



SEIKO GROUP

Value report 2022



Constantly pursue innovation

Creating a future full of smiles

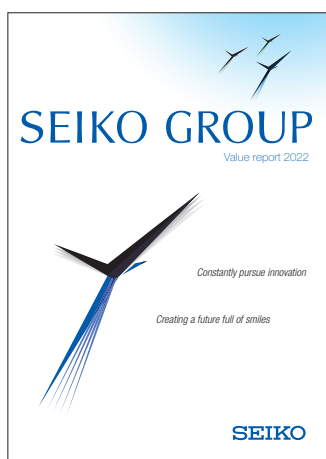
SEIKO

Transforming from Seiko Holdings to Seiko Group



On October 1, 2022, we changed our company name to “Seiko Group Corporation.”

The Seiko Group aims to become a sustainable group that leverages synergies between its businesses and creates new value as a solutions company that creates excitement, led by its Statement of Purpose.



Cover Inspiration

In fiscal year 2022, the Group changed its name upon the launch of the new Mid-Term Management Plan, “SMILE145 = Seiko Milestone 145.” This year represents a new start, which is why we also redesigned the cover of the Value Report. The goal of SMILE145 is to make our company a solutions company that creates new value in three strategic business domains. On the new cover, the hands of timepieces take the forms of four birds, all flying toward the same destination. They represent the Seiko Group and its three strategic business domains, driven by their devotion to “Creating a future full of smiles” by “Constantly pursuing innovation,” which is the Group’s Statement of Purpose.



SEIKO GROUP PURPOSE

As a company trusted by society, we will constantly pursue innovation, inspiring people everywhere, and creating a future full of smiles.



CORPORATE PHILOSOPHY

A Company that is Trusted by Society



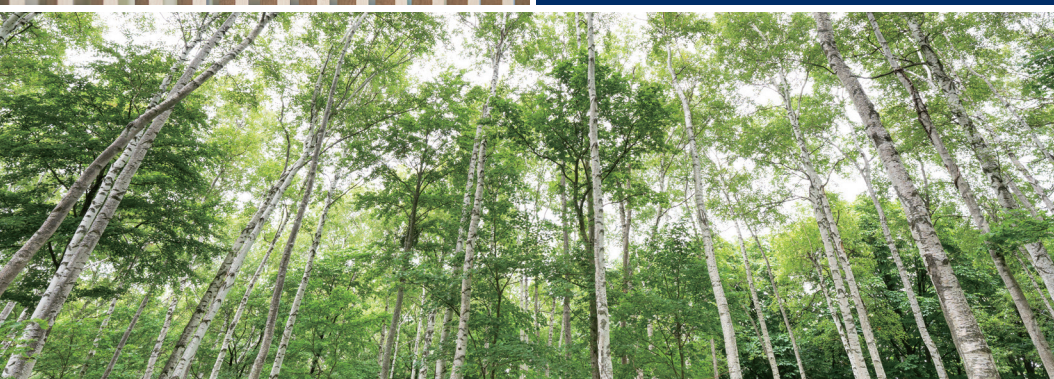
GROUP SLOGAN

SEIKO Moving Ahead,
Touching Hearts



10-YEAR VISION OF THE SEIKO GROUP

Leveraging analog & digital synergies to offer products and services that contribute to the creation of sustainable societies, connecting people, things, and time throughout the world



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Since the Group was founded, we have engaged in continuous innovation, while taking on new challenges, in order to create a brighter future and contribute to society at all times. All of our activities are led by our corporate philosophy, which is rooted in our Statement of Purpose.

