

# Watches Business

## Aiming to be a leading player in the world watch market



In April 2020, we integrated the watches business of Seiko Instruments Inc., moving forward with a new business structure that integrates manufacturing and sales. The impact of COVID-19 has greatly changed our business environment. As we look ahead to 2025, we will further advance our Global Brand strategy, with a special focus on Grand Seiko (GS) and Seiko Prospex (Prospex), working to be recognized as a leading player in the global watch market. To further strengthen this strategy, we will accelerate our digital marketing and communicate our brand stories globally, as we strive to further improve our brand value and continually expand our sales. We will also accelerate our business by promoting a company-wide digital transformation in all of our business processes.

**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 Actual	FY2020 LE	FY2021 MTP
Net Sales	141.7	135.4	110.0	165.0
Operating Profit	10.3	10.1	4.5	14.5

### Business Overview

In the global watch market, growth is continuing for mid-high price watches, where emotional value is required, the 7th Mid-Term Management Plan will continue to focus on expanding sales of Global Brands.

In the fiscal 2019, net sales under the Watches Business came to 135.4 billion yen, a year-on-year decrease of 6.3 billion yen, or 4.5%. In Japan, despite the effects of sluggish personal consumption following the consumption-tax hike and spread of the novel coronavirus, net sales of GS grew year on year and net sales of Prospex were at the same level of the previous fiscal year. Overseas, Global Brands continued to grow, mainly for GS and Prospex, and net sales in the watches business increased year on year, excluding the impact of changes in the distribution of some products and exchange rates. In the U.S., GS performed steadily, and net sales in China grew year on year. The watch movements business enjoyed favorable sales of mechanical movements, while demand for analogue quartz movements continued to be stagnant.

Operating profit was 10.1 billion yen, a decrease of 0.2 billion yen, or 2.2%, mainly due to the decrease in net sales.

### Value Created by the Watches Business

As a manufacturer that has been operating continuously for over 100 years, the Watches Business delivers a wide range of value worldwide through the watch planning, development, manufacturing, marketing, sales, and after-sales service cycle that it has developed over its long history. A watch sparkling on its customer's wrist not only provides the functional value of accuracy, but also the emotional value of peace of mind, satisfaction, and joy, as well as its value as a means of self-expression, enriching the customer's heart and life.



### Major Efforts

#### Planning and Development Developing Attractive Movements

We have launched many watches adopted movements that have completely new functions, including quartz, Kinetic, Spring Drive, and GPS solar. Today, when we develop new watch movements, we focus on day-to-day research and development that aims to create attraction, bringing out various forms of joy, not only in functional aspects but also appealing to people's sensibilities. The 9SA5 and 9RA5 movements, first adopted in new GS in 2020, are a new generation that realizes a high degree of comfort, ease of use, and high-quality sensibility value. The 9SA5, the new mechanical movement, was developed with a new high-efficiency escapement and has achieved significantly longer power reserves by adopting twin barrels. The new Spring Drive movement 9RA5 achieves an even more comfortable fit on the wrist, while successfully providing shock resistance that meets the ISO standard for diver's watches. The designers and engineers worked together on the movements from the conceptual stage with the aim of achieving a sophisticated and beautiful appearance. The designs' motif reflected the beautiful nature of the locations where they were developed: Shizukuishi-cho, Iwate Prefecture, and Shiojiri City, Nagano Prefecture.

#### Manufacturing Leading manufacture d'horlogerie

The watch manufacturing process masterfully fuses cutting-edge technologies with craftsmanship, creating a variety of values demanded of watches by giving shape to ideas of engineers and designers. At Shizuku-ishi Watch Studio, located at Morioka Seiko Instruments Inc., and Shinshu Toki-no-Waza Studio, located at Seiko Epson Corporation, experienced engineers and technicians, including contemporary masterful craftsman with outstanding skills, assemble, engrave, and work on luxury watches, creating functional as well as emotional value. In July 2020, Grand Seiko Studio Shizukuishi opened its doors in Shizukuishi Watch Studio. The studio will be home to the watchmakers who assemble and adjust Grand Seiko's mechanical watches and has been created with a view to greater production capacity in the future and the expansion of the collection. In addition, we incorporate MEMS processing technology\* into the production process, which is an application of precision exposure technology for semiconductor production, thereby improving the precision and durability of parts and reducing their weight. This technology adds value to our watches by improving their performance and reliability. The supply volume is among the highest in the world, ensuring stable supplies both in Japan and overseas.

