



SEIKO

Moving ahead. Touching hearts.

Corporate Report
2017-2018



Aiming to Become a Leading Company in the Global Market

In keeping with the Group slogan, “SEIKO Moving ahead. Touching hearts.”, Seiko has formulated its long-term vision looking 10 years into the future and is implementing organizational reforms for going on the offensive with the objective of “becoming a leading company in the global market by 2020.”
Seiko’s top management explains these management strategies.



Shinji Hattori
Chairman & Group CEO
Seiko Holdings Corporation

Yoshinobu Nakamura
President
Seiko Holdings Corporation

Becoming a Global Corporate Group That Can Share Excitement with People throughout the World

Can you please describe the ideas embodied in the Group slogan and your long-term vision?

Hattori Our founding management position of “Always one step ahead of the rest” has underpinned Seiko’s innovation and its great advances. Besides this forward-looking spirit, in 2014 Seiko unveiled the Group slogan “SEIKO Moving ahead. Touching hearts.” This slogan encapsulates our fervent desire to create, enjoy and resonate with a new hope-filled era, sharing a sense of thrill and excitement along with all our stakeholders as we stride forward together.

To realize the spirit of this slogan, in 2016, which marks our 135th year, we established a long-term vision that articulates what the Group aspires to be 10 years in the future. In working to realize this vision, Seiko will continue striving to be a trend-setting and innovative global group that shares

excitement with people around the world by offering products, quality and services that make a deep impression on people’s hearts and that are in tune with the times.

* For the Group slogan and long-term vision, please see page 11.

Could you explain the Sixth Mid-Term Management Plan?

Nakamura In fiscal 2016, Seiko initiated the Sixth Mid-Term Management Plan. Regarding specific strategic policies under this plan, we will promote the strengthening of profitability and investing for growth with the aim of being a highly profitable group with the Watches Business as our core. Additionally, Seiko will make all-out efforts toward reinforcing the management foundation and is working to strengthen its corporate governance structure through such measures as introducing a performance-based compensation system for

Aim to Achieve Sustainable Growth and Increase Mid- to Long-Term Corporate Value

directors and setting up the Corporate Governance Committee focused on independent directors. Also, we will work toward enhancing equity capital and reducing interest-bearing debt while also cultivating global human resources and proactively implementing measures to reform working styles. By implementing these initiatives, Seiko aims to achieve sustainable growth and increase mid-to long-term corporate value.

Could you talk about the future strategies in each of your businesses?

Hattori In the Watches Business, we are carrying out proactive marketing worldwide centering on our global brands beginning with Grand Seiko, Seiko Astron and Seiko Prospex. To further promote this globalization, we decided to spin off Grand Seiko from “Seiko” and make this watch a fully independent brand. Grand Seiko has a solid position as a luxury brand in Japan and has also raised its brand power overseas as well. Going forward, Grand Seiko will strengthen its distinctiveness as an independent brand while maintaining the concept of pursuing the essence of a watch. Grand Seiko will also expand the scope of its designs that previously focused mainly on business to encompass designs as both a genuine sports watch and an elegant watch.

Additionally, in the future we will continue investing to raise our brand value as we aim to become a leading company in global watch markets. As part of these efforts, we opened Seiko Boutiques in Miami in the United States, Lyon, France and Beijing, China in fiscal 2015 and in London, England in August 2017. We will continue to develop our Seiko Boutiques, which also serve as a base for publicizing our brands, and will actively undertake branding that resonates with customers, with these efforts focused on our solid “brand story.”

Nakamura In the Electronic Devices business, SII Semiconductor Corporation, established with a joint

investment with the Development Bank of Japan Inc. to engage in the semiconductor business, is expected to become an equity-method affiliate from January 2018. An urgent task is to establish our next main business with a view to business restructuring and we will promote investments in high-profit businesses and strive to strengthen profitability.

In the Systems Solutions Business, to enable this business to make the leap from being the third pillar to the second pillar of business, in April 2017 we made IIM Corporation, the largest system performance management software company in Japan, part of the Group. Performance management software is expected to become a large-growth field amid expectations of a dramatic increase in the volume of information traffic spurred by the arrival of the full-fledged era of the Internet of Things (IoT). As one major measure for business growth, we will expand the scope of business operations and promote sales expansion.