What We Are

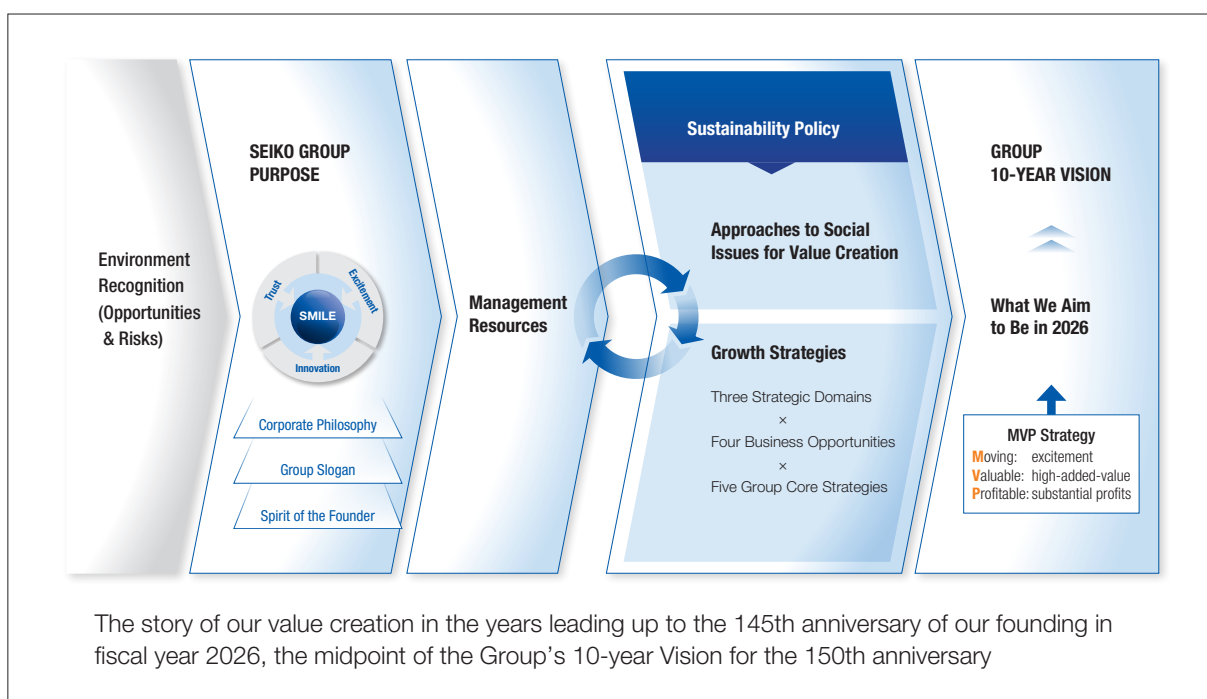
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In this section, we introduce the strengths we have developed over our 141 year-long history and the social value we provide.

Value Creation Story

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In this section, we explain the roadmap for the years leading up to our 150th anniversary and an overview of our value creation strategies.



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Here, we explain the five Group core strategies we employ in all of our businesses to promote the growth of the Group and society as a whole.

This section explains the four business opportunities we have identified through our business environment analysis.

Here, we explain the main strategies in our three domains to promote our business.

This section covers the financial approach of SMILE145 and the roles the Financial division will play in implementing SMILE145.

This section provides an overview of the status of our corporate governance, which supports our value creation and is the foundation of our corporate value improvement.

This section explains the Group risk management and the initiatives we are employing to respond to significant risks.

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Editorial Policy

In Value Report 2022, our fourth value report, we present the roadmap and KPIs for realizing what we aim to be in five years from now, together with clear and easy-to-understand explanations of the Group's sustained value creation, focusing on our new Mid-Term Management Plan "SMILE145," which was formulated by backcasting from the Group's 10-year Vision. We also introduce specific initiatives we are implementing through each strategy of SMILE145 to achieve the Group's sustainable growth and solve social issues.

Scope of Reporting

Seiko Group including Seiko Group Corporation, its subsidiaries, and affiliates

Target Period

April 1, 2021 to March 31, 2022
(including some activities from April 2022)

Reference

"International Integrated Reporting Framework": International Integrated Reporting Council (IIRC)

"Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation": the Ministry of Economy, Trade and Industry



Forward-Looking Statements

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

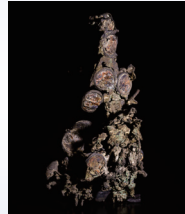
More detailed information regarding financial information not included in this report and corporate governance information can be found on our website.