\*MEMS stands for Micro Electro Mechanical Systems. It is a technology for manufacturing precision machine parts and components that integrates machinery and electric circuits.

Watches Business

**Marketing and Sales**

**The Next Step after Digitalization**

We sell watches in roughly 140 countries and operate Seiko Boutiques and Grand Seiko Boutiques on high streets around the world. In June 2020, we opened Grand Seiko Boutique Paris Vendôme at Place Vendôme in Paris, which is full of luxury brand stores. In August, we opened Grand Seiko Boutique Flagship Wako, making it the world's largest GS showroom, on the second floor of the Wako Main Building in Ginza, Tokyo. We believe that seeing our products first hand is the best way to understand the "Seiko-like."

Meanwhile, the spread of COVID-19 has spurred us to accelerate our ongoing DX initiatives. In addition to opening and operating Boutiques, we are applying digital technologies to marketing as well as sales around the world. In China, we are actively incorporating live streaming and other technologies. In the United States, we are using web conference tools to announce new products linked in with announcers from multiple countries and implementing a trial service to "try on" new products using augmented reality (AR). Through these ongoing initiatives, we are striving to maintain our relationships with consumers. Fusing the real with the digital is essential for providing the value of genuine articles. We believe that this fusion is enabling us to communicate information more broadly than ever before. We are also considering and advancing a variety of measures focused on the next step after digitalization. Our aim is to let customers feel the Japanese "Seiko-like" hospitality as much as possible, even online, which has fewer limitations than physical stores.

**After-Sales Service**

**Watches that Can Be Used for a Long Time**

Recently, there are increasing efforts toward consumption that is kind to the environment and society, called "ethical consumption" and "eco-consumption." At the same time, people always value the expression of their unique selves. Our engineers and technicians put great care into making watches, and we take responsibility for enabling our customers to keep using their watches, which are filled with their feelings and memories, for as long as possible. We strive to improve our service by supporting repairs of luxury products centered on our after-sales service network, which includes our subsidiaries and distributors worldwide, as well as holding skill training sessions. In September 2019, SEIKO SERVICE CENTER CO., LTD., which handles repairs of GS and other watches, changed its name to SEIKO TIME LABS CO., LTD. As it marks the 55th anniversary of its founding, the name change represents our commitment for a further leap forward by improving our service quality, which is built upon our reliable watch repair technologies and research and development. SEIKO TIME LABS CO., LTD. provides Grand Seiko Complete Service\* by leveraging the sophisticated and exquisite skills of our engineers to offer our customers even greater satisfaction. We publish videos of this service on YouTube and the Grand Seiko website in order to gain universal recognition.

\* Grand Seiko's repair service, in which an interior/overhaul is performed together with a "light polish" as part of a set.  
<https://www.grand-seiko.com/global-en/support>



Grand Seiko Boutique Paris Vendôme



A Seiko staff in the U.S. explaining the mechanism of T0 Constant-force Tourbillon on Instagram Live



**Global Expansion of Grand Seiko**

The year 2020 marks the 60th anniversary of Grand Seiko (GS). During this time, GS has earned a strong global reputation. Grand Seiko Corporation of America, a wholesale company in the United States, has stood out for its growth. We asked the President, Brice Le Troadec, about the company's initiatives.

**Tell us about your major initiatives of GS in challenging the U.S. market and its achievements.**

The U.S. consumer is very open to changes and new technologies, but it is a matter of how these are communicated to them. They are learning not only through the medias, blogs and forums, but also and almost mainly through social medias, virtual presentations and video platforms. Now more than ever, with COVID-19 having totally changed what would have been a great but traditional year for GS, we have been able to capture and use these platforms totally adapted to our need for "education" and increase its awareness very quickly in the U.S. markets thanks to the contagious affection of our core collectors who are using these platforms to learn and communicate their appreciation for the brand. GS has been able to create a new "need for excitement", some disruption in the comfort zone of the traditional watchmaking, bringing a fresh spirit and a product that is perfectly in line with the era, bringing an extreme quality and strong personality product to the market place, associated to its genuine messaging.

