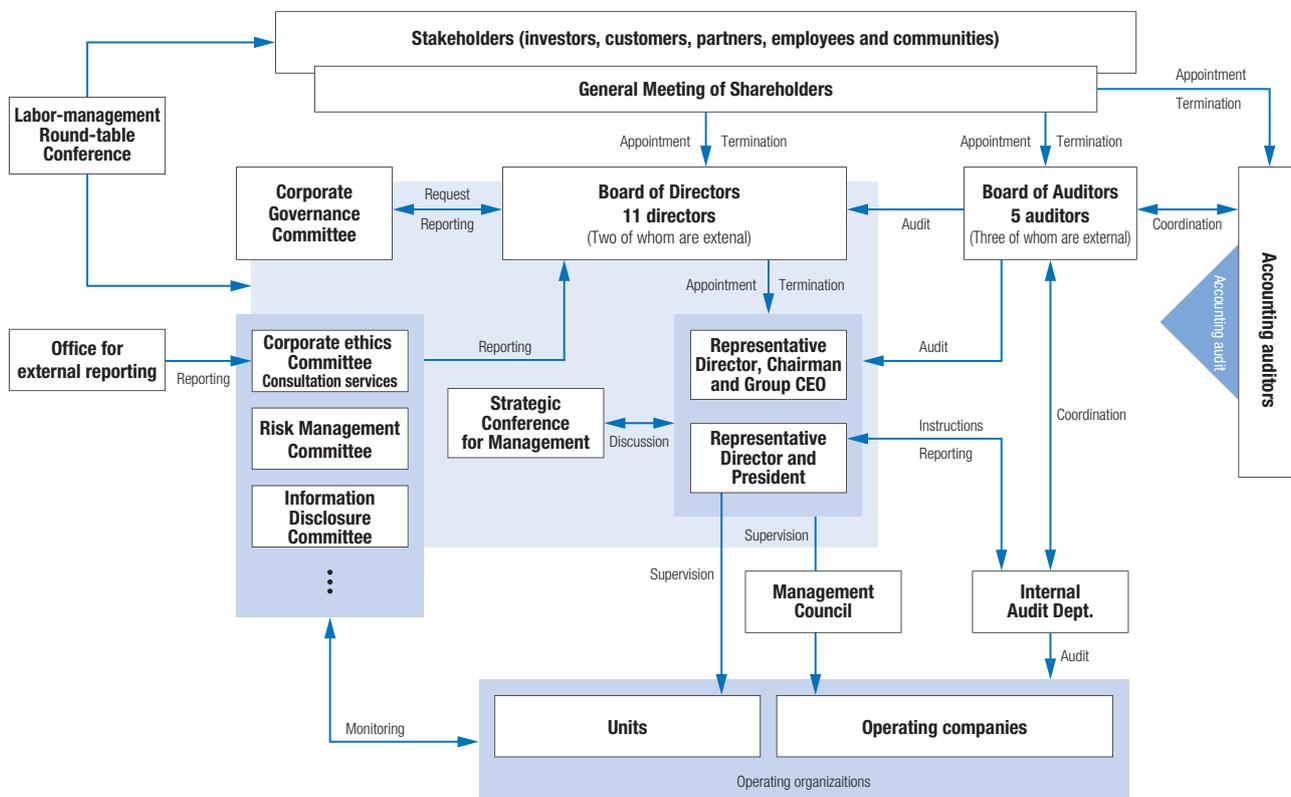
#### (2) Appropriate Cooperation with Stakeholders other than Shareholders

As well as with shareholders, the Company also strive to cooperate with other stakeholders including customers, employees, business partners and members of the communities where our facilities are located. The Company believes that it bears a social responsibility to contribute fully to the realization of a sustainable society and to honor the Group's fundamental policy of "being a company that is trusted by society."

#### (3) Ensuring Appropriate Information Disclosure and Transparency

The Company shall appropriately make information disclosure in compliance with the relevant laws and regulations, but also strives to provide clear and useful information in a timely and detailed way beyond that required by law in order to facilitate accurate evaluations by the Company's shareholders and other stakeholders and to engage in constructive dialogue with them.

### Corporate Governance Structure



(Note) Other than the above, the Company has advisory contracts with law firms for legal advice.

#### **(4) Responsibilities of the Board**

The Board of Directors is committed to a free, open and constructive style of management. The Company aims to ensure that it executes its duties timely and decisively and that its actions create an environment where good decisions can be taken by the senior management to achieve sustainable growth and increased corporate value over the mid- to long-term.

#### **(5) Dialogue with Shareholders**

The Company promotes constructive dialogue with shareholders so as to support sustainable growth and increase corporate value over the mid- to long-term based on "Basic Policy on constructive dialogue with shareholders."

### **Corporate Governance Structure**

As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function. The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when necessary, as well as carries out quick and appropriate decision-making. The Company holds a Management Council comprising full-time officers of the Company and the respective Presidents of operating companies for the purpose of working to share the management policy and management information of the Group. The Company also holds a Strategic Conference for Management for the purpose of deliberating basic matters of business execution and promoting management activities appropriately and promptly.

Furthermore, the Company establishes the Corporate Governance Committee as an advisory body for the Board of Directors.

### **Board of Directors**

The Board of Directors is composed of 11 Directors (including two female directors), of whom two are Outside Directors. The Board of Directors, pursuant to the Regulations of the Board of Directors, is engaged in decision-making concerning fundamental management matters and important business execution, in addition to matters set forth in laws and regulations and the Articles of Incorporation, as well as the monitoring of business execution. Decisions regarding business execution other than the above have been delegated to the management pursuant to the Regulations of Administrative Authority.

In addition, Outside Directors have abundant experience and high degree of knowledge on corporate management and specific fields and help to improve the monitoring functions over management from their independent standpoints.

### **Evaluation of the Effectiveness of the Board of Directors**

As part of efforts to strengthen the corporate governance system, the Company evaluates the effectiveness of the Board of Directors each year.

#### **Analysis and evaluation methods**

All Directors and Corporate Auditors were asked to fill out a questionnaire regarding the effectiveness of the Board of Directors, and replies were collected from all of them. External consultants tabulated and analyzed the results by ensuring the anonymity of the respondents.

The questionnaire was prepared based on initiatives and discussions on the Company's corporate governance to date, and the following evaluation items were set.

<Evaluation Items>

- 1) The status of deliberations and operation of the Board of Directors
- 2) The composition and roles of the Board of Directors
- 3) The support system for Outside Directors
- 4) Roles of and expectations for Corporate Auditors
- 5) The Corporate Governance Committee
- 6) Relationships with investors and shareholders

The results of the analysis by external consultants based on the above process and content were reported to the Board of Directors, which, in turn, performed its own analysis and evaluation of board effectiveness by referring to these results.

### **Board of Auditors**

The Board of Auditors is composed of two Corporate Auditors of the Company and three Outside Corporate Auditors. Its role is to make decisions on all matters related to the audit. The Corporate Auditors audit the compliance and validity of the Directors' business execution by participating in the Board of Directors meetings and other important meetings. The Outside Corporate Auditors offer necessary advice, suggestions and opinions, making use of their broad experience and insight in business management.