<https://www.seiko.co.jp/en/>

Transition of the Seiko Group

Birth, near-death, and rebirth

Since the founding of K. Hattori, we have been steadily developing the business of selling and repairing watches and clocks, as well as their manufacture. The Great Kanto Earthquake of 1923, a disaster of unprecedented scale in Japan, wiped out most of what we had built up since starting the business. However, we did not stop moving forward. We made the bold decision to replace over 1,000 watches that customers had entrusted to our shop for repair with new watches of equal quality, and we promptly rehired employees who had been laid off following the earthquake. The Wako Main Building was completed in 1932, becoming a symbol of the rebirth of the Seiko business, and today it is still much loved by Ginza residents and visitors alike. It was during these first 50 years of Seiko's existence that we earned the trust of its customers and other stakeholders.




Pocket watches destroyed by fire caused by the Great Kanto Earthquake

Growing beyond Seiko's origins and taking its first steps on the world stage


As the Japanese economy rose from the ashes of the Second World War, we developed the world's first electronic timing system and served as the Official Timer of the Tokyo and Sapporo Olympic Games, which garnered praise as the first Olympics without any timing errors. Furthermore, with our mechanical watches winning top prizes in the Observatory Competition in Switzerland and by creating the quartz watch revolution, we were able to establish an unrivaled reputation for precision, accuracy, and reliability for the Seiko brand throughout the global market. These 50 years marked a great leap forward as we also began to diversify beyond watches into other areas.

1892
Started manufacturing wall clocks



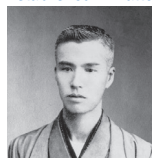
Building on the success of the retail business, Seikosha is established and starts manufacturing wall clocks.

1894
First clock tower




We build a store with a clock tower on the corner of Ginza 4-chome block. It immediately becomes a landmark of Ginza.

1881
Established K. Hattori




Kintaro Hattori, the founder, opens a shop selling and repairing watches and clocks.

1913
Japan's first wristwatch, the Laurel




Anticipating the change in demand from pocket watches, we launch Japan's first wristwatch.

1960
Watch with the world's highest level of accuracy, the Grand Seiko




The Grand Seiko, incorporating Seiko's highest technology and skills, achieves a reputation for being the most practical watch.

1968
World's first quartz wall clock for home use




In the battle to develop quartz timepieces, this is the world's first quartz wall clock.

1964
Official timer of the Tokyo Olympics




This is the first time electronic timepieces are fully implemented in the Olympic Games. It is said to be the first Games without timing errors.

1969
World's first quartz watch, the Quartz Astron




The remarkable accuracy of the Quartz Astron (monthly error within ±5 seconds) changes the history of watches.

1970
World's first radio wave clock




The world's first radio wave clock is installed at the Osaka Expo.

1970
Developed a quartz watch equipped with the world's first CMOS IC




With the internal manufacture of electronic watch components, we establish the foundations for the device business.

1983
Talking clock, Pyramid Talk

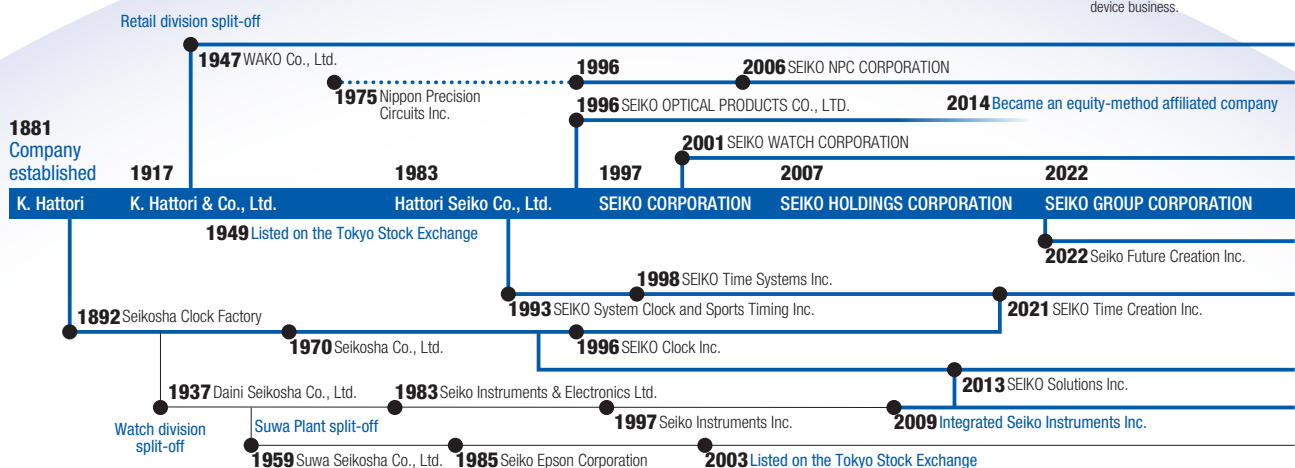


This talking clock, which gives an audio announcement of the time, becomes hugely popular around the world.

