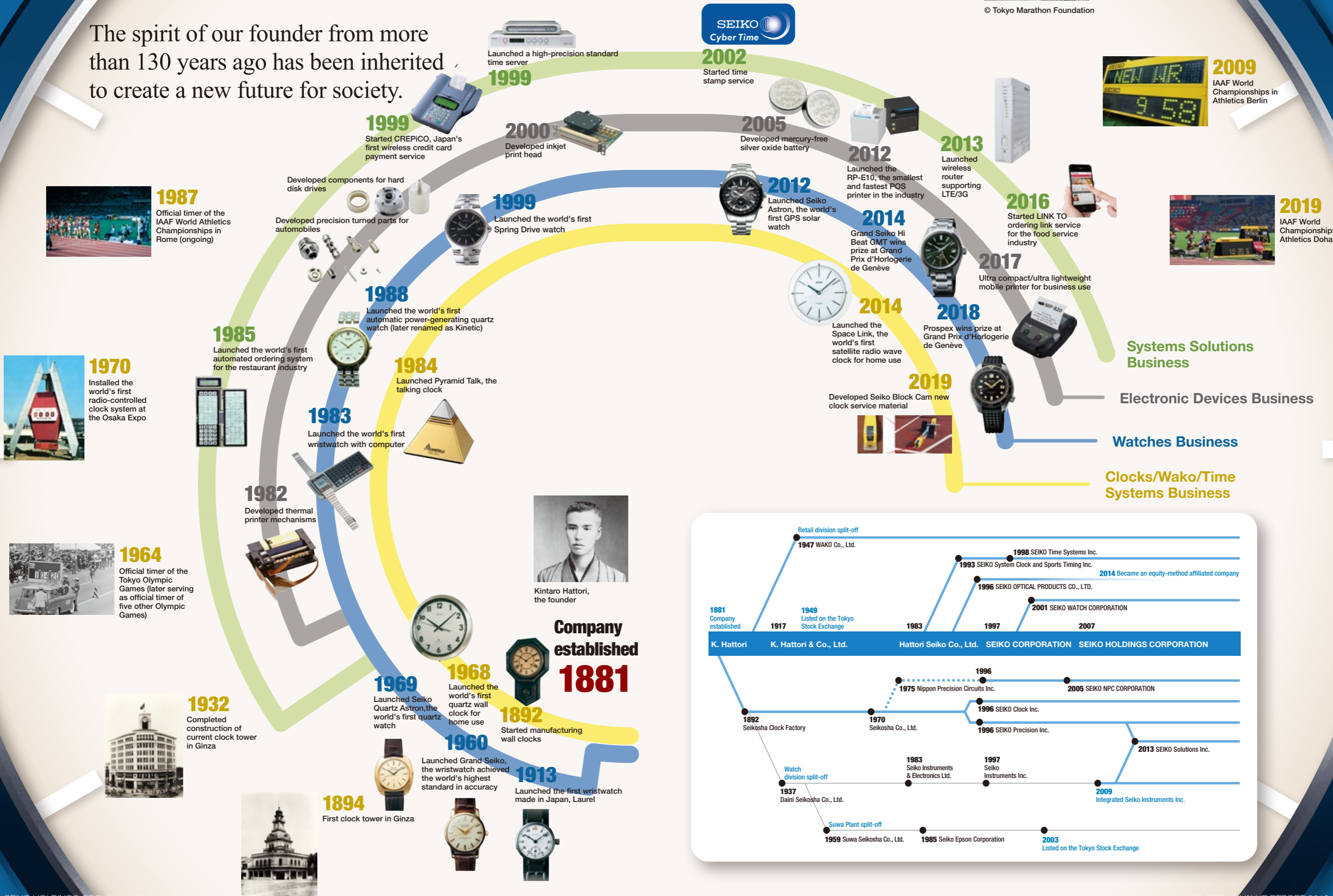


History of Value Creation

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.