**What do you think of the reason GS has kept growing in these years in the U.S. market?**

Distribution is not only about sales but also about education and awareness. So the selection of new dealers has been made predominantly based on the quality of the sales teams, their passion for watchmaking and their pioneering spirit. Our partners are our allies in this educational phase with GS in the market place.

Our mission is to bring GS the closest possible to the end-consumer, using our retail and media partners but also our core collectors who are promoting the brand as the "coolest", most relevant discovered brand of the new decade!

**What type of people enjoy GS? And what value do you think the people find and enjoy from wearing a GS?**

In the past 10 years in the U.S., GS was an underrated "exotic" brand for a small community of watch nerds. Since 2017, we have enlarged our clientele to a much broader range, including not only mature watch collectors usually buying at a much higher price point timepiece, also reaching the younger generation (20-30 y.o.) Our clients are seeing GS as a very desired and "cool" brand and are so participative and crucial to increase our awareness organically. The GS community and clients do recognize the uniqueness of its features such as the purity of the designs, being timeless and so beautiful, as

well as the extreme degree of quality with the finishing of our watches that is surpassing the top luxury brands, and also the proven reliability and accuracy of our different technologies. GS is a conversational brand for educated watch collectors that is now reaching the wider popularity it deserves.

**What do you think GS would be in the next ten years in the U.S. market? What initiatives do you think we need for GS to achieve further success in the U.S. market (and also a future success in the global market) from your point of view?**

The past 3 years have proven that GS has a huge potential in the U.S. market, ranked 4th brand in its price category in 2019, and being the #1 performing brand year-over-year 2017-2019. There is currently a great momentum with GS! We have just started our offensive and haven't yet reached all the layers of clients that are still to be educated on GS. The interest continues to grow exponentially and very quickly. We definitely see GS positioned as a solid top 3 global luxury brand within the coming 10 years!

One of our fields for expansion and next challenge will be the ladies' category. Also, as we become a global leading brand in the luxury watch industry, we should always remember that the respect of our clients is tight to how we respect GS from the source up. Another area to focus on in priority is our after sales service so we can make sure we are also competitive vs the long-established brands.

GS will quickly be globally recognized as a leading luxury brand thanks to its uniqueness, been a Japanese based manufacture (symbolizing extreme quality and attention to detail, deep traditions...), and it is important for GS to profile itself as a global brand as well, using other territories, still respectful to our brand pillars (history and heritage, challenger and innovation spirit, vertically integrated manufacturing, and uniquely Japanese) and our brand personality (intelligent, confident, perfectionist, technical, understated, and refined), but in a more universal manner.

**Brice Le Troadec**  
 President  
 Grand Seiko Corporation of America



# Electronic Devices Business

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



The technologies we have accumulated through watch manufacturing and then evolved further are creating new value along with the ongoing changes in society. For example, electronic components, such as micro batteries and crystal oscillators, will be a key part of “Society 5.0,” a forthcoming fusion of cyberspace and physical space. More immediately, our precision parts created through advanced machining technologies help to improve the safety and reliability of automobiles and other products, as well as the energy efficiency of industrial machinery. Looking toward the post-COVID era, we are continuing to create products that meet the needs of a changing society, including mobile printers that can respond to changes in service businesses, and industrial inkjet print heads that will help to improve productivity.

**Tetsu Kobayashi**  
President  
Seiko Instruments Inc.

### 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 (Billions of yen)			
	FY2018 Actual	FY2019 Actual	FY2020 LE	FY2021 MTP
Net Sales	55.5	51.7	50.0	63.0
Operating Profit	1.4	0.6	0.8	3.0

\* “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.