1988
World's first automatic power-generating quartz watch



We launch the quartz wristwatch automatically powered not by battery, but the electricity generated from the natural motions of the arm.



Dawning of the new era and transformation



Observatory Competition in Switzerland

We experienced sharp currency fluctuations following the Plaza Accord, the collapse of Japan's economic bubble, the global financial crisis of 2008-9, the worldwide pandemic, and several other challenges. With natural disasters, extreme weather, and other effects of climate change, plus the growing threat of new viral outbreaks, we have entered an era in which countries around the world must work together to tackle global issues. Until this day, each business of the Group, which had originated from watches, had generated its unique value. However, we will aim to create new value toward solving social issues through Group synergy going forward.



Launch of new Team Seiko

1989

Ultra-thin, ultra-precise wall clocks



We create the wall clock that is as thin as a watch, with the highest performance and the least electricity consumption, and unlike any other in the world.

2005

Clock recreating the world's oldest escapement mechanism



We recreate the mechanism of the water clocks of China's Northern Song dynasty, from which mechanical clocks originated, while reconfiguring the clock with the latest technology.

2014

World's first satellite radio wave clock



The clock displays the exact time by receiving signals from a GPS satellite network. It can easily pick up signals even inside buildings.

1984

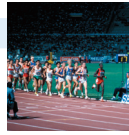
Japan's first large-scale marionette clock, the Mullion Clock



The Mullion Clock, a large-scale marionette clock, is installed in Tokyo Yurakucho district. This sparks a national boom in marionette clocks.

1987

Official timer of the World Athletics Championships



We continue to serve as official timer of the World Athletics Championships since the IAAF World Championships in Athletics in Rome.

2007

Official timer of the Tokyo Marathon

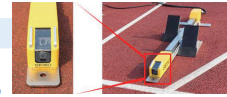


We continue to serve as official timer of the Tokyo Marathon, a major sporting event that represents Tokyo, since its first time.

©Tokyo Marathon Foundation

2019

World's first camera system, Seiko Block Cam



We enhance the entertainment value of short-distance track events by capturing the tension-filled facial expressions of the athletes from a never-before-seen perspective.

1999

World's first Spring Drive watch



By combining mechanical and quartz mechanisms, we achieve high precision comparable to quartz watches, even though they are mainspring models.

2012

World's first GPS solar watch, the Seiko Astron



With the introduction of the Seiko Astron, it is now possible to show accurate time anywhere in the world by capturing time information from GPS satellites.

2017

Made Grand Seiko an independent brand



Having continued to evolve since its creation in 1960, and aiming for even greater heights, Grand Seiko becomes an independent brand.

2022

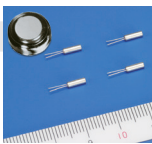
Watch incorporating the world's first new mechanism, Grand Seiko Kodo



By combining two complex mechanisms onto a single axis, we achieve new-dimension stability and high precision.

1975

Quartz crystals, silver oxide batteries



Developed for use in quartz watches, quartz crystals and silver oxide batteries have since been used in a wide range of fields.

1982

Thermal printer mechanisms



This is developed as an embedded printer for calculators and is currently used in POS registers, medical and measuring instruments, and more, due to its compact size, light weight, and quietness.

2017

Ultra compact, ultra lightweight mobile printer for business use, MP-B20



This has a wide variety of applications, including issuing receipts at open-air shops, door-to-door sales, and delivery services.

2019

World's first reflowable MS Lithium Rechargeable Battery



We contribute to improving customer mounting efficiency through increased pressure tolerance, capacity, and superior charge and discharge cycles.