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



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



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



1932
Completed construction of current clock tower in Ginza



1894
First clock tower in Ginza



Kintaro Hattori, the founder

Company established **1881**

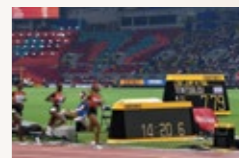


© Tokyo Marathon Foundation

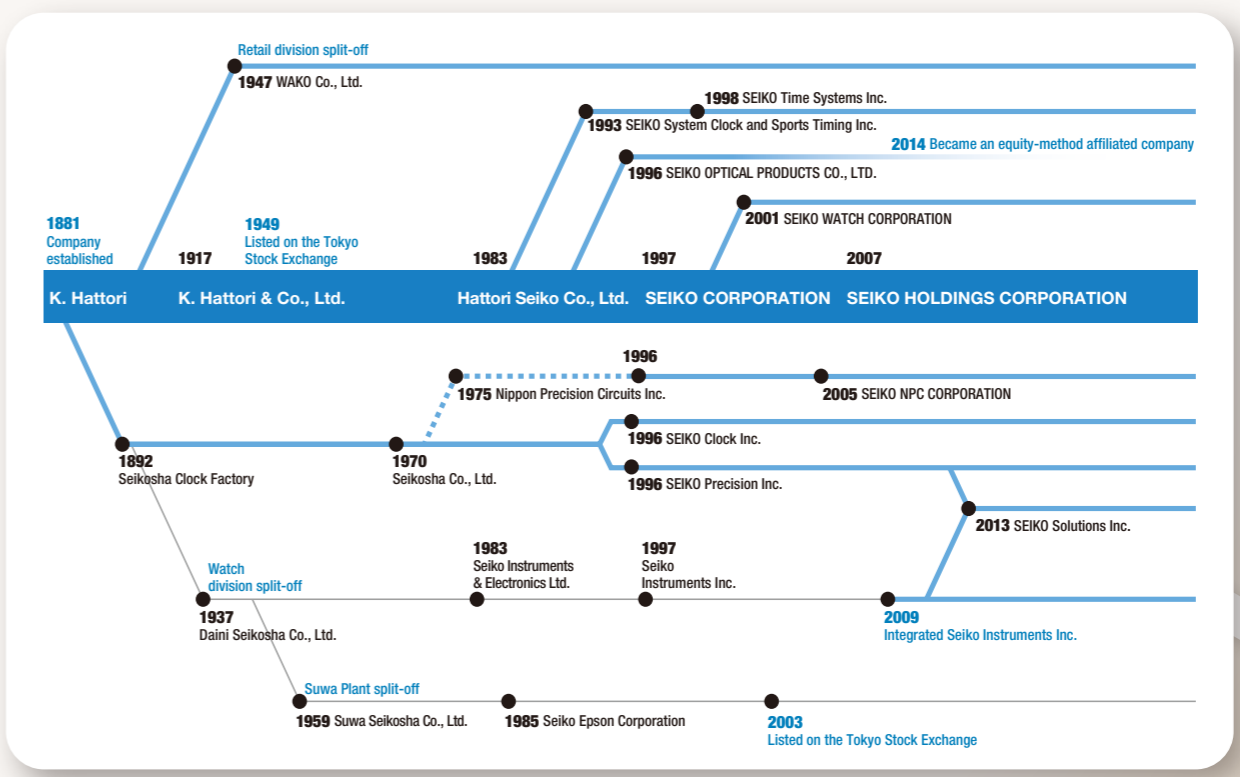
2007
Official timekeeper of the Tokyo Marathon (ongoing)



2009
IAAF World Championships in Athletics Berlin



2019
IAAF World Championships in Athletics Doha



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

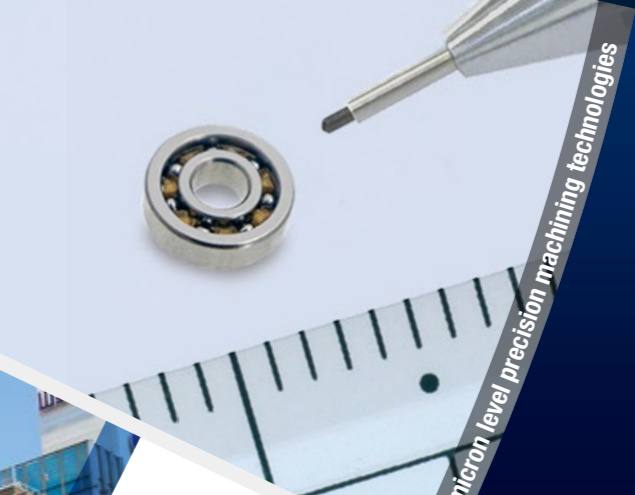
for everything from manufacturing to experience creation Proposing thorough and total solutions from the perspective of our customers