Would you please tell us how you are strengthening corporate communications?

Hattori In August 2017, Seiko served as the official timer at the IAAF World Championships London 2017 and supported the passionate competition of the athletes by providing timing in units as small as 1/1,000th of a second. In the future as well, we will make efforts to strengthen our brand power by leveraging the technologies cultivated since the 1964 Tokyo Olympics and proactively implementing PR measures. Moreover, we will also continue our CSR activities that include branding activities that appeal to the sensitivities of people through music and our concerts that support regions devastated by the Great East Japan Earthquake.

Under the slogan “SEIKO Moving ahead. Touching hearts.”, Seiko strives to build relationships that deeply touch the hearts of people in a variety of settings. You can count on Seiko as we continue to grow.

For people challenging times in sport

The IAAF World Championships are considered the pinnacle of track and field. Seiko supports this event as official timer by providing accurate time measurements. Beginning in 1985, Seiko has measured world records on 25 occasions spanning 32 years. As timekeeper in a variety of major sporting events such as this, Seiko truly understands how important time is to athletes, both professional and amateur.



PHOTO
STORY

Watches Business

Principal operating companies | Seiko Watch Corporation / Seiko Instruments Inc.

In keeping with the spirit of our founder, “Always one step ahead of the rest,” we have undertaken the Watch Business utilizing our innovative cutting-edge technologies and the tradition of master craftsmen.

To ensure we can thoroughly exercise our originality, Seiko is one of the world’s few “*manufactures d’horlogerie*” (in-house integrated manufacturer) that undertakes every process in-house, from the production of parts to the assembly of finished products and adjustments.



GS
Grand Seiko

Grand Seiko — Toward New Heights as an Independent Brand

Having continually evolved since its birth in 1960, Grand Seiko is now aiming for new heights after becoming an independent brand in 2017. Grand Seiko’s design, which until now has targeted mainly business settings, will be broadened to encompass genuine sports watches such as diver’s watches as well as elegant watches led by ladies’ watches. We will also further enhance precious metal models as we respond to demand for watches for luxury settings.

Grand Seiko achieves the ideal of watches, the highest level of precision, durability, beauty and legibility. The brand continually pursues the true essence of watches through three types of movements that include mechanical

movement, quartz movement and spring drive movement developed through our inherent innovative technologies.

Grand Seiko embodies cutting-edge innovation and traditional craftsmanship. Grand Seiko is supported by leading-edge alloy development and MEMS (Micro Electro Mechanical Systems) high-precision component processing technology and manufacturing that utilizes the assembly and adjustment skills of craftsmen at Shizuku-ishi Watch Studio and Shinshu Takumi Studio. Meanwhile, Grand Seiko’s beauty and legibility are achieved through the craftsmanship of highly skilled technicians who put their finishing touches on the watch hands, dials, cases and bands. All this bases itself

on the knowledge and efforts of designers, engineers and planners. Staff and technicians involved with Grand Seiko include many who have won recognition as a Contemporary Master Craftsman and received the prestigious Medal with Yellow Ribbon. In 2014, Seiko produced the first and only present-day Master Craftsman designer in the watch industry. Grand Seiko is raising its presence as a leading brand in the luxury watch market throughout the world.

MEMS (Micro Electro Mechanical Systems) is a leading-edge processing technology used for ultra-precision parts for semiconductors and other products and is capable of creating lightweight parts with 0.001mm precision.

Seiko Astron, the World’s First GPS Solar Watch

Seiko Astron inherits its name from Quartz Astron launched in 1969 as the world’s first quartz watch. Following this “Quartz revolution,” which completely transformed the lifestyles of people worldwide with high time precision, Seiko launched Seiko Astron as the world’s only GPS solar watch in September 2012, spurring the “second

revolution” in the watch industry.

During the five years since its debut, Seiko Astron has evolved dramatically with an even smaller mechanism that consumes even less power. It stimulates the sensitivities of “globalists” who take on challenges on the world stage.

Seiko Astron will continue to advance in the future as it has done since its birth.