1985

Automated ordering system for the restaurant industry



Restaurant ordering systems, taken for granted, contribute greatly to streamlining operations by reducing mistakes and man-hours.

1999

Japan's first wireless credit card payment service, CREPICO



The system enables wireless credit card payments for the first time in Japan.

2002

Time stamp service



The time stamp service ensures reliability and safety of electronic documents and e-commerce and contributes to digitization of business.

2019

AI learning for sign prediction services, LUiNa



We achieve greater sophistication of system monitoring through a wide range of failure detection and prediction, from IT resources to IoT devices.

EVS : Emotional Value Solutions

DS : Devices Solutions

SS : Systems Solutions



EVS Domain



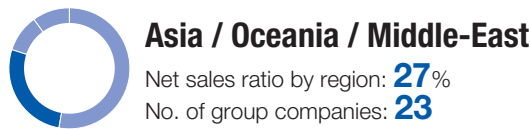
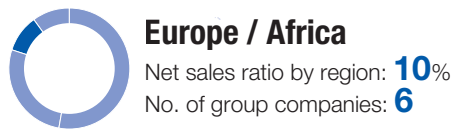
DS Domain



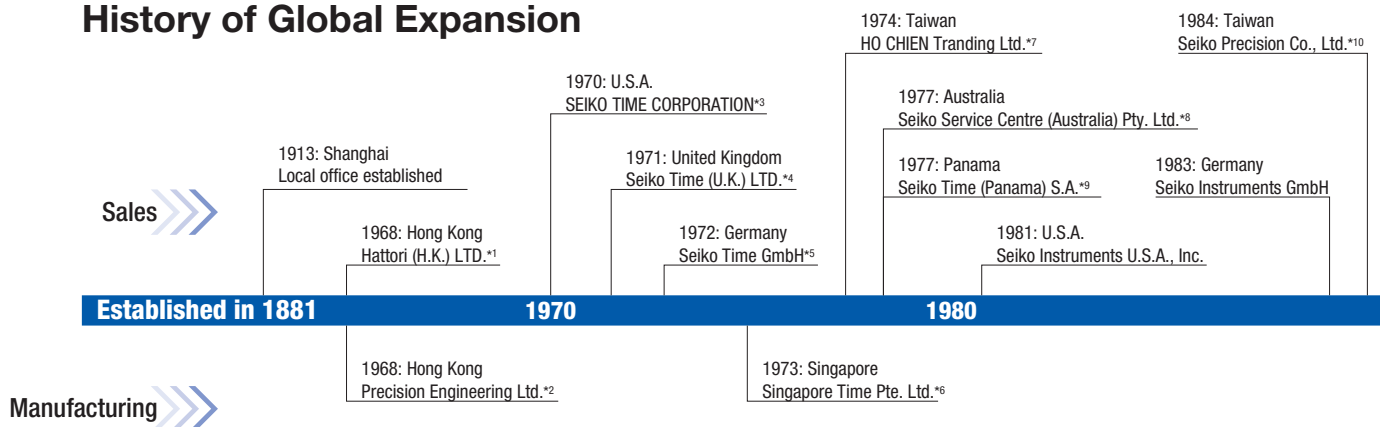
SS Domain

Global Expansion

Seiko's network spans the world and leads the way to global expansion. It has been 110 years since we first expanded overseas. We are demonstrating diversity in a wide range of areas, from upstream to downstream businesses.



History of Global Expansion



*1 Currently SEIKO Hong Kong Ltd. *2 Currently SEIKO Manufacturing (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 Germany, Branch of Seiko Watch Europe S.A.S. *6 Currently SEIKO Manufacturing (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 Watch Europe S.A.S. *12 Currently Seiko Benelux, Branch of Seiko Watch Europe S.A.S. *13 Currently SEIKO Precision (Thailand) Co., Ltd.
 *14 Currently SEIKO (Thailand) Co., Ltd. *15 Currently Seiko Italy, Branch of Seiko Watch Europe S.A.S.



Dalian Seiko Instruments Inc.



Seiko Instruments (Thailand) Ltd.



Grand Seiko Europe S.A.S.



SEIKO Watch India Pvt. Ltd.



Grand Seiko Corporation of America



SEIKO Panama, S.A.