Technologies for assembling small items



Mass production technologies for high speed and automation



Sub-micron level precision machining technologies



Design technologies for precision mechanisms



Hospitality and ability to propose products



Ability to propose designs that focus on user-friendliness



Reliable quality



Basel World 2019



Trust built up over a long history



A refined dignity



Customer support via a global network



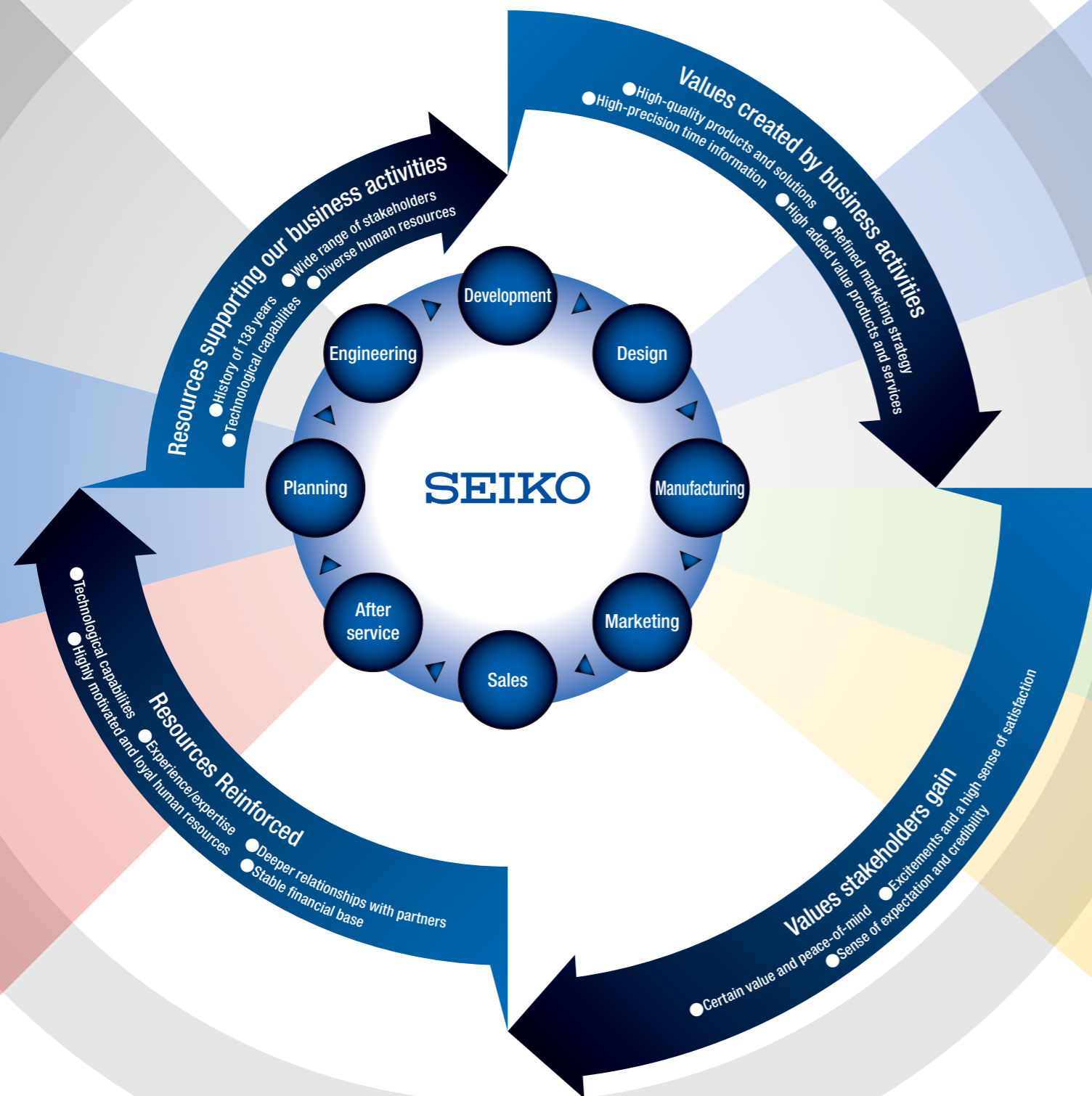
Advanced solutions with a combination of soft and hard factors



A pride in supporting challenges based on trust

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

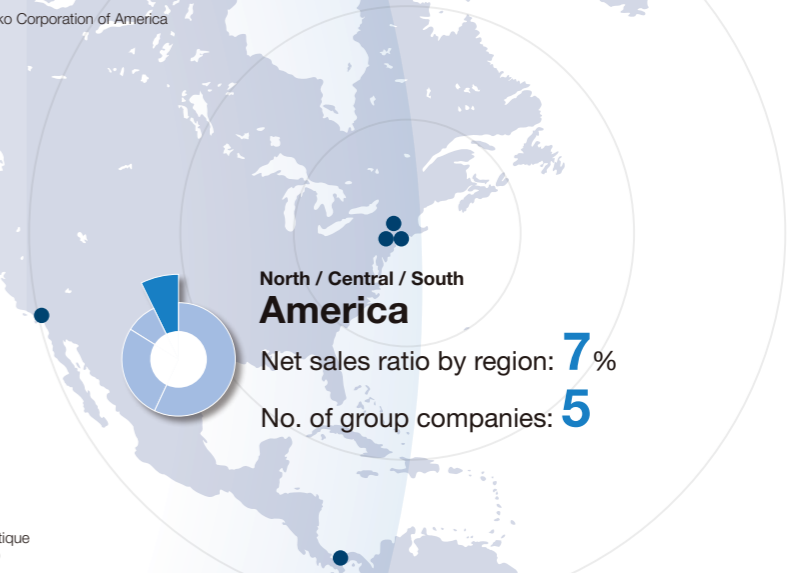
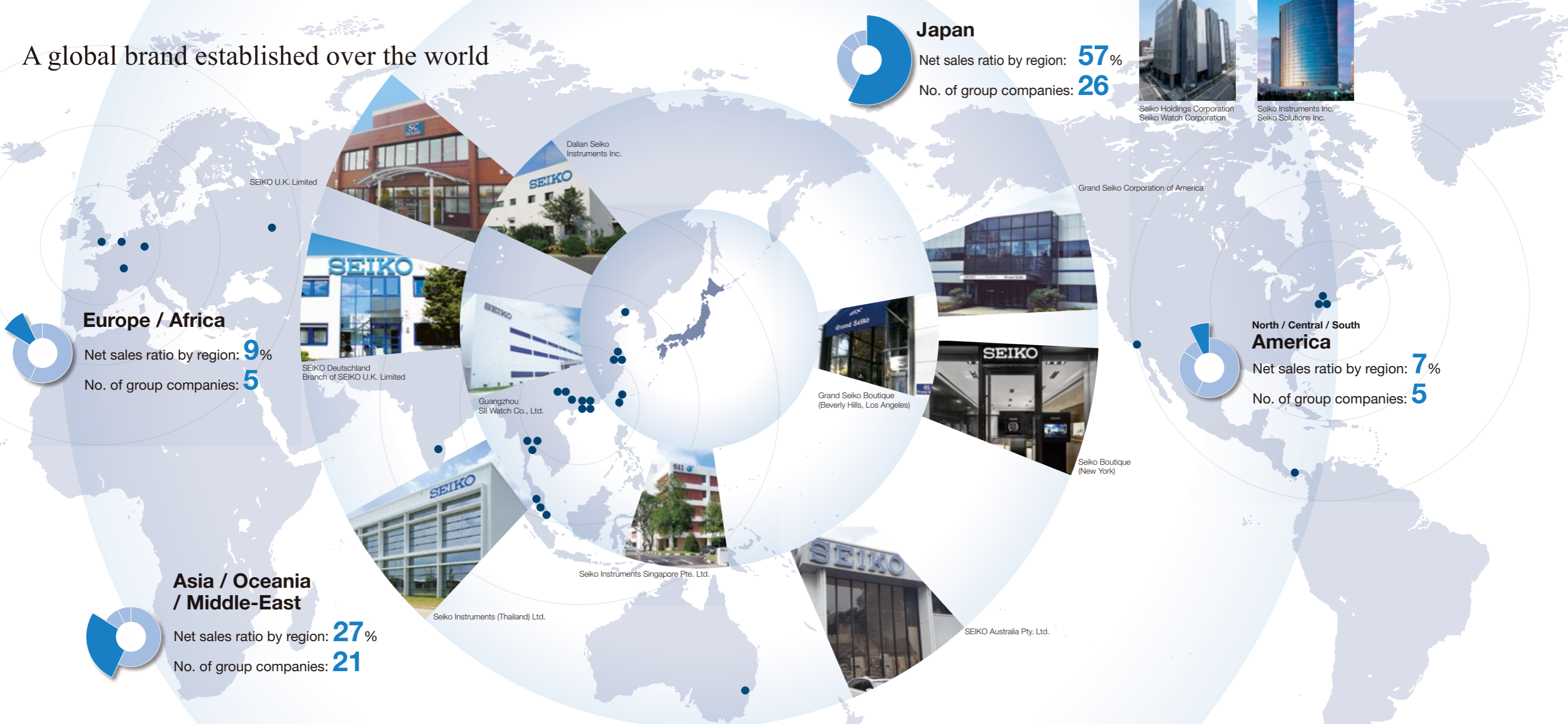
Providing efficiency, convenience, safety and security, reduced costs, improved quality, and reduced environmental impact