## Corporate Governance

### Corporate Governance Committee

In order to enhance the objectivity and transparency of management, the Company establishes the Corporate Governance Committee where outside officers account for the majority of members, as an advisory body for the Board of Directors. The Committee deliberates on matters relating to compensation for officers, nomination of officer candidates, appointment and dismissal of Representative Directors, Directors with special titles, and Directors who execute business duties, and other matters regarding corporate governance from an objective and fair perspective, and reports to the Board of Directors. The members and the chairperson of the Corporate Governance Committee are as follows:

Chairperson	President	Yoshinobu Nakamura
Members	Chairman & Group CEO	Shinji Hattori
	Outside Director	Tsuyoshi Nagano
	Outside Director	Yasuko Teraura
	Outside Corporate Auditor	Tomoyasu Asano
	Outside Corporate Auditor	Hideki Amano
	Outside Corporate Auditor	Masatoshi Yano



(From left) Yasuko Teraura, Tsuyoshi Nagano, Tomoyasu Asano, Hideki Amano, Masatoshi Yano

### Compensation of Officers

#### 1. Basic policy of the compensation of officers

For determining compensation for officers of the Company, the basic policy is as follows:

- To ensure transparency and objectivity of compensation as well as to set the compensation level appropriate for their roles and responsibilities.
- To encourage the execution of duties in line with the management philosophy and the management strategy, and to motivate the achievement of management objectives, in order to achieve sustainable growth of the Company and the Group and to enhance corporate value in the mid to long term.

The level of compensation for officers is determined based on results of the survey on compensation for officers by third parties targeting similar companies in terms of business contents and scale, etc.

#### 2. Compensation system for officers

Compensation for Directors who execute business duties consists of “basic compensation,” which is a fixed compensation, and “bonuses” (short-term incentive compensation) and “stock compensation” (mid- to long-term compensation), which are performance-linked compensation. Compensation for Directors who do not execute business duties, including Outside Directors, and Corporate Auditors consists of “basic compensation only.” The ratio of payment of the fixed compensation to the performance-linked compensation is determined at an appropriate level to serve as an incentive to contribute to improving the corporate value of the Company, taking into account the levels of the above peer companies. The ratio of payment of each type of compensation is as follows:

	Fixed compensation	Performance-linked compensation	
	Basic compensation	Bonus	Stock-type compensation
Representative Directors	1	0.2	0.2
Directors who execute business duties other than Representative Directors	1	0.15	0.15

The above 1. and 2. were determined by the Board of Directors after being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers.

#### 3. Calculation method for performance-linked compensation

##### (Bonuses)

The standard payment amount of bonuses is the amount determined by multiplying the basic compensation by the coefficient set by position. The individual payment amount is determined by multiplying the standard payment amount by the payment rates according to the performance achievement ratio. Bonuses vary from 0% to 200% according to the target achievement level.

##### (Stock compensation)

For stock compensation, points that the individual payment amount converted into the number of shares are granted in each fiscal year. The individual payment amount is a total of the standard payment amount (fixed portion), calculated by multiplying the basic compensation by the coefficient set by position, and the amount (performance-linked portion), obtained by multiplying the standard payment amount by the payment rate according to the performance achievement ratio. The performance-linked portion of stock compensation varies from 0% to 200% according to the target achievement level. The ratios of the fixed portion and performance-linked portion are 50% each.

Indicators for performance-linked compensation are consolidated net sales and consolidated operating profit, which are set as important management indicators for the company’s performance evaluation to serve as an incentive for achieving the Group’s management targets.

## Appointment and Dismissal of Senior Management and Nomination of Candidates for Directors and Corporate Auditors

The Company believes that it is essential that candidates for Directors and Corporate Auditors have the character and knowledge suitable for their respective duties.

Based on this concept, in the nomination of candidates for internal Directors and the selection of senior management, comprehensive consideration is given from the standpoint of appointing the right person for the right position, so that talent is appointed in a well-balanced manner to cover functions of the Company as a holding company as well as the Group's business fields, while ensuring accurate and timely decision-making.

In the nomination of candidates for internal Corporate Auditors, comprehensive consideration is given from the standpoint of whether the candidate possesses knowledge of the Group's businesses as well as insight regarding finance, accounting and legal affairs, and whether the candidate can contribute to ensuring the soundness of management.

In the nomination of candidates for Outside Directors, comprehensive consideration is given from the standpoint of whether the candidate possesses abundant experience and high degree of knowledge of corporate management and specific fields.

In the nomination of candidates for Outside Corporate Auditors, comprehensive consideration is given from the standpoint of whether the candidate possesses insight regarding finance, accounting and legal affairs, as well as abundant experience and high degree of knowledge of specific fields.

Based on the above policy, the Board of Directors determines the candidates proposed by the representative directors, upon deliberation by the Corporate Governance Committee, the majority of which comprises outside officers. In addition, with regard to the dismissal of senior management, in situations in which dismissal standards determined by the Board of Directors apply, such as when senior management is not fully fulfilling his or her function in light of evaluations including the Company's performance, the Corporate Governance Committee conducts deliberations in a timely manner, and the Board of Directors, based on the results of such deliberations, dismisses the Directors from the office of representative directors, Directors with special titles and Directors who execute business duties.

## Cross-Shareholdings

From the perspective of improving the corporate value of the Group in the mid- to long-term, the Company has a policy to reduce shares that are deemed not to have

a significance of holding them, taking comprehensively into consideration the Company's management strategy, business relationships with clients, and the benefits and risks, etc., associated with holding in view of its capital cost.

### Disclosure of the verification of the propriety of cross-shareholdings

The Company's Board of Directors verifies each year the rationale for the holding of all listed shares held in cross-shareholding by the Group through examination of the importance of the issuer as a business partner and benefits and risks of shareholding in light of capital costs and other factors.

Most recently, an individual verification was conducted at the meeting of the Board of Directors held in August 2019. With regard to certain shares, which were determined to be lacking in significance or rationale for continued holding, the Company proceeds with discussions toward their disposal.

Based on the above policy on cross-shareholdings, the Company sold four stocks among the shares held by its subsidiaries in the fiscal year ended March 31, 2019.

### Standards for exercising voting rights on cross-shareholdings

With regard to the exercise of voting rights on cross-shareholdings, the Company exercises its voting rights, upon fully respecting management policies and strategies, etc. of the issuing company, by comprehensively determining on whether the proposal contributes to the sustained growth and the mid- to long-term enhancement of corporate value of the issuing company, and whether or not it undermines shareholder value, among other factors. In addition, in making such decisions for particularly important proposals, the Company holds dialogue with the issuing company, as necessary. The proposals deemed important by the Company are as follows.

- Proposals on appointment of Directors and Corporate Auditors
- Proposals of reorganization including mergers
- Proposals on takeover defense measures
- In addition to the above, proposals that may undermine shareholder value

## Internal Control System

The Company, in accordance with its basic policy on the internal control system, has established a Group-wide internal control system, including the Group's business management, corporate ethics, compliance with laws and regulations, risk management and internal audits. Furthermore, the Company monitors the operation status of internal controls and periodically reports the results to the Board of Directors.

## Corporate Governance

### Initiatives to Revitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

● **Early dispatch of the convocation notice of the general meeting of shareholders**

The convocation notice of the Ordinary General Meeting of Shareholders held on June 27, 2019 was dispatched on June 7, 2019 (three business days prior to the statutory date). In addition, prior to the dispatch of the convocation notice, it was digitally disclosed on the Company's website and the website of the Tokyo Stock Exchange on May 29.

● **Exercise of voting rights by electromagnetic means**

The Company has adopted the exercise of voting rights by electromagnetic means from the 155th Ordinary General Meeting of Shareholders held in June 2016.

● **Initiatives to improve the environment for institutional investors to exercise voting rights**

The Company has adopted the proxy voting platform

operated by ICJ, Inc. from the 155th Ordinary General Meeting of Shareholders held in June 2016.

● **Providing an (abridged) English version of the convocation notice**

The Company prepares an English version of the convocation notice and posts it on the Company's website and the website of the Tokyo Stock Exchange.

● **Others**

The Company makes efforts to operate the general meeting of shareholders so that it is easy for shareholders to understand, such as by providing visual presentations of the business report. In addition, the Company posts the convocation notice (Japanese and English versions) and extraordinary reports on the results of exercise of voting rights on its website.