ASTRON
GPS SOLAR

Seiko Prospex Originated from the First Diver’s Watch Made in Japan

Seiko Prospex is a full-fledged sports watch brand. It follows the tradition of the Japan’s first diver’s watch that Seiko launched in 1965. Its high-level performance was proven in a variety of settings that test robustness of watches. Nonetheless, three years later, we received a letter from a professional diver that struck us like a bolt of lightning. The diver stated that commercially sold watches at that time could not be used in deep water at all. He worked in pitch dark cold water, surrounded by rocks and metal 350 meters under water. The watch should endure shocks and

damages. High legibility was required for error free instant time readout. Moreover, helium used in deep sea diving instead of nitrogen in the air was a serious problem. The molecules of helium are so small that they can easily sneak into a watch, and in a worst-case scenario it expands and shatters the watch glass. Viewing this letter as an opportunity, Seiko’s research team devoted seven years of efforts and developed an ideal diver’s watch. This tradition of exhaustive pursuit for durability, robustness and ease of use lives on today in the Seiko Prospex.



PROSPEX

Seiko Presage Demonstrates the Appeal of Japanese-Made Mechanical Watches

Along with the fame for its quartz watch development, Seiko has been a leader in mechanical watchmaking for more than a century. We dominated a Swiss observatory competition for watch precision in 1968 by claiming all top positions. Seiko Presage, a Japanese mechanical watch that inherits this tradition, adopts TRIMATIC, a collective term for three original technologies to

ensure that the watches are easy to use on a daily basis, provide stable precision and last for a long period. In addition, the classical enamel and lacquer dial embody master craftsmanship.

The Seiko Presage pursues Japanese technologies and traditions and since 2016 is available globally as mechanical watches that combine practicality and elegance. The line is already earning high acclaim.



PRESAGE

Seiko Boutiques — Specialty Stores That Convey Seiko’s Worldview

Under our policy of raising the global presence of our watches centering on Grand Seiko in the luxury watch market, our Seiko Boutiques play a key role in directly conveying Seiko’s worldview to consumers. Seiko operates 77 Seiko Boutiques in the world’s principal cities

such as Tokyo, New York, Paris and Beijing. The boutiques convey the vision of each brand and highly knowledgeable specialist staff serve customers. We opened a boutique in London in 2017 and aim to accelerate development and to operate 100 boutiques in fiscal 2018.



Seiko Boutique in London



Electronic Devices

Principal operating companies | Seiko Instruments Inc. / Seiko NPC Corporation / Seiko Precision Inc.

Supporting an Increasingly Sophisticated Society and Industry with a Variety of Technologies

Our electronic devices, which originate from the development of quartz watches, play a key role in a broad range of fields that include smartphones, digital home electronic appliances, automobiles and industrial equipment. Meanwhile, precision processing technologies derived from manufacturing watches are used in our inkjet print heads, which are key components of industrial printers and utilized for printing outdoor billboards, tiles and fabrics.

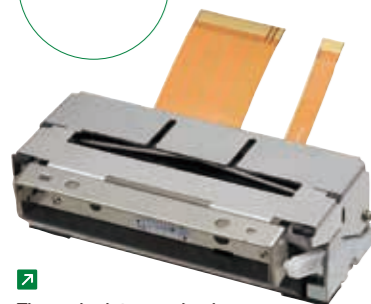
Our ICs for quartz crystal modules, which command a leading share of the global market, feature high precision, low power consumption and outstanding temperature characteristics. These play a main role in generating stable reference signals in oscillators for AV equipment, electronic equipment and such communications infrastructure as mobile base stations. Seiko also offers a variety of sensors that accurately detect delicate and minute changes in light, temperature, magnetism, movements and inclinations. These sensors are being widely used in fields that include car navigation systems and banknote authentication and help support enriched and comfortable lives.