Millisecond precision

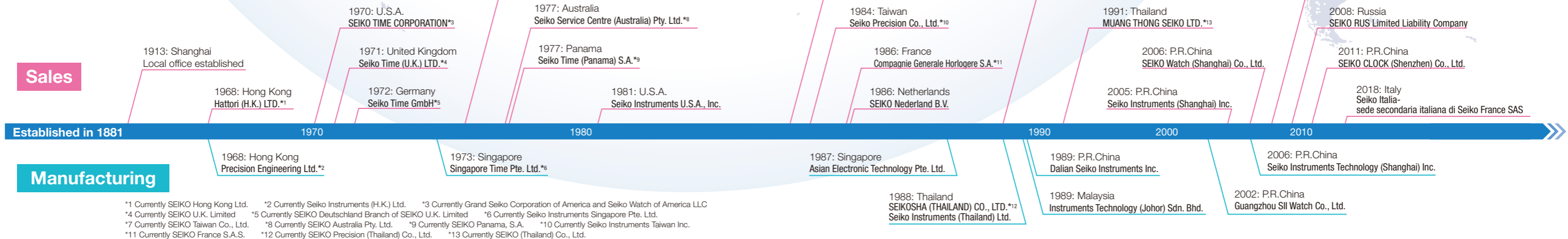
Providing emotions via sports and music that connect people



A global brand established over the world



History of Global Expansion



*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.

Consolidated performance (fiscal year 2018)

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

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

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

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

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.

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.

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

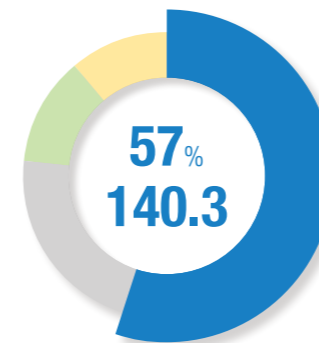
- Watches ● Clocks ● Jewelry
- Men's and women's products ● Handbags
- Interior decoration products ● Food, etc.

Time Systems

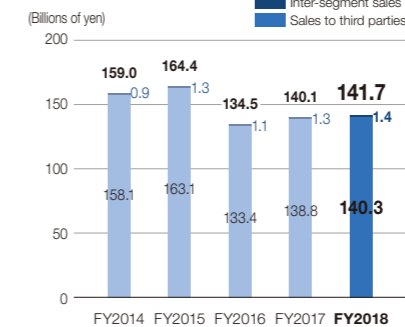
- Systems clocks ● Sports timing devices
- Digital signage ● Large display boards
- Baseball field scoreboards

Net Sales by Segment

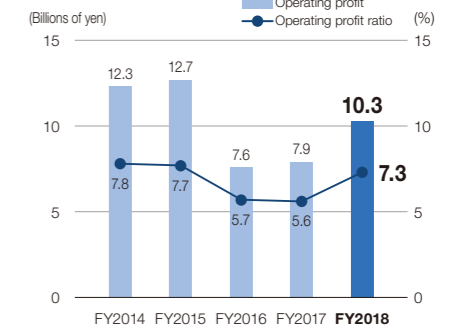
(Billions of yen)