### Status of IR Activities

● **Preparation and announcement of the Disclosure Policy**

In March 2009, the Company established the IR Policy and disclosed on its website.

● **Briefing sessions for individual investors**

The Company holds (irregular) seminars for individual investors at branches, etc. of securities companies throughout Japan. In addition, the Company has established a page for individual investors on its website, which provides explanations of the Company's businesses and performance in an easy to understand manner.

● **Briefing sessions for analysts and institutional investors**

The Company holds quarterly results briefing sessions for analysts and institutional investors, as well as briefing sessions on businesses and factory visits.

● **Briefing sessions for overseas investors**

Officers in charge visit overseas shareholders and institutional investors once or twice a year. The Company also participates in conferences sponsored by securities companies.

● **Posting of IR materials on the website**

The Company posts its Mid-Term Management

Plan, financial results information, timely disclosure information other than financial results information, IR Presentation materials, and summary Q&As at the IR Presentation in Japanese and English, in principle, on its website. The Company also posts its annual reports, notice of the ordinary general meeting of shareholders, notice of resolution of the ordinary general meeting of shareholders and other information.

● **Establishment of a department for IR**

The Corporate Strategy & Planning Department is responsible for IR.



The 7th Mid-Term Management Plan presentation for analysts and institutional investors

**Seiko Holdings Corporation fulfills its corporate social responsibility by complying with statutes, respecting social ethics, and setting up healthy and sensible corporate ethics. Based on this approach, Seiko Holdings Corporation has established the following as its Basic Principles of Corporate Ethics.**

### Basic Principles of Corporate Ethics

- Complying with the laws and rules of the countries and regions where business is conducted and engaging in fair practices in the light of social ethics.
- Aiming to become a sensible corporate citizen, and striving for harmony with society.
- Disclosing information in a timely fashion, and engaging in honest and transparent communications.
- Protecting the irreplaceable earth and contributing to the preservation of the environment.
- Respecting fundamental human rights and individuality, and building up a corporate culture with a broad vision which fosters the spirit of corporate ethics.

### Structure for the Promotion of Corporate Ethics and Compliance

In accordance with the Basic Principles of Corporate Ethics, the Company has established the Corporate Ethics Committee and Action Guidelines for Corporate Ethics, and consistently promotes education and enlightenment, consultation and reporting, auditing, and evaluation, etc. to all its officers and employees.

Each operating company of the Group has established its own system of corporate ethics and action guidelines in accordance with characteristics of its business, relevant laws, regulations, and rules. Accordingly, when an incident involving corporate ethics occurs at an operating company, the operating company is responsible for resolving the issue. When requested by an operating company, the Company provides full cooperation and support toward resolving issues involving corporate ethics.

**Managers and staff of administrative divisions of overseas subsidiaries were gathered and a seminar on governance and fraud risks was held.**



### Implementing Corporate Ethics and Compliance Structure

The Company regards maintaining and implementing Corporate ethics and compliance structure as a crucial management issue and therefore implements business ethics training for all executives and employees. The Company distributes the Law Handbook to executives, including those of operating companies, which contains information about their authority and obligations for the purpose of avoiding legal risk and undertaking proper management. The Company also provides them with compliance-related training once a year on such areas as risk of corruption.

In addition, the Company provides training on corporate ethics to employees twice a year that includes training on harassment and e-learning so they can gain fundamental knowledge on information security.

### Internal Reporting System

The Company has established a “Corporate Ethics Helpline” as a contact point to receive consultations and reporting from employees regarding corporate ethics and compliance. In addition to the internal contact point, the Company has set up an external contact point at a law firm and provides an environment that facilitates consultation and reporting for the user. Under this system, rules have been established to protect the user from any disadvantageous treatment on account of the consultation or reporting, and information that may identify the user and information relating to the consultation and reporting are strictly managed.

## Risk Management

In order to respond promptly and properly to the various risks in business management, Seiko Holdings Group promotes risk management based on the Risk Management Rules that set the basic policy for risks facing the Group.

### Business Risks

Risks that may seriously affect the operating results and/or financial position of the Group are outlined below.

#### (1) Economic trends

The Group handles certain products directly related to personal consumption, such as watches, clocks, electronic components for digital products and automobiles, high-end jewelry, apparel and fashion accessories, and household goods, etc. Consequently, consolidated business results are strongly affected by trends in domestic and overseas economies, especially trends in personal consumption.

#### (2) High dependence on procurement from specific supplier

Due to the high dependence on procurement from specific watch supplier, business results of the Watches Business may be significantly affected by changes in terms of transactions with this supplier.

#### (3) Market environment of the Electronic Devices Business

Business results of the Electronic Devices Business are affected by demand trends of electronic devices, etc., in Japan and overseas. In this business field, the speed of development of new technologies and their mass production is high, and the price competition is also intense. Therefore, the possibility that delays in response to changes in these market environments may have a significant impact on business results is getting stronger.

#### (4) Country risks on manufacturing bases overseas

The Watches business, the Electronic Devices Business and the Clocks Business have manufacturing bases in Singapore, Malaysia, Thailand and China. Changes in social situations due to politics and economics, etc., in these areas may have a significant impact on manufacturing activities of these businesses.

#### (5) Dependence on sales to major customers

For some of the Electronic Devices Business, the dependence on sales to major customers tends to be high, and a decrease in the volume of orders from these customers may have an impact on business results of this business.

#### (6) Increase in price of resources

If resources such as crude oil and other raw materials surge due to changes in the supply and demand environment, manufacturing costs may rise that causes an impact on business results.

#### (7) Quality issues and production liability

Products manufactured and sold by the Group do not cause any accidents that have effects on human bodies

under normal use. However, due to changes in the social environment, such as stricter legal regulations on product accidents, or changes in the business environments, there may be an increase in costs related to quality issues and product liability, such as product recalls and compensation liability.

#### (8) Intellectual property rights

The Group has taken measures, such as obtaining patent rights and protecting confidential information, in order to protect important proprietary development technologies. However, there is a possibility that adequate protection may not be implemented depending on the region.

Furthermore, even though such measures are taken, there is a possibility that the superiority of the Group's products may be impaired, if the Group cannot effectively eliminate third parties' products similar to its products.

In addition, the Group has taken measures, such as patent investigation to prevent infringement of intellectual property rights of other companies in developing new products. However, there is no reasonable way to eliminate every single possibility of infringements. In the case where the Group infringes intellectual property rights of other companies, there is a possibility that business results may be affected by a claim for an injunction or a claim for damages.

#### (9) Currency exchange rate fluctuations

Within the Group, the Watches Business and the Electronic Devices Business mainly engage in business development for overseas markets. Some of those are engaged in business development for overseas markets from domestic manufacturing bases, and fluctuations in exchange rates may affect product prices, etc. In addition, for the Systems Solutions Business and the Clocks Business that mainly engage in business development for domestic markets, foreign exchange fluctuations may affect procurement costs for parts that are procured from overseas manufacturing bases in foreign currencies. Furthermore, all items denominated in local currencies, such as profits or losses and assets, for overseas subsidiaries are translated into Japanese yen for preparation of consolidated financial statements. Therefore, the Japanese yen-translated value of local currencies may be affected by the exchange rate at the time of conversion. In particular, fluctuations of Japanese yen against U.S. dollars and euro, etc. may affect business results and the financial position of the Group, including foreign currency translation adjustment under net assets of overseas subsidiaries.

#### (10) Interest rate fluctuations

Currently, the relationship between the Group and financial institutions is favorable, and the Group can procure funds necessary for business development including overseas without any problems. However, there is no guarantee that it will be possible to continue to procure funds sufficiently in the future. In addition, as the interest rate level in the

market tends to be low, over 80% of interest rates of the existing long-term loans payable has already been fixed. Although there is no significant risk of interest rate fluctuations, interest rate trends for future procurement may affect business results of the Group.