Inkjet print head



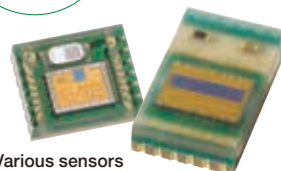
Printers



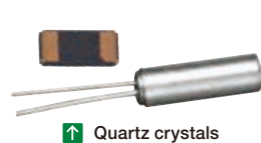
Thermal printer mechanism



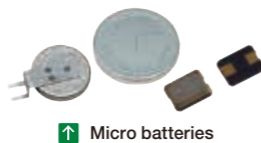
Electronic devices



Various sensors



Quartz crystals



Micro batteries

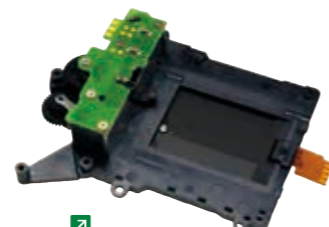


Internal grinder

Mechatronics



Automotive-use precision processed parts



Digital camera shutter



Systems Solutions

Principal operating company | Seiko Solutions Inc.

Helping Customers Realize Innovation through ICT Solutions

With the approaching age of IoT, Seiko Solutions provides one-stop optimal ICT solutions, from consultations to system building and operations management, to respond to a variety of customer needs that include complex system security, improved productivity at offices and worksites and responses to an expected expansion in inbound demand. In the future as well, we will support innovative changes in our customers' business models as a trusted business partner.

Finance and Insurance

Time stamp service



Financial-related software



Telecommunications/media



TimeServer Pro. grand master clock

GreenTALK

Monitoring and control system

ES/1 NEO

Performance management software for mainframe computers

SkyBridge high-speed data communications router



Consultation



Cloud



System building



System operations management

CREPiCO

CREPiCO multi-electronic money settlement service



ROS³ CAPS

Distribution-related software

Distribution and Transportation



Communication modules for IoT/M2M



Settlement terminals for taxis

Restaurants



POS & ordering service (oishino)



System time recorders

Clocks

Principal operating company
Seiko Clock Inc.



Alarm clock ultra loud bell / beep

For over 125 years since we began the production of wall clocks, Seiko has been involved in all areas of clock making from planning and manufacture to the provision of after-sales services. Thanks to our experience, our manufacturing skills, our leading-edge technologies and our passion for quality, we are able to offer a wide variety of exceptional clocks of all types.

System Clocks / Sports Timing

Principal operating company
Seiko Time Systems Inc.

We comprehensively plan, develop, manufacture, sell and provide after-sales services for a variety of products. Our product range includes facilities clocks for communities such as at schools, parks and train stations; marionette clocks that decorate communities; specialty clocks for broadcasters; sports timing devices; large-sized displays and scoreboards for baseball stadiums; and digital signage.

We also actively provide timing support activities at various national and international sports competitions.



Starting block for swimming competitions

Retail

Principal operating company
Wako Co., Ltd.

Wako, an upscale specialty store that is a landmark in the Ginza district of Tokyo, offers a wide range of high-quality products and services, including watches, jewelry, men's and women's products, interior decoration products and foods. All our products and services have been independently planned, developed and carefully selected in Japan or overseas. In the future as well, Wako will continue to develop the trust of our customers based on a commitment to top quality and the spirit of hospitality cultivated through our long history and tradition.



Wako Main Building

Optical Products

Principal operating company
Seiko Optical Products Co., Ltd.



Seiko's Optical Products business boasts a long history dating back over 90 years. As one of only a few companies around the world that handles both lenses and frames, we provide "EYEWEAR THAT PERFORMS" products that realize the highest and optimal level of performance.

Seiko offers an extensive lineup of optical products.