Seiko Benelux, Branch of Seiko Watch Europe S.A.S.



SEIKO Manufacturing (Singapore) Pte. Ltd.



SEIKO Precision (Thailand) Co., Ltd.



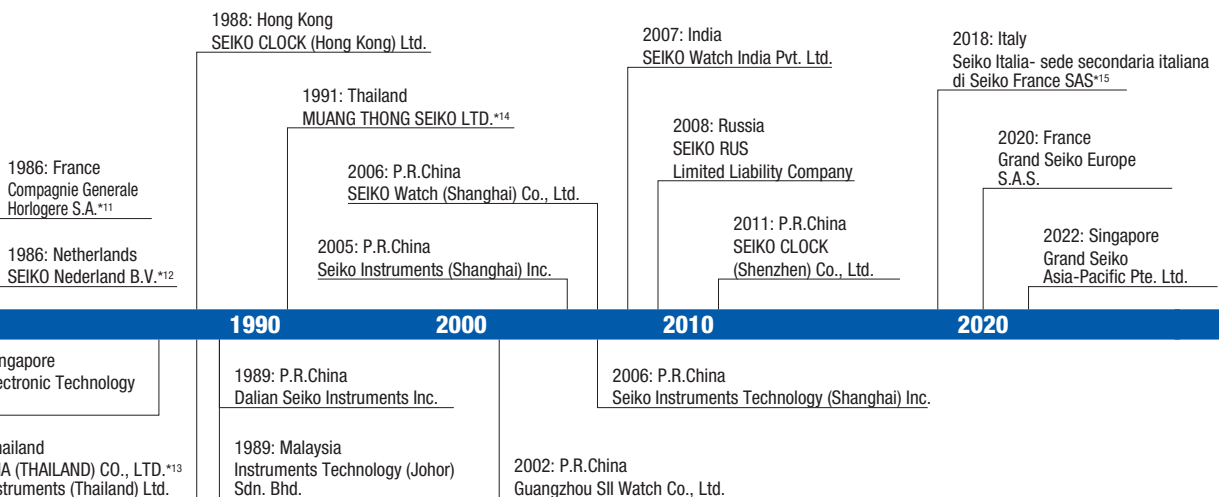
SEIKO (Thailand) Co., Ltd.



SEIKO CLOCK (Hong Kong) Ltd.



Seiko Instruments Technology (Shanghai) Inc.



* As of October 1, 2022. Net sales ratios by region are results of FY2021

Social Value Created by the Seiko Group

Living up to the trust we have earned by continuously providing high quality products and services

Ranking in the Business Person Category for “high quality products and services” in brand image survey

No. **1**

In Nikkei Research's “Brand's Strategy Survey 2021,” Seiko was ranked as the No. 1 company in terms of “high quality products and services” in the Business Person Category.

Major quality issues in oscillators

0 / approx. **10,000,000,000** pcs.

SEIKO NPC CORPORATION has developed a strict inspection system, which it uses in its oscillator manufacturing processes. Thanks to this, there have been zero major quality issues in the roughly 10 billion oscillators it has shipped to market.

Capturing every moment of excitement, providing moving moments that will live on in memory

Number of times chosen as the official timer of the World Athletics Championships

17th consecutive time

Seiko has been the official timer of the World Athletics Championships for 17 consecutive times, from 1985 to the 2022 Oregon Championships. Seiko has also been selected to serve as the official timer of the World Athletics Championships during the four events to be held from now to 2029.

The clock tower, a symbol of Ginza

90th anniversary

The construction of the clock tower, a symbol of recovery from the Great Kanto Earthquake, was completed in 1932, and marks its 90th anniversary in 2022. It is a beloved Ginza landmark, providing the accurate time to people in the Ginza area.

Ultra-high-precision processing technologies

Using innovative, ultra-high-precision processing technologies developed through our long years of watch manufacturing, we have realized high quality in various fields and establish trust.



Time stamp service

Our time stamp service has the No. 1 share in the domestic market with over 300 million stamps issued in Japan. It has been supporting digitalization in a wide range of fields, such as digital contracts and eliminating the use of personal seals, while ensuring the reliability of electronic data.