#### (11) Market price fluctuations

The Group holds investment securities for business reasons. The Group also owns idle real estate, including part of the former factory sites. In the case where the market price of such investment securities and real estate fluctuate significantly, the Group's business results and financial position may be affected.

#### (12) Environmental issues

The Watches Business, the Electronic Devices Business and the Clocks Business engage in business activities in accordance with various environmental laws and regulations that regulate energy conservation, air and water pollution, use of chemical substances, waste disposal, recycling, chemical substances contained in products and soil and groundwater pollution, etc. These businesses regard environmental conservation activities as one of the management tasks and promote various activities, including complying with laws and regulations as well as setting stricter voluntary goals. However, there are possibilities of bearing compensation for damages and expenses for taking response measures, due to an increase in expenses for responding to enforced regulations or occurrence of environmental problems in the future.

#### (13) Information securities

The Group prevents information leaks through measures such as establishment of internal regulations and employee education concerning protection and management of personal information and confidential information obtained in business operations. However, it cannot be guaranteed that there is no possibility of information leaks due to unforeseen circumstances. In the event of such situation, there is a possibility this will affect business results of the Group due to a decline of the Group's social credibility and a substantial cost burden to respond to such situation.

#### (14) Natural disasters

In the case where domestic and overseas manufacturing bases and facilities of the Group suffer damage due to natural disasters such as earthquakes and typhoons, there is a possibility this will affect business results due to manufacturing disruption, stagnation of sales, logistics and procurement functions, etc.

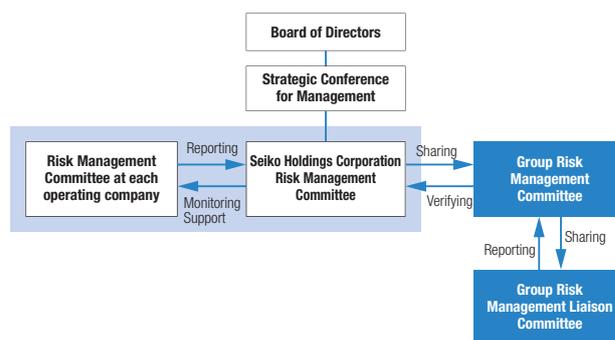
### Group Risk Management Structure

In order to perform centralized management of risks that could greatly influence the Group's business, Seiko Holdings Corporation is engaged in the development and strengthening of the risk management structure for the entire Group as well as responses to risks that must be addressed in a cross-organizational manner, led by the

Risk Management Committee, with the president of the Company as chairperson. In addition, each operating company independently promotes risk management, while the Company's Risk Management Committee supports the collection of risk information, the progress of risk measures and the promotion of risk management at each company. Furthermore, the Group Risk Management Committee, made up of the representative directors of each operating company, has been established that allows the representative directors of each operating company to verify and share information on the risks facing the Group.

The Company has also established the Crisis Management Manual in preparation for when crises occur, and in normal times, has set out a system capable of responding to crises, such as prompt collection of the necessary information.

### Group Risk Management Structure



### Initiatives to Address Significant Risks

The Group defines risks that could cause tremendous loss to the management of the Company and its consolidated subsidiaries, regardless of whether the risk is inherent in the Company or consolidated subsidiaries, as Significant Risks. The Risk Management Committee of the Company or consolidated subsidiaries selects the Significant Risks each fiscal year, determines the departments responsible for the risks, formulates the annual risk response plans, and carries out prevention measures and countermeasures. In addition, Significant Risks that must be addressed in a cross-organizational manner are defined as Group Significant Risks, and the Company responds directly to such risks. Responses to Significant Risks and Group Significant Risks are monitored by the Company's Risk Management Committee, and information is shared with the Group Risk Management Committee. The Group Risk Management Liaison Committee comprising secretariats of the Risk Management Committees of each operating company supports the promotion of measures against the Significant Risks of each company through inter-Group collaboration and cooperation.

## Social Contribution Activities

# Social contribution in the spirit of Seiko to achieve a rich society via sports, music, and education

## Exciting experiences for the next generation

### Seiko Exciting Clock School & Athletics School

At the Seiko Exciting Clock School, we visit elementary schools to communicate the entertainment of time and clocks to children so that they can experience the fun of the manufacturing things and the importance of teamwork. The Seiko Holdings Group employees have worked as teachers at these lessons since started in 2017, and more than 900 children are scheduled to participate including lessons in FY2019.



At the Seiko Exciting Athletics School, employee athletes Ryota Yamagata and Chisato Fukushima give children lessons where they experience the fun of running. 80 children participated in FY2018. Not only does this enable children to experience the joy of moving their body and playing sports, but it is also an opportunity to greatly stimulate the athletes working as teachers.

## Cultivating a rich spirit via music



### Seiko Summer Jazz Camp

Seiko supports children and young performers aspiring to become musicians.

Seiko Summer Jazz Camp is a special co-sponsored event where instructors who are active on the world stage teach talented young Japanese people who want to be jazz musicians performance techniques, theory, and how to enjoy jazz.

The 4th event was held in 2019 over a four day period and featured talented musicians in New York as instructors. On the final day, an open concert was held to allow the students to demonstrate their results, and various prizes were awarded.

Several past students have also succeeded in turning professionals.



## Supporting earthquake reconstruction via music

### A Concert to Support Eastern Japan in a Spirit of Harmony

Since great earthquake attacked east-Japan area in 2011, Seiko has been holding concerts to support reconstruction in disaster areas. We have also been holding the sound of "wa" Concert to Support Eastern Japan in a Spirit of Harmony in three prefectures of the Tohoku region and in Tokyo from 2013, in order to provide an opportunity for people in disaster areas and their supporters to deepen ties. In September 2019, this was held in Matsushima in Miyagi Prefecture, Soma



in Fukushima Prefecture, and Tono in Iwate Prefecture. Local school choirs and brass bands joined regional choirs and musicians to hold a special one-day event that unified a desire for reconstruction.

On March 11, 2019, it was held in the Bunkamura Orchard Hall in Shibuya, Tokyo. Tickets sold out in advance and more than 2,000 people attended the concert.

## Supporting the social participation of persons with intellectual disabilities

### Special Olympics

The international sports organization called the "Special Olympics" has continuously conducted sports programs that enable persons with intellectual disabilities to experience sports for the goal of independence and social participation, as well as holding many competitions that provide participants with an opportunity to put their experiences into practice.

The first summer games were held in 1968, and now both summer and winter events are held every four years, in the same manner as the Olympics.



Seiko has co-sponsored the 2015 Special Olympics World Summer Games in Los Angeles, the 2017 Special Olympics World Winter Games in Austria, and the 2019 Special Olympics World Summer Games in Abu Dhabi as an official supporter. More than 7,000 athletes from 200 countries and regions attended the games in Abu Dhabi, as well as more than 21,000 volunteers.

## Contributing to the enrichment of education with Seiko products

### Assisting primary education in Laos

Seiko endorses the aim of the "Project for Improving Teaching and Learning Mathematics for Primary Education" conducted in Laos by the Japan International Cooperation Agency (JICA), and donated 300 Seiko clocks in August 2019.



The Laotian government aims to graduate from Least Developed Country status by 2020, and defines disseminating and improving the quality of primary

education as a top priority issue.

As part of this project, Padeco Co., Ltd. and Tokyo Shoseki Co., Ltd. were contracted by JICA to assist the production of national mathematics textbooks and the curriculum include the topic of how to read the time. However, since schools in Laos often lack clocks and many children have not seen one, we decided to donate clocks in order to improve the effect of learning. The clocks we have donated are assisting mathematics lessons at places such as elementary schools.