Seiko Products and Services in Use All around Us

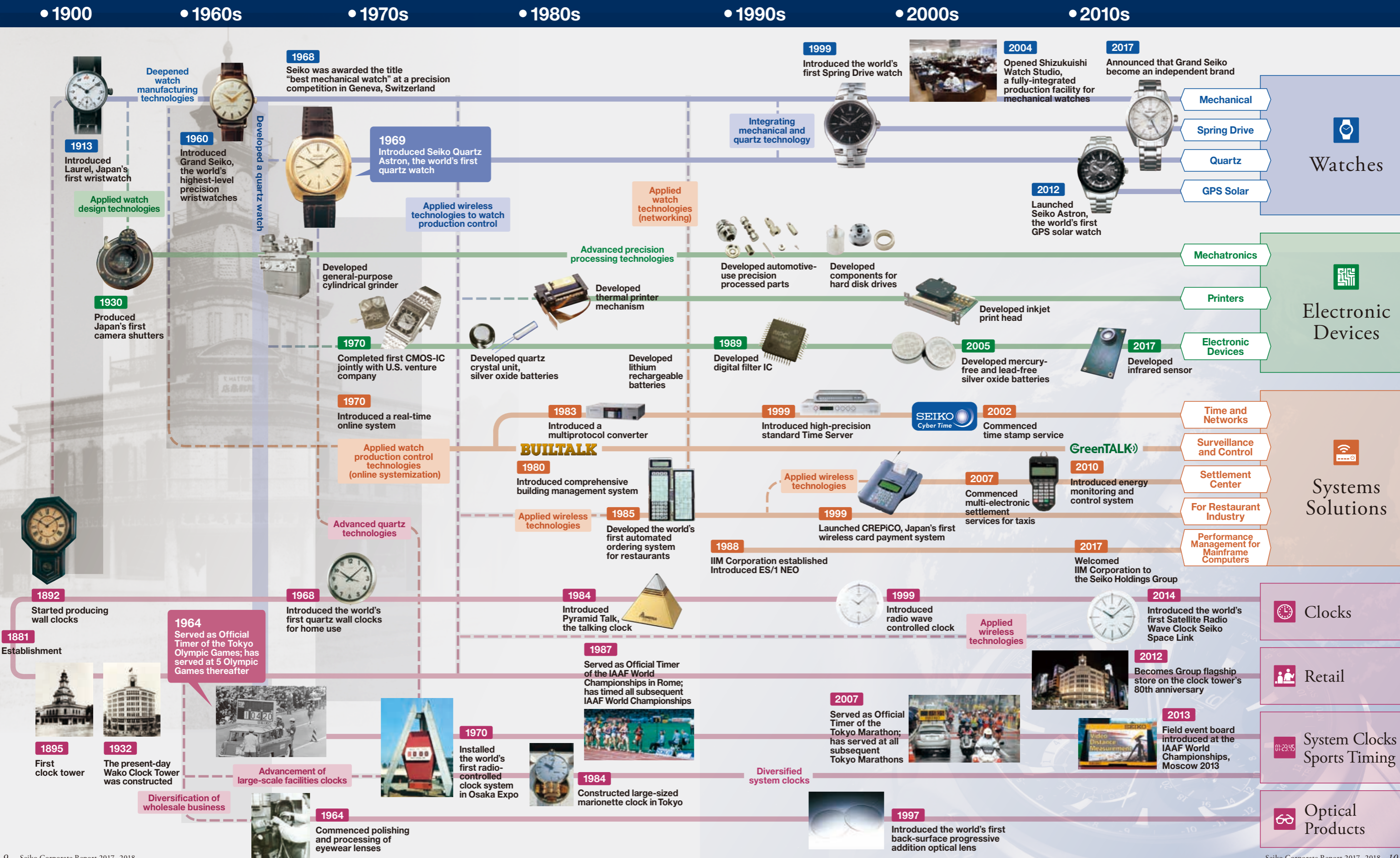
Seiko's products and services play roles in a variety of forms all around us such as in local communities, stores, offices and homes.