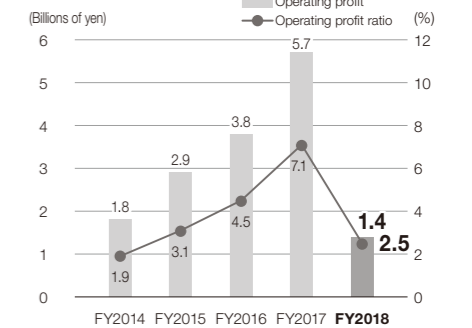
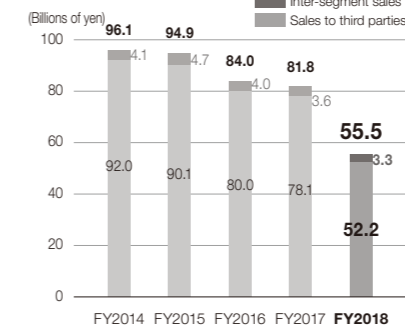
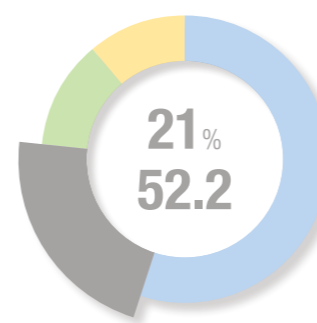
Net Sales



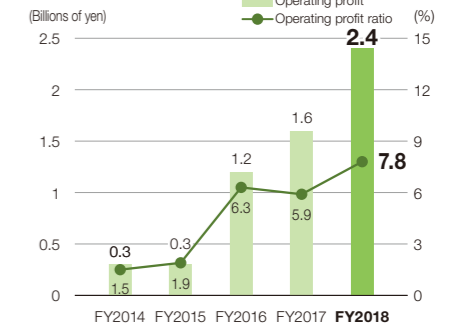
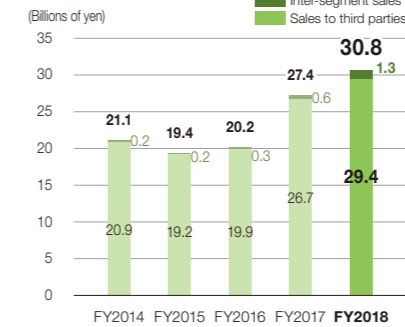
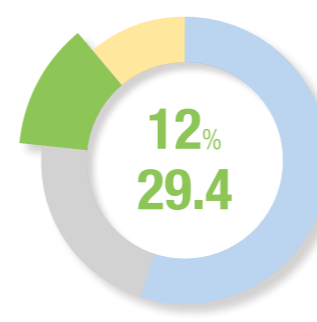
Operating Profit/Operating Profit Ratio



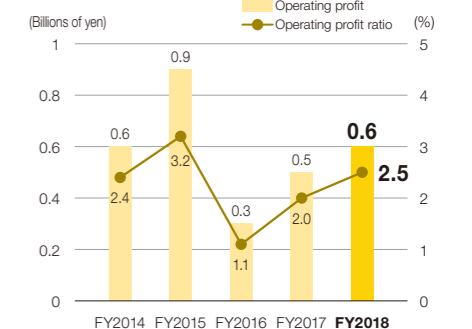
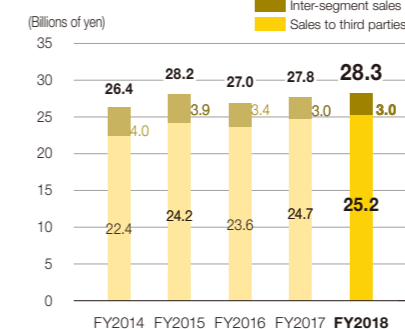
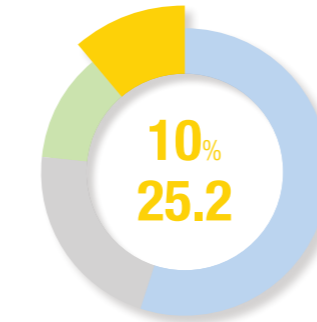
(Billions of yen)



(Billions of yen)



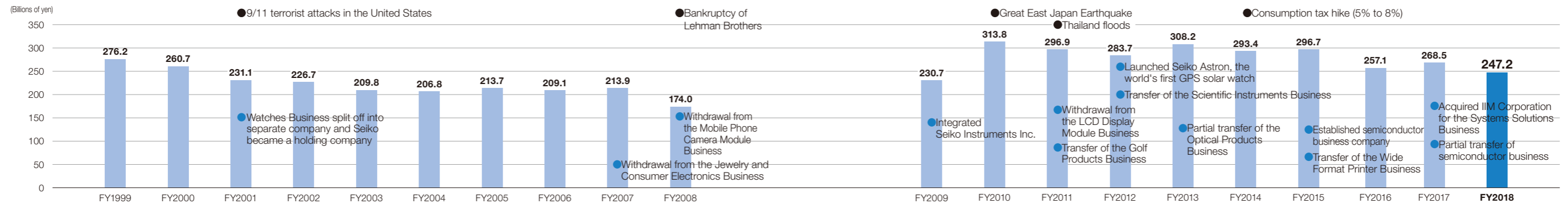
(Billions of yen)