## Environmental Activities

### Environmental Philosophy

Seiko is cognizant that the protection of the global environment is the highest priority issue of humankind and takes actions by giving considerations to preserving the environment as a good corporate citizen.

### Products that are Kind or Contribute to the Environment

The Seiko Holdings Group's basic approach to product development is to develop "products that never break" and "products that can be used for a long time," and we have delivered products that are kind to the environment, products that improve the environmental performance of customer products, and products and services that can actively contribute to improving the environment to the market based on our technological philosophy of "Craftsmanship, Miniaturization, Efficiency."

Since the mechanical watches that Seiko Watch Corporation focuses on require no battery or electricity and operate via the tension of a wound spring, they can be used semipermanently provided they receive periodic maintenance. The Spring Drive mechanism that is only sold by Seiko Watch Corporation achieves a precision comparable to a quartz watch, despite also being powered by a spring. This may be the ultimate watch for an age that requires both environmental kindness as well as precise time information. Seiko Watch Corporation provides many other products with mechanisms that are kind or contribute to the environment, such as solar and Kinetic based on unique technology.

Seiko Instruments Inc. provides products that are kind or contribute to the environment, based on our technological philosophy of "Craftsmanship, Miniaturization, Efficiency." Seiko Instruments Inc. operates the SII Green Product Label system adopted in 2001 while continuing efforts for promoting customer awareness of such products. The

ratio of sales of green products was 97.6% in FY2018. Seiko Clock Inc. sells clocks that comply with the Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities of Japan (the "Green Purchasing Law"), focused on sales to offices. The Seiko Holdings Group recognizes that corporate environmental efforts are an important factor when customers select goods and products, and will continue to strive to develop services and products that are kind and contribute to the environment.



Clock complying with the Green Purchasing Law



### Environmental Policy

1. We set environmental targets, systematically implement measures and confirm the results leading to continuous improvements.
2. We comply with relevant environmental laws, rules and regulations in Japan and other countries, as well as industry-wide initiatives, and undertake efforts to prevent environmental pollution.
3. We ensure the effective use of resources and reduction of greenhouse gases and waste throughout the lifecycle, from manufacturing to sales, by such measures as green purchasing, environmentally friendly production processes, management of chemical substances, products, packaging materials and transportation methods, and thereby contribute to the conservation of biodiversity.
4. We share the Company's environmental policy, environmental issues and trends with our employees, and encourage their understanding and participation in environmental activities.
5. We strive for communication with society by conveying our policies and activities regarding environmental issues.

# Biodiversity Conservation

## Cultivating endangered plants



In Chiba Prefecture where the head office and business locations of Seiko Instruments Inc. are located, Japanese white pine is designated as an endangered species. Seiko Instruments Inc. has registered as a supporter of Chiba Prefecture's preservation initiative, and is carrying out planting of this endangered variant of the Japanese white pine at business locations.

## Participating in "Green Wave"

Morioka Seiko Instruments Inc. has participated in "Green Wave" since fiscal year 2017, where they maintain green areas, create insect hotels (see photo) and conduct "green area tours" for introducing the organisms that live in the green areas of the company sites. Green Wave is a global effort for understanding and promoting biodiversity via interactions with forests and trees on the International Day for Biological Diversity.



## Tree-planting efforts at factory sites



Dalian Seiko Instruments Inc. has established a biodiversity area and promotes tree-planting. The company plants acacia, elm, and fig trees to create a stratified green structure. Maintenance of the green area avoids the use of pesticides and herbicides in consideration of biodiversity and promotes the composting of material such as fallen leaves.

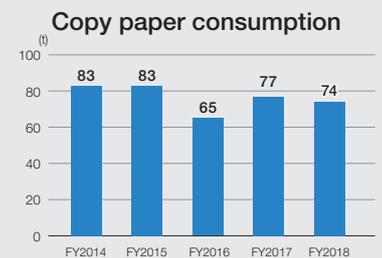
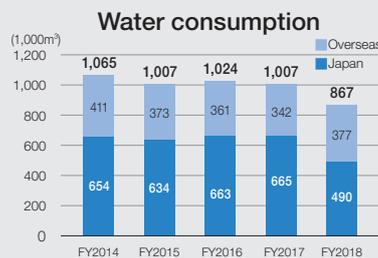
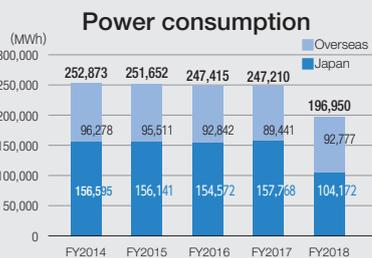
## Support for Marine Protection Activities "Save the Ocean"

Seiko Watch Corporation donates part of its sales of Seiko Prospex diver's watches to a marine environment protection organization established by ocean explorer and ocean conservationist Fabien Cousteau, who is also the brand ambassador of the Seiko Prospex. The company also runs an Instagram page for raising awareness on marine environment conservation, which shares the spirit of adventure and experiences of ocean professionals to the world.

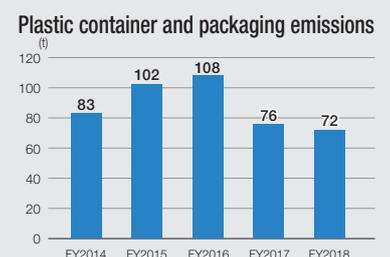
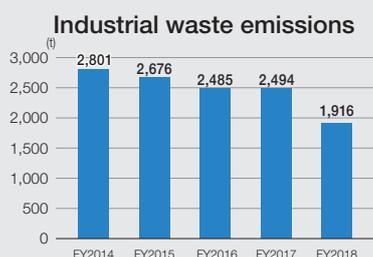
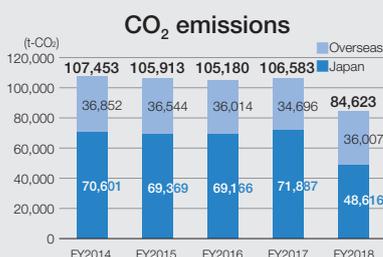


# Environmental Data\*

INPUT



OUTPUT



\*Scope of calculation: Seiko Holdings Corporation and 20 operating companies in Japan and overseas  
Semiconductor operating companies excluded from scope of calculation from FY2018 due to being excluded from the scope of consolidation in January 2018

## Financial Statement

## Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	34,229	<b>33,844</b>
Notes and accounts receivable - trade	38,109	<b>37,456</b>
Merchandise and finished goods	38,381	<b>38,119</b>
Work in process	10,701	<b>11,448</b>
Raw materials and supplies	7,928	<b>8,737</b>
Accounts receivable - other	3,537	<b>3,116</b>
Other	6,589	<b>7,419</b>
Allowance for doubtful accounts	(1,206)	<b>(1,153)</b>
Total current assets	138,271	<b>138,989</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	72,303	<b>71,913</b>
Machinery, equipment and vehicles	80,147	<b>81,388</b>
Tools, furniture and fixtures	30,419	<b>31,772</b>
Other	1,766	<b>1,820</b>
Accumulated depreciation	(145,116)	<b>(148,177)</b>
Land	49,199	<b>48,998</b>
Construction in progress	779	<b>924</b>
Total property, plant and equipment	89,498	<b>88,640</b>
Intangible assets		
Goodwill	9,149	<b>8,289</b>
Other	8,887	<b>8,957</b>
Total intangible assets	18,036	<b>17,247</b>
Investment and other assets		
Investment securities	46,774	<b>45,913</b>
Deferred tax assets	4,015	<b>4,243</b>
Other	8,908	<b>8,165</b>
Allowance for doubtful accounts	(208)	<b>(163)</b>
Total investment and other assets	59,490	<b>58,159</b>
Total non-current assets	167,025	<b>164,047</b>
<b>Total assets</b>	305,297	<b>303,036</b>

