



Shuji Takahashi President & COO & CMO
SEIKO WATCH CORPORATION

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.

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.

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

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 Lukia 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.

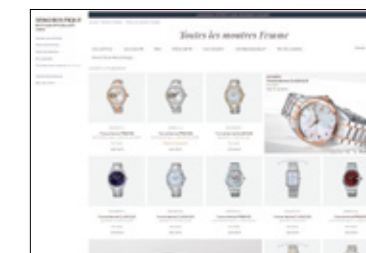


Seiko Flagship Salon (Wako in Ginza, Tokyo)

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

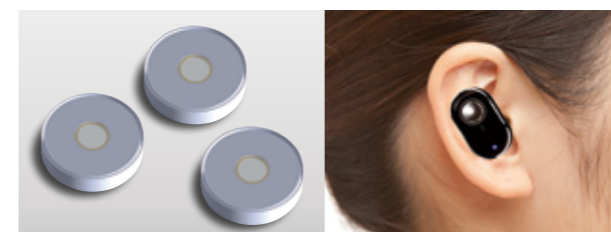
	Target Figures (Billions of yen)		
	FY2018 Actual	FY2019 LE	FY2021 MTP
Net Sales	55.5	55.0	63.0
Operating Profit	1.4	2.5	3.0

* “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.

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.



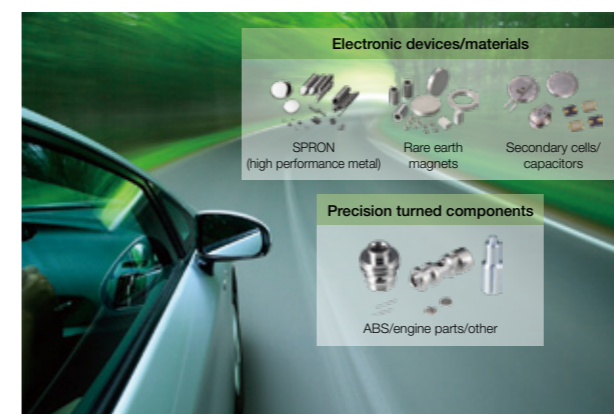
Printer Devices

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.



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.



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.



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.



Jun Sekine President
SEIKO Solutions Inc.

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

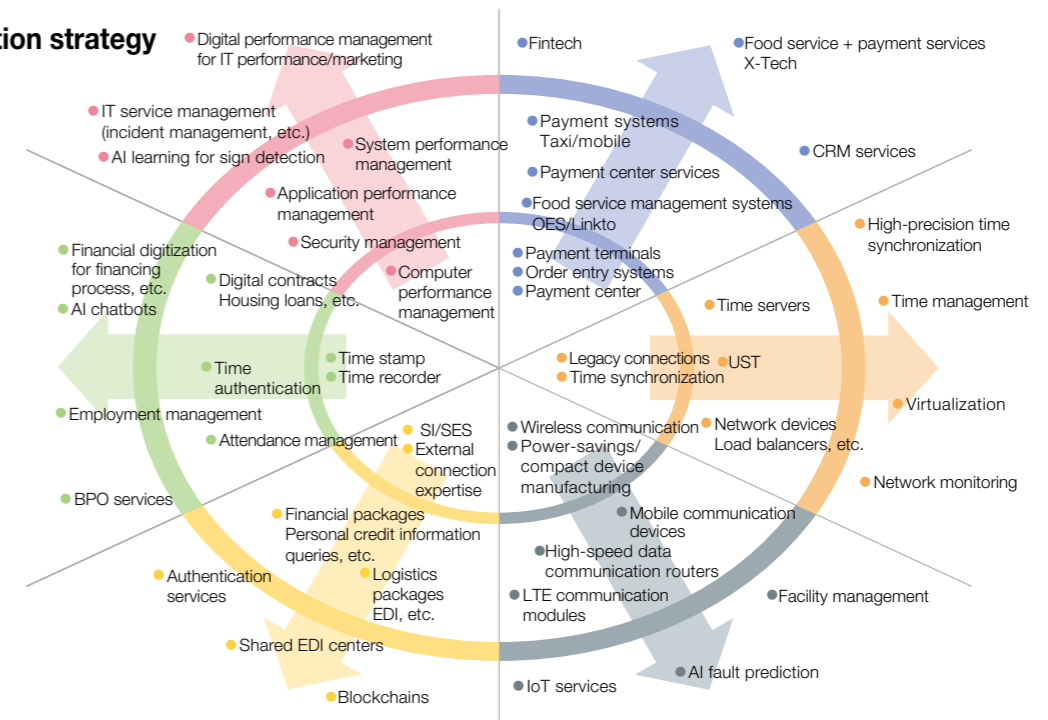
- (1) Improve sustainable growth and reliability of business
- (2) Create business structure resilient to environmental changes and shift to high added value through diversification
- (3) Continuously transform practices and strengthen organizational structure

	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

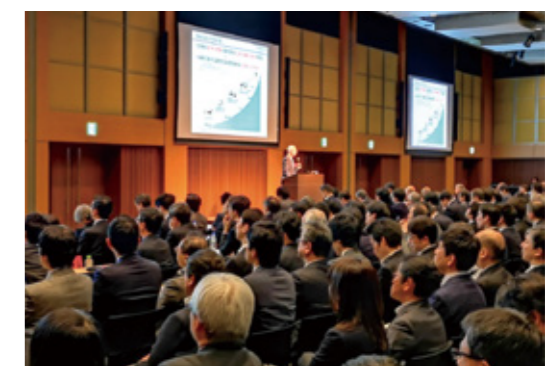
Amid the growing move toward raising competitive advantages through business digitalization, we support increasingly complex digital business and contribute to stable operation of services and improvements in user experiences, leading to higher levels of customer satisfaction and enhanced corporate value.

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

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.



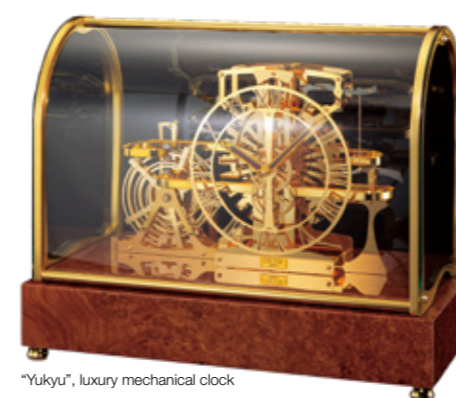
Photo finish camera

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.