Trust

Excitement

SMILE

Innovation



Grand Seiko Kodo

This is a peerless watch with a unique movement and pleasing sound that stir the senses, produced by the complex mechanism developed through Seiko's constant pursuit of accuracy.



After-sales service

Using our superb techniques and state-of-the-art facilities, we painstakingly restore unique watches with which customers have shared their precious lives, and stir the same swell of emotions customers felt when they first purchased their watches.

Continuously taking on the challenge of being one step ahead of the rest and creating new solutions through our innovative technologies, products, and services

Number of products registered as “Essential Historical Materials for Science and Technology (future technology heritage)”

6 products

The National Museum of Nature and Science, Independent Administrative Agency has established a system for registering inventions and pioneering devices, which are especially significant for passing technologies onto future generations. These inventions and devices are registered as actual articles that demonstrate the history of science and technology. Of the 343 articles registered under this system, six are Seiko products.

Nanosecond-level high-precision time synchronization time server

1 / 1,000,000,000 sec.

With the advances in data transfer from 3G to 4G to 5G, accurate time synchronization has become increasingly important. Seiko's high-precision time synchronization time servers deliver extremely accurate signals to devices on a network. The resulting nanosecond-level time synchronization enables the operation of safe and secure social infrastructure.



Printheads supporting water-based ink

To meet overseas oil-based ink regulations in countries with a strong focus on the environmental friendliness of ink, we support water-based ink with a reduced environmental impact. We are one of the few manufacturers in Japan to support this type of ink.



Caliber 9SA5

The Caliber 9SA5 is our finest mechanical movement. It is a 10-beat caliber with an 80-hour power reserve, yet offers both a high degree of comfort and high-quality emotional value.



Next-generation performance management tool, ES/IShelly

An integrated tool provides an overview of increasingly complex systems and can be used for all areas of IT performance management, from identifying service degradation to analyzing problems.

Offices



Resolving issues in teleworking

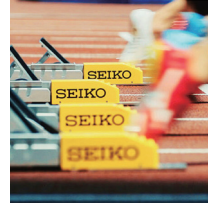
Electronic contract solutions enable remote contracts without the use of personal seals or stamps. Free from physical constraints, you can establish contracts without issue, even under telework conditions.



Contributing to data centers

Data centers support the foundations of our information society. Seiko uses its precision processing technologies to supply the high accuracy, high durability hard disk drive components that are essential in data centers.

Stadiums / Parks



Realizing 1/1,000 of a second timing devices

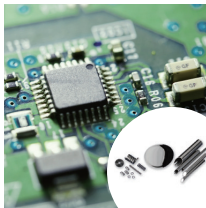
Serving as official timer of numerous sporting competitions, Seiko brings together various technologies to achieve fair and accurate timing, measurement, and results display with high-precision equipment and competition systems.



Supporting child safety

These are smartphones designed for kids with child-protection functions so that children can use them in safety and peace of mind and a sturdy body that can withstand impacts and being dropped.

Factories



Supporting semiconductor production equipment

We leverage the durability and corrosion resistance properties of high-performance metals in the components we supply for use in harsh operating environments, such as semiconductor production equipment.



Contributing to environmental visualization

Wireless sensor networks make it easy to wirelessly measure power consumption, temperature, humidity, CO₂ levels, light levels, etc. within buildings and to control building equipment. We help conserve energy by assisting with environmental visualization.

Daily life



Used in appliances such as air conditioners and microwave ovens

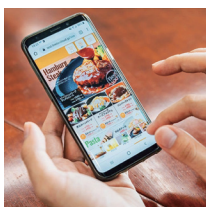
Infrared sensor modules used in temperature-related products are components that are indispensable to a comfortable life, providing such functions as detecting heating in microwave ovens and controlling air conditioner temperature.



Essential devices for mobile payment

Compact thermal printers are used for such things as home-delivery services and mobile payments. Now that stay-at-home demand has increased and cashless payment has become commonplace, these devices are indispensable to improvement of convenience and store management.

Retail stores / Restaurants



New ordering method for the digital age

Mobile ordering systems turn the user's own smartphone into the store's menu and eliminate the need to wait in line, providing a stress-free experience with easy-to-use remote ordering and online payment.



Used in security cameras, etc.