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	24,921	<b>26,449</b>
Electronically recorded obligations - operating	7,956	<b>6,438</b>
Short-term loans payable	49,916	<b>49,610</b>
Current portion of long-term loans payable	21,476	<b>19,698</b>
Accounts payable - other	12,598	<b>12,402</b>
Income taxes payable	1,275	<b>1,281</b>
Provision for bonuses	3,534	<b>3,644</b>
Provision for goods warranties	445	<b>440</b>
Provision for loss on lease contracts	348	<b>348</b>
Other provision	350	<b>444</b>
Asset retirement obligations	51	<b>—</b>
Other	11,589	<b>12,213</b>
<b>Total current liabilities</b>	<b>134,467</b>	<b>132,972</b>
<b>Non-current liabilities</b>		
Long-term loans payable	40,075	<b>35,106</b>
Deferred tax liabilities	2,521	<b>2,451</b>
Deferred tax liabilities for land revaluation	3,614	<b>3,614</b>
Provision for loss on lease contracts	1,832	<b>1,483</b>
Provision for environmental measures	351	<b>349</b>
Provision for gift certificate exchange losses	157	<b>155</b>
Provision for long-term goods warranties	77	<b>82</b>
Provision for retirement benefits for directors (and other officers)	36	<b>36</b>
Provision for loss on business withdrawal	57	<b>32</b>
Other provision	38	<b>97</b>
Retirement benefit liability	10,810	<b>10,602</b>
Asset retirement obligations	676	<b>888</b>
Other	5,410	<b>4,748</b>
<b>Total non-current liabilities</b>	<b>65,660</b>	<b>59,647</b>
<b>Total liabilities</b>	<b>200,127</b>	<b>192,620</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,000	<b>10,000</b>
Capital surplus	7,245	<b>7,245</b>
Retained earnings	67,975	<b>74,124</b>
Treasury shares	(334)	<b>(335)</b>
<b>Total shareholders' equity</b>	<b>84,886</b>	<b>91,034</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	11,639	<b>10,099</b>
Deferred gains or losses on hedges	(294)	<b>(104)</b>
Revaluation reserve for land	8,190	<b>8,190</b>
Foreign currency translation adjustment	468	<b>878</b>
Remeasurements of defined benefit plans	(879)	<b>(876)</b>
<b>Total accumulated other comprehensive income</b>	<b>19,123</b>	<b>18,186</b>
<b>Non-controlling interests</b>	<b>1,159</b>	<b>1,194</b>
<b>Total net assets</b>	<b>105,170</b>	<b>110,415</b>
<b>Total liabilities and net assets</b>	<b>305,297</b>	<b>303,036</b>

## Financial Statement

## Consolidated Statement of Income

(Millions of yen)

	From April 1, 2017 To March 31, 2018	From April 1, 2018 To March 31, 2019
<b>Net sales</b>	268,529	<b>247,293</b>
<b>Cost of sales</b>	166,231	<b>150,955</b>
<b>Gross profit</b>	102,297	<b>96,338</b>
<b>Selling, general and administrative expenses</b>	91,461	<b>86,943</b>
<b>Operating profit</b>	10,836	<b>9,394</b>
<b>Non-operating income</b>		
Interest income	152	<b>188</b>
Dividend income	735	<b>774</b>
Share of profit of entities accounted for using equity method	734	<b>1,941</b>
Other	1,634	<b>1,889</b>
Total non-operating income	3,255	<b>4,794</b>
<b>Non-operating expenses</b>		
Interest expenses	1,293	<b>985</b>
Other	1,886	<b>1,791</b>
Total non-operating expenses	3,180	<b>2,777</b>
<b>Ordinary profit</b>	10,911	<b>11,410</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	–	<b>257</b>
Gain on sales of memberships	–	<b>106</b>
Gain on sale of businesses	9,373	–
Total extraordinary income	9,373	<b>363</b>
<b>Extraordinary losses</b>		
Provision of reserve for loss on lease contracts	2,181	–
Business structure improvement expenses	1,955	–
Impairment loss	177	–
Loss on liquidation of subsidiaries and associates	142	–
Total extraordinary losses	4,456	–
<b>Profit before income taxes</b>	15,828	<b>11,774</b>
<b>Income taxes - current</b>	2,338	<b>2,409</b>
<b>Income taxes - deferred</b>	470	<b>35</b>
<b>Total income taxes</b>	2,809	<b>2,445</b>
<b>Profit</b>	13,019	<b>9,329</b>
<b>Profit attributable to non-controlling interests</b>	1,477	<b>79</b>
<b>Profit attributable to owners of parent</b>	11,541	<b>9,249</b>

## Consolidated Statement of Cash Flows

(Millions of yen)

	From April 1, 2017 To March 31, 2018	From April 1, 2018 To March 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	15,828	11,774
Depreciation	10,128	8,980
Increase (decrease) in allowance for doubtful accounts	162	(76)
Increase (decrease) in retirement benefit liability	(757)	(275)
Interest and dividend income	(887)	(962)
Interest expenses	1,293	985
Foreign exchange losses (gains)	203	(94)
Share of loss (profit) of entities accounted for using equity method	(734)	(1,941)
Impairment loss	177	–
Loss (gain) on sale of businesses	(9,373)	–
Loss (gain) on sales of non-current assets	–	(257)
Loss on retirement of non-current assets	276	92
Decrease (increase) in notes and accounts receivable - trade	(2,438)	1,132
Decrease (increase) in inventories	1,990	(976)
Increase (decrease) in notes and accounts payable - trade	9,310	(518)
Other, net	6,862	1,926
Subtotal	32,043	19,788
Interest and dividend income received	887	963
Proceeds from dividend income from entities accounted for using equity method	213	327
Interest expenses paid	(1,291)	(988)
Extra retirement benefits	(2,299)	(170)
Income taxes paid	(1,667)	(2,412)
Net cash provided by (used in) operating activities	27,885	17,508
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,954)	(6,341)
Proceeds from sales of property, plant and equipment	124	1,061
Purchase of investment securities	(966)	(0)
Proceeds from sales of investment securities	6	33
Payments of loans receivable	(725)	(522)
Collection of loans receivable	646	508
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,095)	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,264)	–
Other, net	(5,201)	(1,831)
Net cash provided by (used in) investing activities	(17,430)	(7,093)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	943,237	910,847
Decrease in short-term loans payable	(942,950)	(911,281)
Proceeds from long-term loans payable	24,200	16,300
Repayments of long-term loans payable	(32,476)	(23,058)
Cash dividends paid	(3,100)	(3,100)
Other, net	(669)	(377)
Net cash provided by (used in) financing activities	(11,759)	(10,670)
<b>Effect of exchange rate change on cash and cash equivalents</b>	67	229
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,237)	(26)
<b>Cash and cash equivalents at beginning of period</b>	35,333	33,911
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	(184)	(41)
<b>Cash and cash equivalents at end of period</b>	33,911	33,843

## Segment Information

(Millions of yen)