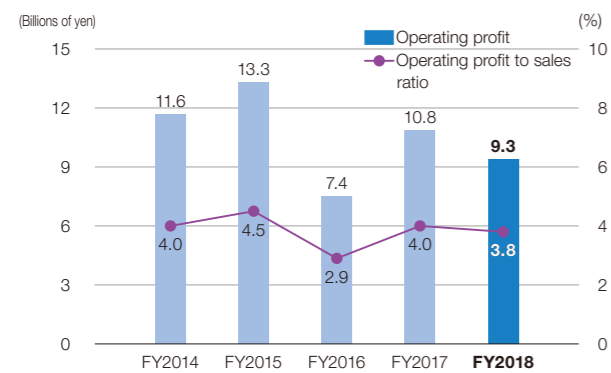
History of Value Creation

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

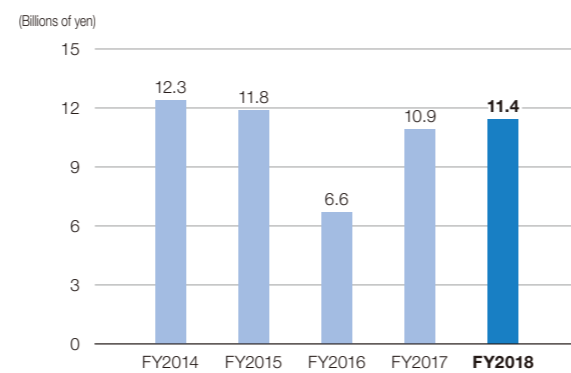
20 year net sales transition



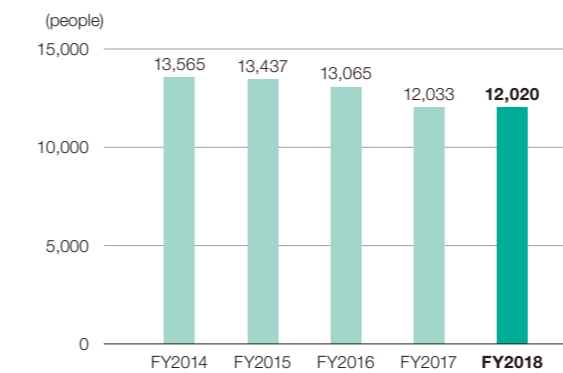
Operating profit/operating profit to sales ratio