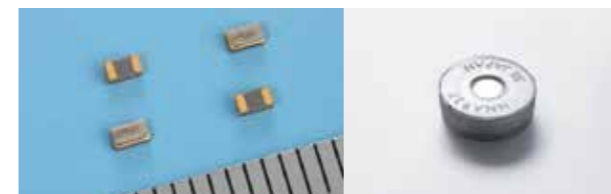
## Business Overview

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. The fiscal year ended March 31, 2020 began while economic growth slowed and the market for electronic devices stagnated in many countries, especially in China, due to the impact of trade friction between the United States and China, among other factors. Although we saw a recovery in quartz crystals and micro batteries starting around the third quarter, COVID-19 began to spread around the end of January 2020, which caused year-on-year declines in both net sales and operating profit. COVID-19 was continuing to spread at the beginning of the fiscal year ending March 31, 2021. The Electronic Devices Business has been impacted greatly, including reduced operations at our delivery destinations due to restrictions on activities, mainly overseas. However, even amid the spread of COVID-19, we continue to receive solid orders for such products as high-performance metal for semiconductor production equipment and precision components for data centers. Furthermore, as various countries’ economies reopened, we have sensed a strong recovery in quartz crystals, micro batteries, and inkjet print heads for construction materials.

## 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. In the medical field, mobile devices are essential for providing optimal care to each patient. For example, portable glucose monitors for administering insulin to diabetes patients have begun to gain popularity. However, there is demand to make the devices smaller, operate longer, and have permanent network connections. Our quartz crystals and micro batteries respond to these needs by ensuring reliability through accurate communication timing, reducing power consumption, and enabling stable operation for a long time. We are building on the trust we have built in the medical field to further expand to IoT devices and other markets.



permanently high traffic. Our products, such as hard disk drive devices for data centers and miniature ball bearings for fan motors that control rising temperatures in equipment, are supporting the stability of these new lifestyles.



Our precision components for automobile also have a solid reputation. For example, our parts for the anti-lock braking system (ABS) already have a more than 20-year history since they were first adopted.

As prime movers continue to shift to electric vehicles and hybrid vehicles, we will support safe land transportation by providing trustworthy components.



In addition, the manufacturing processes for semiconductor memory chips require control valves that accurately control the flow of gases that are highly reactive and difficult to handle. With its excellent corrosion resistance, our high-performance metal is used in metal diaphragms that are the heart of these control valves. Although this is a niche market, we will continue to support the stable production of semiconductor memory with our high-performance metal, which enjoys a large market share.



### 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. The COVID-19 pandemic has given rise to new lifestyles, typified by the “STAY HOME” movement. Internet shopping, teleworking, and online lessons have grown rapidly, and the consequent increase in transactions and continuous video communications have caused

### Printing Devices

The digitalization of manufacturing is being advocated to both use time and resources more efficiently and reduce environmental impact. Many industries have high expectations for the application of inkjet printers as a device that achieves digitalization. We successfully commercialized an inkjet print head model that supports water-based ink, contributing to reductions in environmental impact. Furthermore, we will expand our lineup of thermal printers, which boast one of the world’s highest market shares, in mobile models featuring a compact, robust, and low-voltage operation, thereby further accelerating our expansion in growth markets such as mPOS (mobile point of sales) and labels.