		From April 1, 2017 To March 31, 2018	From April 1, 2018 To March 31, 2019
Watches Business	Sales to third parties	138,812	140,346
	Inter-segment sales or transfers	1,344	1,442
	Total	140,156	141,788
	Segment profits	7,902	10,391
	Segment assets	92,032	93,677
	Depreciation and amortization expense	3,551	3,349
	Amortization of goodwill	6	2
	Investment amounts to equity method companies	618	323
Increase amounts of fixed assets and intangible assets	2,099	2,507	
Electronic Devices Business	Sales to third parties	78,171	52,248
	Inter-segment sales or transfers	3,680	3,300
	Total	81,852	55,548
	Segment profits	5,793	1,414
	Segment assets	82,828	78,888
	Depreciation and amortization expense	4,514	3,120
	Amortization of goodwill	18	—
	Investment amounts to equity method companies	4,731	4,976
Increase amounts of fixed assets and intangible assets	4,083	3,433	
Systems Solutions Business	Sales to third parties	26,765	29,435
	Inter-segment sales or transfers	646	1,373
	Total	27,411	30,809
	Segment profits	1,605	2,401
	Segment assets	19,492	19,455
	Depreciation and amortization expense	1,213	1,393
	Amortization of goodwill	292	292
	Investment amounts to equity method companies	—	—
Increase amounts of fixed assets and intangible assets	1,420	1,050	
Others	Sales to third parties	24,779	25,263
	Inter-segment sales or transfers	3,073	3,099
	Total	27,852	28,363
	Segment profits	551	697
	Segment assets	36,211	37,229
	Depreciation and amortization expense	469	531
	Amortization of goodwill	—	—
	Investment amounts to equity method companies	5,074	5,074
Increase amounts of fixed assets and intangible assets	634	414	
Adjustments <sup>(*)</sup>	Sales to third parties	—	—
	Inter-segment sales or transfers	(8,743)	(9,215)
	Total	(8,743)	(9,215)
	Segment profits	(5,015)	(5,511)
	Segment assets	74,732	73,784
	Depreciation and amortization expense	378	584
	Amortization of goodwill	566	566
	Investment amounts to equity method companies	11,146	12,866
Increase amounts of fixed assets and intangible assets	278	1,071	
Consolidated Total	Sales to third parties	268,529	247,293
	Inter-segment sales or transfers	—	—
	Total	268,529	247,293
	Segment profits	10,836	9,394
	Segment assets	305,297	303,036
	Depreciation and amortization expense	10,128	8,980
	Amortization of goodwill	883	861
	Investment amounts to equity method companies	21,570	23,240
Increase amounts of fixed assets and intangible assets	8,517	8,477	

(\*) Adjustments are as follows:

(1) The adjusted amount for segment profits includes the following. Company-wide expenses primarily consist of expenses that fall under the parent company (holding company).

	From April 1, 2017 To March 31, 2018	From April 1, 2018 To March 31, 2019
Amortization of goodwill	(566) million yen	(566) million yen
Elimination of inter-segment transactions, etc.	190 million yen	319 million yen
Company-wide expenses not appropriated to each reported segment.	(4,639) million yen	(5,263) million yen

(2) The adjusted amount for segment assets includes the following.

Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).

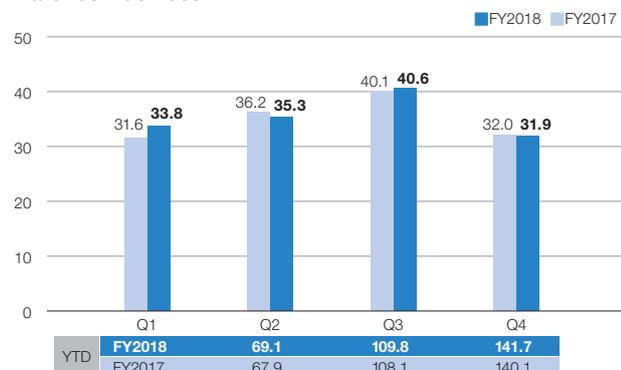
	From April 1, 2017 To March 31, 2018	From April 1, 2018 To March 31, 2019
Elimination of inter-segment liabilities.	(70,934) million yen	(71,638) million yen
Company-wide assets not appropriated to each reported segment.	197,597 million yen	194,968 million yen
Elimination of investment and equity, etc.	(51,930) million yen	(49,545) million yen

(3) Adjusted amount for the investment in entities accounted for by the equity method is the amount for the investment in entities accounted for the equity method, which not belong to each reported segment.

# By quarter (by segment)

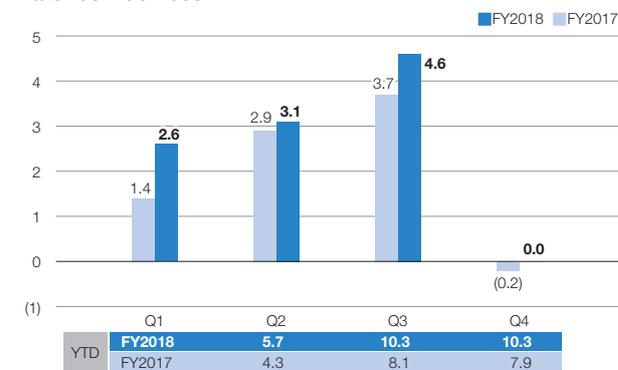
## Net Sales (Billions of yen)

### Watches Business

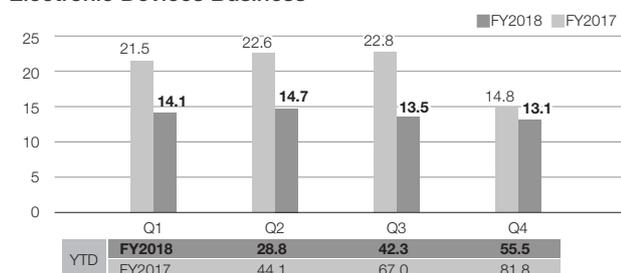


## Operating Profit (Billions of yen)

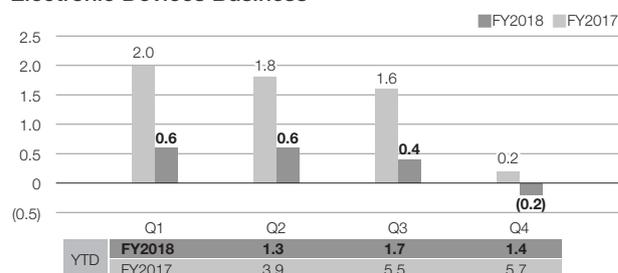
### Watches Business



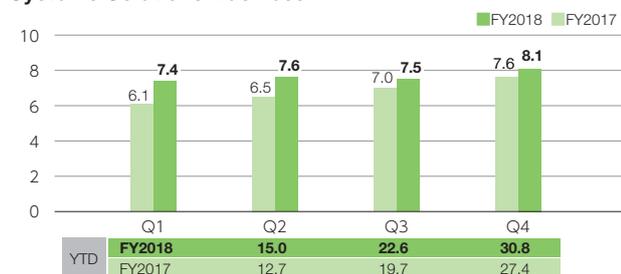
### Electronic Devices Business



### Electronic Devices Business



### Systems Solutions Business



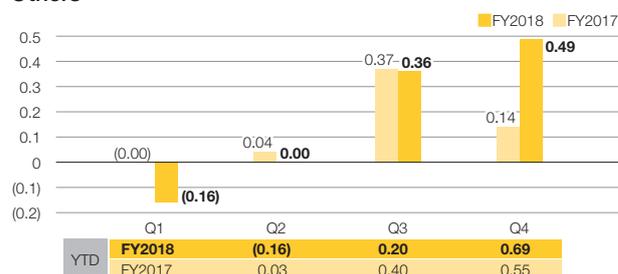
### Systems Solutions Business



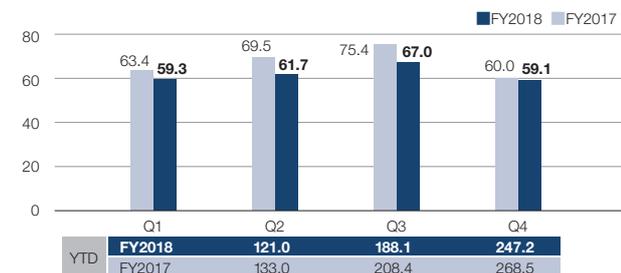
### Others



### Others



### Consolidated Total



### Consolidated Total



## Overview of Company / Information about Shares

### Company Overview (as of March 31, 2019)

Company Name	SEIKO HOLDINGS CORPORATION
Year of Establishment	1881
Capital	10 billion yen
Number of Employees	141 12,020 (consolidated)