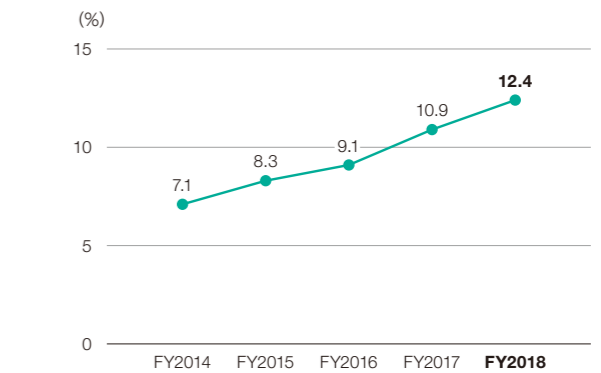
Ordinary profit



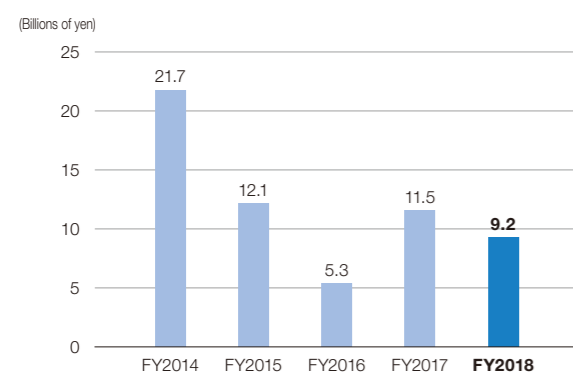
Number of employees



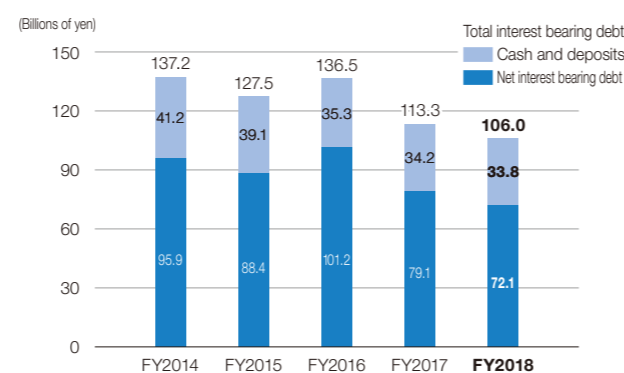
Ratio of women in managerial positions*



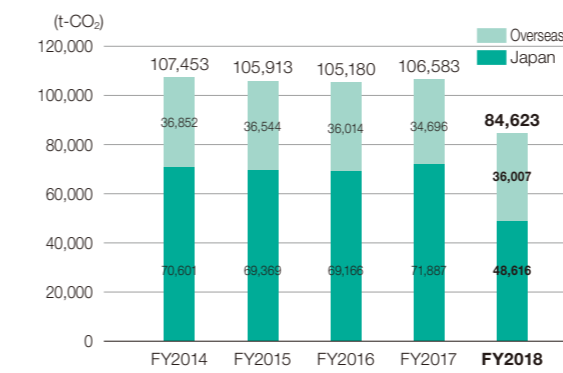
Profit attributable to owners of parent



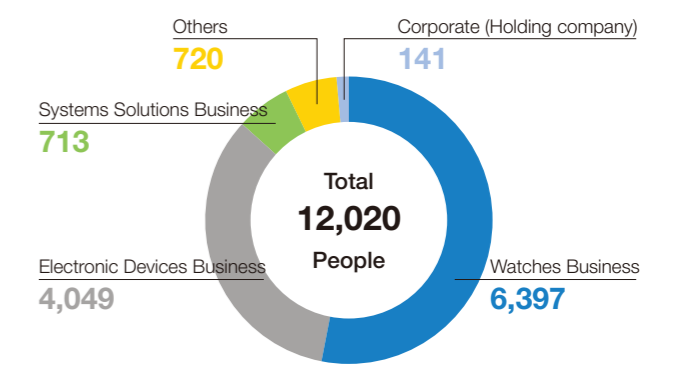
Net interest bearing debt*



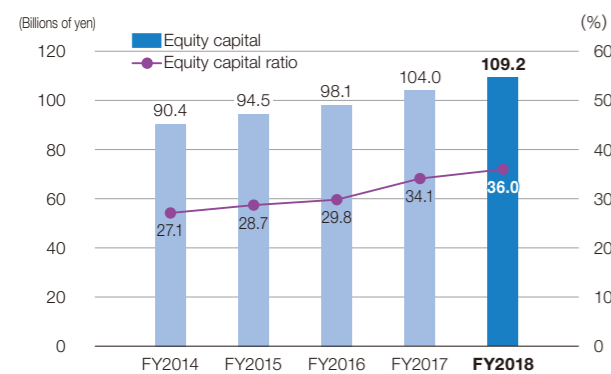
CO₂ emissions*



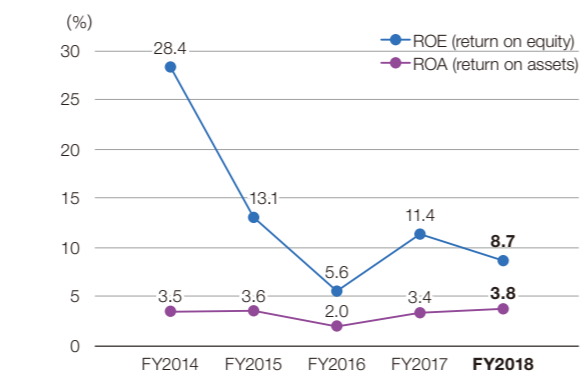
Employee composition



Equity capital/Equity capital ratio*



ROE/ROA*



*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 calculation from FY2018 due to being excluded from the scope of consolidation in January 2018