# Systems Solutions Business

## Creating Sustainable Customer Value

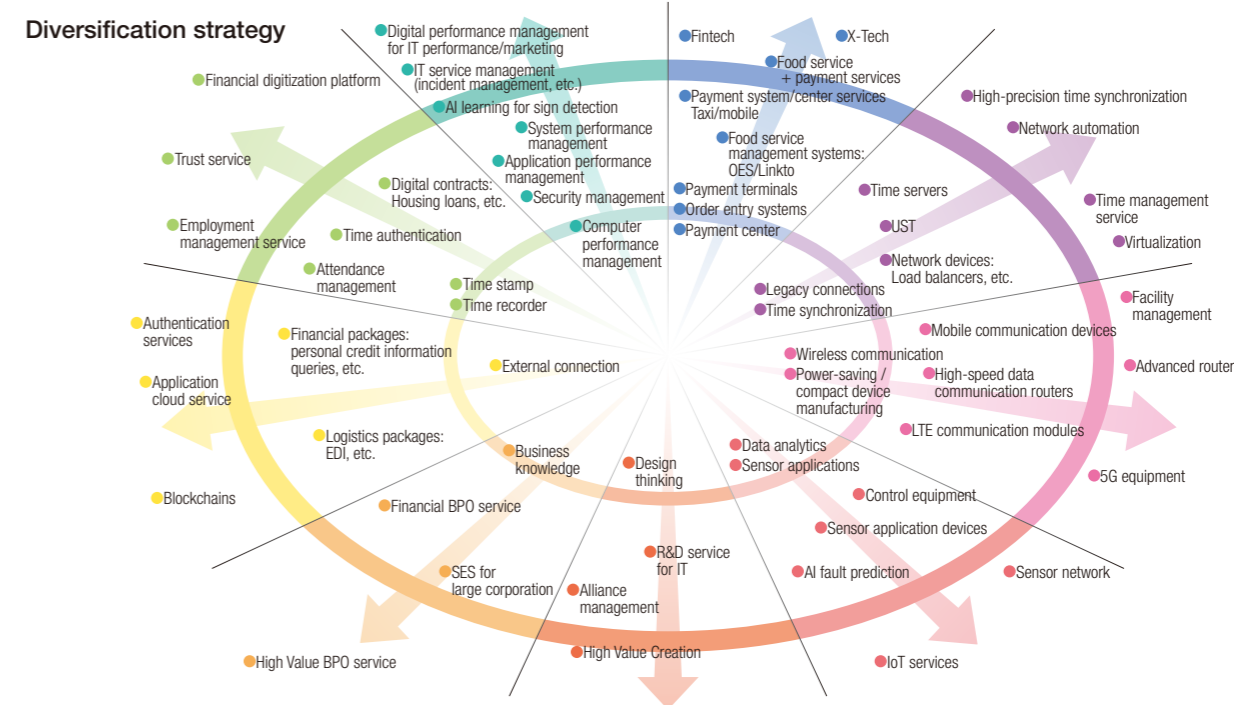


Based on our founder's spirit of "Always being one step ahead of the rest," we have provided ICT solutions to support the transformation of our customers' business models. Many of our customers' businesses were affected by the COVID-19 pandemic, so we are providing new services to support them based on core concepts defined by these 5 keywords: remote, contactless, speed, collaboration, and visualization. To respond to the remarkable changes in the business environment, we are accelerating moves toward digitalization and examining our future vision of ourselves as a business. In order to support our customers' digital transformation and continue to grow sustainably along with those customers, we will respond to their increasingly complex needs by providing one-stop optimal systems solutions ranging from consultation to building, operating, and managing systems in a creative and efficient manner.

**Jun Sekine**  
President  
SEIKO Solutions Inc.

### Major Efforts

The 7th Mid-Term Management Plan aims for long-term sustainable growth by expanding our stock-type business, diversifying including the use of M&As, and building business structure resilient to environmental changes. In order to achieve these goals, we will work continuously to enhance our diversity and strengthen and foster design thinking.



#### 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 Actual	FY2020 LE	FY2021 MTP
Net Sales	30.8	32.8	35.0	35.0
Operating Profit	2.4	3.0	3.5	3.0



IIM Corporation (Head office)

### Business Overview

In the fiscal year ended March 31, 2020, the Japanese market related to IT and telecommunications was strong, with continued corporate investment sentiment against a backdrop of exacerbating labor shortages, demand for updates to aging equipment, and support for a shift to cashless transactions in response to a hike in the consumption tax. Under these circumstances, in addition to favorable sales of digital contract solutions, application performance management software, and mobile payment devices and services, net sales of products for individuals also grew. As a result, net sales under the Systems Solutions Business came to 32.8 billion yen, a year-on-year increase of 2.0 billion yen, or 6.6%. And profit increased year on year by continuing to improve profits for each product, by which operating profit came to 3.0 billion yen, a year-on-year increase of 0.6 billion yen, or 25.4%. As we support food service industry and other customers affected by COVID-19, we will aim to grow further by firmly supporting the needs of society in businesses that are expected to grow at an accelerated pace, including further promotion of cashless transactions, an excessive load on networking environments due to a rapid increase in working from home, and increased demand for security measures.