Operating Revenue	11.3 billion yen
Consolidated Net Sales	247.2 billion yen
Head Office Address	26-1, Ginza 1-chome, Chuo-ku, Tokyo 104-8110, JAPAN Tel: +81-3-3563-2111

### Consolidated Subsidiaries (as of March 31, 2019)

Description of major businesses	Name	Address	
Watches	SEIKO WATCH CORPORATION	Chuo-ku, Tokyo	
	SEIKO SERVICE CENTER CO., LTD.*1	Koto-ku, Tokyo	
	CRONOS Inc.	Chiyoda-ku, Tokyo	
	SEIKO Retail Marketing Corporation	Chuo-ku, Tokyo	
	Grand Seiko Corporation of America	New York U.S.A.	
	Seiko Watch of America LLC	New York U.S.A.	
	SEIKO Time Corporation	New York U.S.A.	
	SEIKO Panama, S.A.	Panama City Panama	
	SEIKO U.K. Limited	Maidenhead U.K.	
	SEIKO France S.A.S.	Besancon France	
	SEIKO Nederland B.V.	Schiedam Netherlands	
	SEIKO RUS Limited Liability Company	Moscow Russia	
	SEIKO Hong Kong Ltd.	Kowloon Hong Kong	
	SEIKO Watch (Shanghai) Co., Ltd.	Shanghai P.R. China	
	SEIKO Taiwan Co., Ltd.	Taipei Taiwan	
	SEIKO (Thailand) Co., Ltd.	Bangkok Thailand	
	SEIKO Watch India Pvt. Ltd.	Bangalore India	
	SEIKO Australia Pty. Ltd.	Macquarie Park Australia	
	Morioka Seiko Instruments Inc.	Mihama-ku, Chiba	
	Ninohe Tokei Kogyo Co., Ltd.	Mihama-ku, Chiba	
	Tono Seiki Co., Ltd.	Tono-shi, Iwate	
	Michinoku Service Co., Ltd.	Morioka-shi, Iwate	
	Guangzhou SII Watch Co., Ltd.	Guangzhou P.R. China	
	Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia	
	Electronic Devices	Seiko Instruments Inc.	Mihama-ku, Chiba
		Seiko Instruments (H.K.) Ltd.	Kowloon Hong Kong
Dalian Seiko Instruments Inc.		Dalian P.R. China	
Seiko Instruments Singapore Pte. Ltd.		Singapore Singapore	
SII Printek Inc.		Mihama-ku, Chiba	
City Service Co., Ltd.		Mihama-ku, Chiba	
Seiko EG&G Co., Ltd.		Mihama-ku, Chiba	
Seshika Inc.		Mihama-ku, Chiba	
Seiko I Techno Research Co., Ltd.		Mihama-ku, Chiba	
SII Crystal Technology Inc.		Mihama-ku, Chiba	

Description of major businesses	Name	Address
Electronic Devices	Seiko Instruments U.S.A., Inc.	Torrance U.S.A.
	Seiko Instruments GmbH	Neu-Isenburg Germany
	Seiko Instruments (Shanghai) Inc.	Shanghai P.R. China
	Seiko Instruments Technology (Shanghai) Inc.	Shanghai P.R. China
	Seiko Instruments Taiwan Inc.	Taipei Taiwan
	Seiko Instruments (Thailand) Ltd.	Pathumthani Thailand
	Asian Electronic Technology Pte. Ltd.	Singapore Singapore
	SEIKO NPC CORPORATION	Chuo-ku, Tokyo
	SEIKO Precision (Thailand) Co., Ltd.	Pathumthani Thailand
	Systems Solutions	SEIKO Solutions Inc.
IIM Corporation		Bunkyo-ku, Tokyo
Others	SEIKO Clock Inc.	Koto-ku, Tokyo
	SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong
	SEIKO CLOCK (Shenzhen) Co., Ltd.	Shenzhen P.R. China
	WAKO Co., Ltd.	Chuo-ku, Tokyo
	SEIKO Time Systems Inc.	Koto-ku, Tokyo
	Human Capital Co., LTD.	Mihama-ku, Chiba
	KYOBASHI KIGYO (K.K.)	Chuo-ku, Tokyo
Shirakawa Estate Co., Ltd.	Chuo-ku, Tokyo	

And three other companies

\*1. SEIKO SERVICE CENTER CO., LTD. was renamed to SEIKO TIME LABS CO., LTD. on September 1, 2019.

\*2. Chino Watch Co., Ltd. became a consolidated subsidiary on October 1, 2019.

### Affiliates accounted for by the equity method

Description of major businesses	Name	Address
Watches	CLOCKWORK HOLDINGS INC.	Chuo-ku, Tokyo
Electronic Devices	ABLIC Inc.	Mihama-ku, Chiba
	Jedat Inc.	Chuo-ku, Tokyo
	SII Logistics Inc.	Mihama-ku, Chiba
Others	SEIKO OPTICAL PRODUCTS CO., LTD.	Chuo-ku, Tokyo
	OHARA INC.	Sagamihara-shi, Kanagawa

## Information about Shares (as of March 31, 2019)

Total number of shares authorized to be issued: 149,200,000

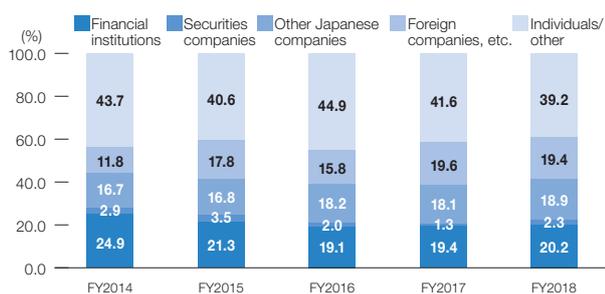
Total number of shares issued and outstanding: 41,404,261

Number of shareholders: 11,575

## Status of Major Shareholders (as of March 31, 2019)

Name	Number of shares (x 1,000)	Ratio
Sanko Kigyo K.K.	4,436	10.7%
Etsuko Hattori	3,613	8.7%
Shinji Hattori	2,279	5.5%
The Dai-ichi Life Insurance Company, Limited	1,800	4.4%
Hideo Hattori	1,620	3.9%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,179	2.9%
Japan Trustee Services Bank, Ltd (Trust Account 9)	1,037	2.5%
GOLDMAN SACHS INTERNATIONAL	983	2.4%
Japan Trustee Services Bank, Ltd (Trust Account)	850	2.1%
SHIMIZU CORPORATION	744	1.8%

## Distribution of Shares (as of March 31, 2019)



## Share Price Transition



\* Share consolidation performed on October 1, 2017 at a ratio of 5 ordinary shares to 1. The above share price is when consolidation of shares is considered.

## Dividend Policy

With regard to profit allocation, the basic policy is to continue to distribute stable dividends with consideration of capital efficiency and stable profit distribution to shareholders, while also enhancing capital adequacy. In addition, the company's major profit return policy to shareholders is to return profits by dividends.

## Dividend payout ratio



\* Share consolidation performed on October 1, 2017 at a ratio of 5 ordinary shares to 1. The above annual dividend is when consolidation of shares is considered.

# SEIKO

**SEIKO HOLDINGS CORPORATION**

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