Nine-Year Financial/Non-Financial Table

	(Millions of yen)								
<Financial>	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Consolidated Statement of Income									
Net sales (by segment)									
Watches	106,965	112,452	121,022	150,739	159,075	164,453	134,592	140,156	141,788
Electronic Devices* ¹	167,454	147,165	125,267	93,038	96,137	94,900	84,077	81,852	55,548
Systems Solutions* ²	—	—	—	22,868	21,142	19,455	20,287	27,411	30,809
Others* ³	48,291	46,706	45,928	51,307	26,450	28,218	27,043	27,852	28,363
Adjustments	(8,831)	(9,386)	(8,427)	(9,668)	(9,332)	(10,323)	(8,885)	(8,743)	(9,215)
Consolidated total	313,881	296,937	283,790	308,286	293,472	296,705	257,115	268,529	247,293
Gross profit	96,638	90,195	87,053	103,540	104,266	108,540	96,292	102,297	96,338
Gross profit to sales ratio (%)	30.8%	30.4%	30.7%	33.6%	35.5%	36.6%	37.5%	38.1%	39.0%
Selling, general and administrative expenses	84,981	83,462	81,530	89,526	92,599	95,233	88,804	91,461	86,943
Operating profit (by segment)									
Watches	7,965	7,380	7,874	12,253	12,334	12,722	7,615	7,902	10,391
Electronic Devices* ¹	6,204	1,301	(1,513)	1,351	1,865	2,917	3,809	5,793	1,414
Systems Solutions* ²	—	—	—	349	327	364	1,283	1,605	2,401
Others* ³	(1,235)	(563)	(32)	761	633	907	304	551	697
Adjustments	(1,278)	(1,385)	(805)	(702)	(3,493)	(3,603)	(5,525)	(5,015)	(5,511)
Consolidated total	11,656	6,733	5,523	14,014	11,667	13,307	7,487	10,836	9,394
Operating profit to sales ratio (%)	3.7%	2.3%	1.9%	4.5%	4.0%	4.5%	2.9%	4.0%	3.8%
Ordinary profit	6,585	1,280	3,243	10,165	12,373	11,879	6,671	10,911	11,410
Ordinary profit to sales ratio (%)	2.1%	0.4%	1.1%	3.3%	4.2%	4.0%	2.6%	4.1%	4.6%
Profit attributable to owners of parent	2,181	(11,014)	5,527	7,422	21,778	12,142	5,392	11,541	9,249
Profit attributable to owners of parent to sales ratio (%)	0.7%	(3.7%)	1.9%	2.4%	7.4%	4.1%	2.1%	4.3%	3.7%
Advertising and sales promotion expenses	7,079	7,962	9,476	13,343	16,624	18,366	15,882	16,393	16,905
Salaries and wages	35,205	34,165	32,693	36,139	36,060	37,200	34,819	34,639	32,454
Provision for bonuses	949	901	1,113	2,007	2,202	2,074	1,867	1,986	1,879
Retirement benefit expenses	1,687	2,518	2,016	1,034	1,928	1,610	770	1,383	1,470
Research and development expenses* ⁴	5,497	5,294	5,046	3,851	4,112	4,023	3,901	4,669	4,190
Consolidated Balance Sheet									
Cash and deposits	51,958	51,765	42,830	43,002	41,292	39,131	35,355	34,229	33,844
Inventories	60,974	59,370	60,638	57,022	62,910	65,196	66,177	57,011	58,305
Interest bearing debt* ⁵	240,573	241,443	203,454	200,881	137,250	127,560	136,586	113,387	106,022
Net assets	46,270	31,965	40,801	64,766	92,589	102,692	107,161	105,170	110,415
Total assets	400,457	386,128	355,308	366,753	333,701	329,115	328,857	305,297	303,036
Consolidated Statement of Cash Flows									
Net cash provided (used in) operating activities	20,498	11,119	21,450	15,598	16,562	15,096	4,209	27,885	17,508
Net cash provided (used in) investing activities	(8,696)	(11,215)	(2,027)	(10,917)	46,254	(8,334)	(13,200)	(17,430)	(7,093)
Net cash provided (used in) financing activities	(14,394)	362	(29,274)	(3,517)	(66,816)	(6,645)	5,713	(11,759)	(10,670)
Free cash flow	11,802	(96)	19,423	4,681	62,816	6,762	(8,991)	10,455	10,414
Depreciation	16,845	15,078	12,886	12,242	10,892	10,325	10,959	10,128	8,980
Purchase of property, plant and equipment	(13,349)	(12,732)	(19,790)	(11,006)	(9,350)	(13,054)	(12,138)	(6,954)	(6,341)
Management Indices									
ROE (return on equity) (%) ⁶	6.0%	(36.0%)	17.5%	14.6%	28.4%	13.1%	5.6%	11.4%	8.7%
ROA (return on assets) (%) ⁷	1.6%	0.3%	0.9%	2.8%	3.5%	3.6%	2.0%	3.4%	3.8%
PER (price earnings ratio) (times) ⁸	22.9	(3.3)	14.3	11.4	5.8	7.6	17.4	9.2	11.7
Equity capital	37,189	24,079	39,013	62,871	90,410	94,521	98,119	104,010	109,221
Equity capital ratio (%) ⁹	9.3%	6.2%	11.0%	17.1%	27.1%	28.7%	29.8%	34.1%	36.0%
Net interest bearing debt* ¹⁰	188,614	189,678	160,623	157,879	95,957	88,428	101,230	79,158	72,178
Net D/E ratio (times) ¹¹	4.1	5.9	3.9	2.4	1.0	0.8	0.9	0.7	0.6
Basic earnings per share (yen) ¹²	62.17	(301.26)	147.07	179.58	526.95	293.81	130.71	280.01	224.42
Net assets per share (yen) ¹²	1,019.87	658.26	943.82	1,521.18	2,187.60	2,287.18	2,380.50	2,523.54	2,649.99
Dividend per share (yen) ¹²	10.00	0.00	12.50	25.00	50.00	62.50	75.00	75.00	75.00
Dividend payout ratio (%)	16.1%	—	8.5%	13.9%	9.5%	21.3%	57.4%	26.8%	33.4%
Exchange rate (fiscal year average) (JPY)									
USD	85.7	79.1	83.1	100.2	109.9	120.1	108.4	110.8	110.9
EUR	113.2	109.0	107.1	134.3	138.7	132.6	118.8	129.7	128.4
<Non-financial>									
Number of employees (people)	18,442	15,968	14,712	13,439	13,565	13,437	13,065	12,033	12,020
Ratio of women in managerial positions (%) ¹⁵	—	—	5.3%	6.3%	7.1%	8.3%	9.1%	10.9%	12.4%
CO ₂ emissions (t-CO ₂) ¹⁶	—	—	—	103,075	107,453	105,913	105,180	106,583	84,623

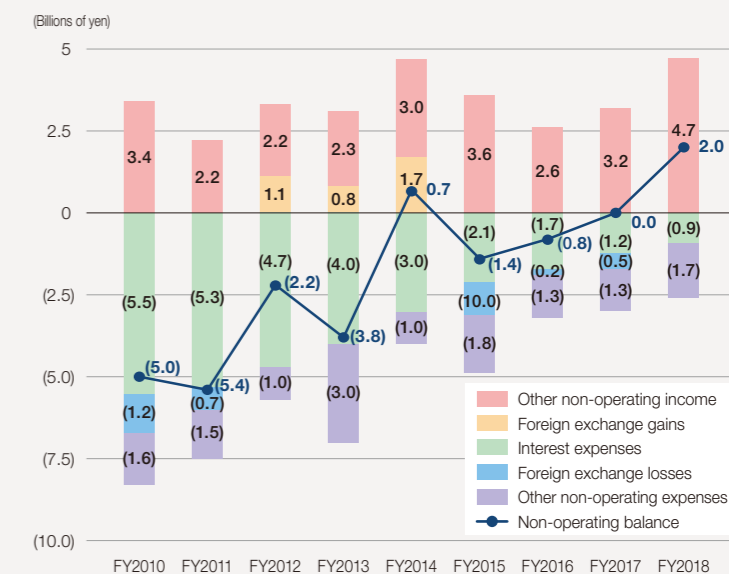
Summary

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



- *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
*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