- Watches
- Electronic Devices
- Systems Solutions
- Others



Seiko's Business Genealogy Spans over 135 Years

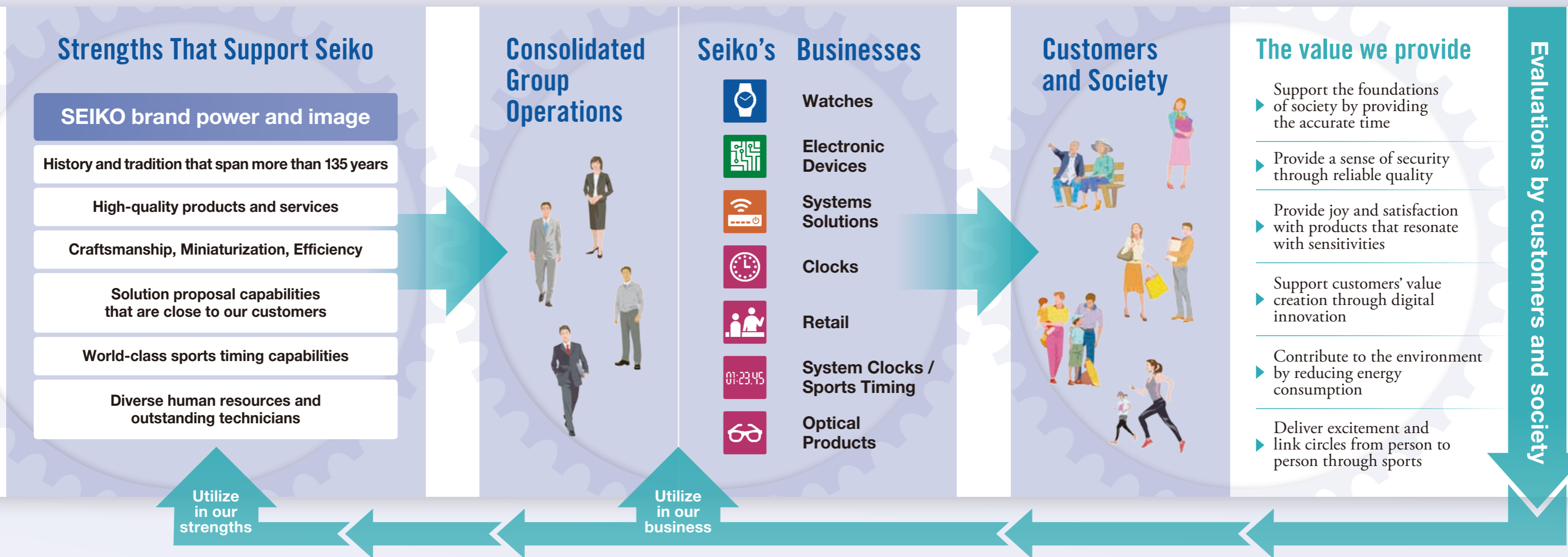
Since its establishment in 1881, Seiko has adhered to the spirit of "Always one step ahead of the rest" and has continually provided innovative products and moved ahead to touch the times and people's hearts. Seiko has also independently created what is needed to produce these products and provided its products throughout the world.



Offering Value to Customers and Society Seiko's Business Process

Seiko has adhered to the management position of "Always one step ahead of the rest" since its founding and has consistently provided the world with innovative products and services. Seiko formulated the Group slogan "SEIKO, Moving ahead. Touching hearts." to incorporate this founding concept as well as the new concept of "wanting to appeal to customers' sensitivities."

We will value the great trust we have built during our history that spans more than 135 years while providing customers and society with value using our technological strengths that have led the times as well as our spirit of challenge and our sensitivities that will open the way to the next generation.



Sixth Mid-Term Management Plan (FY2016-FY2018)

Seiko defined a long-term vision based on its Group slogan and formulated the Sixth Mid-Term Management Plan as a roadmap for realizing this vision.

Group Slogan

SEIKO

Moving ahead. Touching hearts.

Long-Term Vision (What we aim to be)

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.

Basic Policies

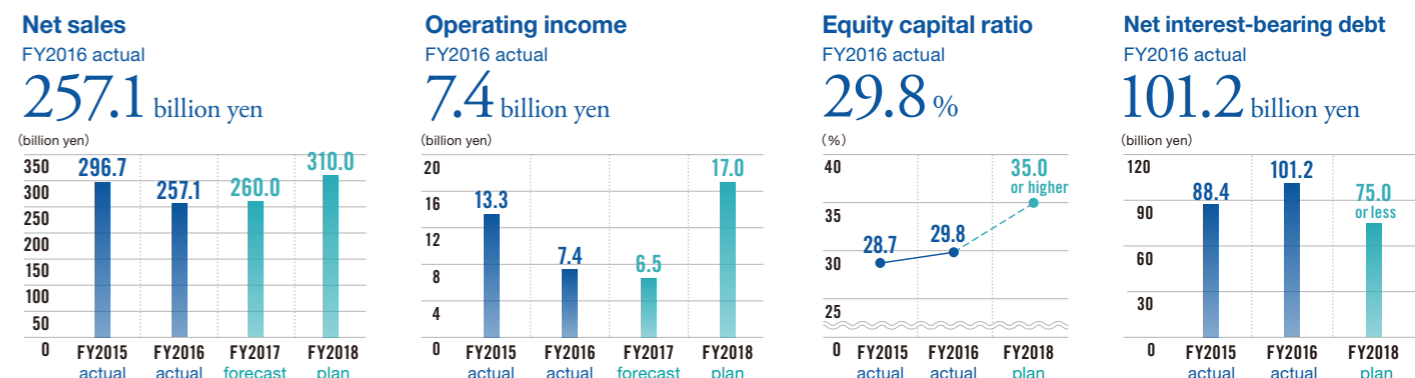
Aiming to be a highly profitable group with the Watches Business at its core:

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

Consolidated target figures for FY2018

Net sales 310.0 billion yen	Operating income 17.0 billion yen	Equity capital ratio 35% or higher	Net interest-bearing debt 75.0 billion yen or less
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Sixth Mid-Term Management Plan in progress



Sustainability

We believe the Seiko Holdings Group's corporate social responsibility (CSR) is to contribute to the realization of a sustainable society by basing all our policies and actions on the idea that Seiko should be "A Company that is Trusted by Society."
To realize this goal, we are implementing the following initiatives.

1

We will contribute to the creation of an even better society by providing innovative technologies and high-quality products and services.

2

We will always conduct our business in a way that has a positive impact on society, and does not damage the environment, in line with the expectations of our stakeholders.

3

We will comply with all laws, regulations and international norms that are relevant to our business and manage the company in a transparent and fair way, holding an open, honest dialogue with all our stakeholders.

Together with Local Communities and Society

Concerts to support eastern Japan in a spirit of "harmony"

Seiko has continuously held concerts every year since just after the disaster in 2011 to support recovery. Based on a desire to provide a place to join hearts and strengthen bonds between people in disaster-affected areas and

supporters, Seiko has held concerts to support eastern Japan in a spirit of "harmony" in the three prefectures of Tohoku and in Tokyo since 2013. A number of artists have performed as a way to send their best wishes to people in disaster-affected areas, including renowned composer Norio Maeda. The concert held in Sukagawa City, Fukushima Prefecture, in July 2017 marked the 26th occasion.



A concert to support eastern Japan in a spirit of "harmony" 2017 in Tokyo

Wear a Christmas jumper for a good cause

Every year in December the UK holds an event called Christmas Jumper Day in which employees or school children wear a Christmas jumper instead of their usual business attire or uniform and raise funds from the people around them. The funds raised are donated to the Save the Children charity, an organization aiming to protect the rights of children and keep them safe. Seiko supports the participation of its employees in the event and sends donations as well.



Christmas Jumper Day

Products and Services That Contribute to Society

Supporting smart accounting anytime and anywhere

Recent years have witnessed the growing use of mobile POS systems that perform accounting tasks utilizing tablets and smartphones. As a chief feature, these systems can be easily introduced merely by installing a specialized app.

These mobile POS systems require compact printers for printing receipts and other items. Leveraging its world's number-one sales performance* in compact thermal printer mechanisms, Seiko Instruments has developed ultra-compact, ultra-lightweight printers the size of the palm of a hand. These printers can be used for printing receipts in various settings that include indoor venues as well as outdoor shops, door-to-door sales and home parcel deliveries.

By providing mobile printers, Seiko Instruments will contribute to the spread and wider use of mobile

POS systems that enable smart accounting anytime and anywhere.

* According to a survey by chunichisha Co., Ltd. regarding production volume of compact printers that use the direct thermal method

Mobile printer MP-B20



Supporting secure and comfortable lives with technologies that accurately identify banknotes

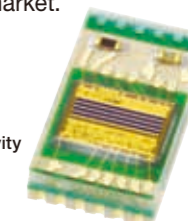
Sophisticated technologies that accurately identify banknotes are now required due to such factors as the diversification of financial services accompanying the development of the global economy and an expansion in distribution and leisure markets. These technologies use sensors that can precisely and accurately distinguish

minute changes in banknotes that cannot be ascertained with the naked eye.