### M&A Strategy

We made IIM Corporation a subsidiary in 2017. In addition to the synergy from integrating technologies and customers, we are aiming to achieve synergy from integrating our cultures, including expanding IIM Corporation's motto of "sales is support" to the business as a whole. IIM Corporation is driving the Systems Solutions Business as one of our drivers of continuous business growth by further strengthening our relationships with major customers. Furthermore, in April 2020, we made COSMO CO., LTD. a subsidiary in order to accelerate the growth of our business in the growing IoT market. Moving forward, we will utilize M&As and alliances to enhance diversification, actively incorporate the strengths of each company, and create strong synergy, thereby further growing the organization as a whole.



COSMO CO., LTD. (Tokyo office)

### Initiatives Aimed at the New Normal

The COVID-19 pandemic is bringing major changes to our business environment and values, and new demand for things like digitalization is growing rapidly. We value on ascertaining these changes accurately, making decisions swiftly, and shifting into action. In response to these new needs, we see the COVID-19 pandemic as a new business opportunity and are aggressively implementing proactive initiatives by rolling out solutions from new angles, such as offering digital contracts and time recorders with a contactless thermometer feature. Moving forward, we will strive to roll out solutions to support our customers' continuous growth from three perspectives of increasing importance: (1) enhancing applications; (2) ensuring the reliability of information and data; and (3) creating new value.



"SDGs WEEK" November 9-13, 2020: Jointly hosted COMPUS (COMputer Performance User Study group) and SDGs webinars online

# Clocks/Wako/Time Systems Business

Together with the Seiko brand



## Wako Business

Wako views the growing diversification of sales methods being spurred by the current pandemic as an opportunity, and we are actively promoting the digital transformation of our business. We will use this opportunity to further refine Wako's unique products and services. In addition, by leveraging digital technologies, we will make it possible for even more people to enjoy the experience of visiting Wako, which continues to be a leading symbol of Ginza.

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

## Clocks Business

The COVID pandemic has led people to spend much more time at home, and that in turn has promoted interest in time management and comfort in the home. The clock market, which had been shrinking for a few years, has benefited from this trend. As we take up the challenge of full-scale digitalization, the Clocks Business will continue to move forward, always remembering that we, too, carry on the legacy of our founder and his spirit of "Always being one step ahead."

## Time Systems Business

Despite the massive changes in our business environment caused by the pandemic, we will continue to offer uncompromising reliability and constantly evolving, innovative technologies. Going forward, we will continue to provide system clocks and sports timing devices that capture dreams and heart-pounding excitement, and automation devices that support precision manufacturing, together with services that provide increased peace of mind.

**Kenji Hagiwara**  
President  
SEIKO Clock Inc. and SEIKO Time Systems Inc.



### 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 Actual	FY2020 LE	FY2021 MTP
Net Sales	28.3	29.5	25.0	31.0
Operating Profit	0.6	0.3	0.0	1.0

## Wako Business

### Major Efforts

We assign Wako as a base for directly communicating the Seiko brand to the world from the center of Ginza and enhance collaboration between the Wako and Seiko brands, which are both outstanding luxury brands in Japan. Wako remodeled the first-floor display window into a see-through window. And the first and second floors reopened as the Wako Watch & Jewelry Square: We started a new stage in 2020.



## Clocks Business

### Major Efforts

We will strengthen our expansion in Japan and overseas in order to further enhance the Seiko brand and contribute to society. Following up on "SEIKO RONDEAU," a marionette clock that gorgeously announces the arrival of the hour, we released the DECOR SEIKO "RONDEAU MAISON" with the same mechanism in fiscal year 2020.



## Time Systems Business

### Major Efforts

We will strive to expand our value chain from device sales to a solution business. We will also contribute to improve the Seiko brand value with system clocks that mark irreplaceable time, sports timing that marks the records of each person, and information display systems that enable dramatic, swift, and accurate displays.