Seiko NPC has developed a high sensitivity optical sensor that can identify, measure and detect various types of banknotes from a variety of angles and differentiate between authentic notes and counterfeit. This sensor can detect the signal in the authenticity of banknotes with high precision using photo-detector elements. Our sensor supports a wide wavelength of light ranging from ultraviolet light to infrared. By expanding its detection ranges, this optical sensor can also be used with a diversity of optical detection systems.

Based on the theme of "detecting previously invisible signals," Seiko NPC will support secure and comfortable lives by developing distinctive sensor-related products appropriate for the demands of the market.

High-sensitivity optic sensor SM3320AGA



Seiko Summer Jazz Camp

Seiko is a special sponsor of the Seiko Summer Jazz Camp, an event that provides guidance on performing technique, theory and how to have fun to talented youngsters in Japan aspiring to be jazz musicians through instructors who are active on the global stage. The second camp, held over four days in 2017, welcomed accomplished musicians popular in New York to serve as instructors. A public concert was held on the final day, giving the students a chance to show off what they'd learned. Seiko provided awards to the most outstanding performer as well as three other exceptional musicians. The winners received a wristwatch as an extra prize.



Seiko Summer Jazz Camp 2017

Sending a message to prevent global warming from the Wako show window

In December 2016, an art piece featuring a mother and baby polar bear was installed in the show window of the Wako Main Building. The hidden compelling message was a plea to prevent global warming and gained a great deal of attention in Ginza. The piece garnered a huge response on social media and won the Japan Design Space Association Award and the Ginza Boulevard Union Outstanding Award in the Ginza Display Contest 2016.



Show window of the Wako Main Building

Invited a South Korean youth soccer team to the Seiko Museum

Youth soccer teams from the Sumida-ku Football Association in Tokyo and from the Seodaemun-gu in Seoul, South Korea, have been holding interchanges for many years. In August 2016, 36 members of a South Korean youth soccer team visited the Seiko Museum and attempted watchmaking. Although the explanations provided through an interpreter may have been difficult to understand, each person rose to the challenge and was able to experience and feel a sense of achievement.



A youth soccer team from South Korea poses for a commemorative photo with the watches they made.

Seiko Holdings Group Overview

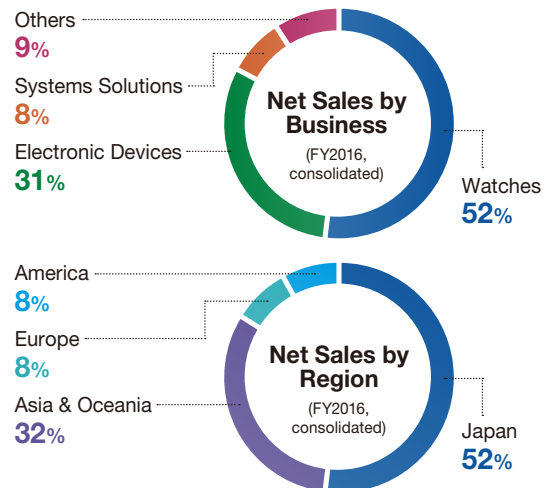
Through a network of subsidiaries, Seiko produces and markets its products on a global scale.

- Holding company
- Watches
- Electronic Devices
- Systems Solutions
- Others



Seiko Holdings Corporation Corporate Information

Year of establishment 1881
Capital 10 billion yen
Number of employees 144 (as of March 31, 2017)
Net sales 13,065 (as of March 31, 2017, consolidated)
 10.3 billion yen (fiscal 2016)
 257.1 billion yen (fiscal 2016, consolidated)
Overview of business Management and control of its consolidated subsidiary companies which are engaged in the following business domains: watches, electronic devices, systems solutions, clocks, high end apparel, fashion accessories and system clocks, etc.



SEIKO

- Seiko Watch Corporation
- Seiko Instruments Inc.
- Seiko Precision Inc.
- Seiko NPC Corporation
- Seiko Solutions Inc.
- Seiko Clock Inc.
- Wako Co., Ltd.
- Seiko Time Systems Inc.
- Seiko Optical Products Co., Ltd.

Seiko Holdings Corporation

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