Micro batteries are used as backup power supply for the memory and clock functions of various electronic devices, such as security cameras and dashcams.

Cities



A driving force behind a variety of information displays

Our digital signage is used in over 100 locations around Japan, including government offices, businesses, schools, hospitals, and commercial facilities. We provide the type of contents that only a manufacturer of timepieces can provide, including time display, conference room reservation and guidance display, and world clock display.



A space with refined sophistication and hospitality

WAKO Co., Ltd. steadfastly maintains the spirit of hospitality it has developed through its long history and traditions. It provides customers with excitement and moving experiences through its superb quality products and its sincere services, which are always attentive to customers' feeling.

CEO Message



We will conduct stakeholder engagement aimed at achieving sustainable growth as a solutions company.

Shinji Hattori

Chairman, Group CEO,
and Group CCO

Working toward our new Mid-Term Management Plan

Fiscal year 2021 was the final year of the Seiko Group's Mid-Term Management Plan and also the 140th anniversary of the Group's founding. Our business environment is changing rapidly as the results of climate change become more pronounced and resource scarcity more severe. Therefore, companies are being called on to play an ever-growing role in helping to solve social issues. Within this context, we looked back at the 140 years of our history to re-examine why Seiko exists, and through that process we created the Group's Statement of Purpose. Using this Statement as a compass, we have defined the Group's 10-year Vision that points to what we want to achieve as a company over the next decade.

The Seiko Group's business has expanded from building mechanical watches based on fundamental technologies that haven't changed much since the 18th century to a broad range of fields, such as IT systems that support the latest digital technologies. We have taken a close look at these diverse businesses and the corporate culture we have nurtured over the past 141 years to identify the elements we must preserve in the future and those we must newly create as we approach our 145th anniversary. We have developed strategies for achieving both of these goals and, in May 2022, we announced our new Mid-Term Management Plan, "SMILE145 (Seiko Milestone 145)."

Returning to being a solutions company

An important message of SMILE145 is that we will become a "solutions company." We will contribute to solving environmental problems, which are shared by all of humankind, and help people to live better lives with more diverse values. We will work to achieve sustainability together with our society. That is the kind of solutions company our Group aims to be.

Contributing to solving social issues is a critical part of the Seiko Group's DNA, which has been handed down for over 140 years. In the late 1800s, when Japan changed from keeping time using hour divisions that varied throughout the year to clearly defined hour divisions, our founder, Kintaro Hattori, believed that being able to know the exact time was an important social issue. No watches or clocks were being made in Japan at the time, so Hattori began by opening a watch and clock repair shop. To provide an even greater number of people with the ability to determine the exact time, he also began manufacturing watches and clocks, transforming a nascent business that was entirely dependent on imports into a strong Japan-based manufacturing industry.

Of course, we cannot look at our current situation with rose-colored glasses. Our economic environment has been affected tremendously by the pandemic as well as by geopolitical factors, and the business environment is changing at dizzying speeds, making the future outlook even less clear. With SMILE145, we will go back to the basics to create an even brighter future and to continue to grow together with society.

Group Purpose

As a company trusted by society, we will constantly pursue innovation, inspiring people everywhere, and creating a future full of smiles.

8th Mid-Term Management Plan
"SMILE145"

➔ P.18

Transition of the Seiko Group

➔ P.4



Kintaro Hattori, the Founder

Spirit of the Founder

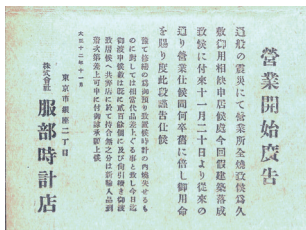
Always one step ahead of the rest
Don't hurry, don't stop

Stakeholder engagement and management resources



Seiko House Ginza

➔ P.41



Announcement on the return of repair items destroyed in the earthquake



Seiko Group kickoff event

There are many management resources that contribute to the growth of our Group. These include the Seiko brand and Seiko House Ginza (the former Wako Main Building, which is a symbol of Ginza, one of Japan's most famous commercial districts). They also include things we have developed over our long history: our experience and know-how; our intellectual property, such as our patents, trademarks, and designs; the technological capabilities and designs that have often been ahead of their time; and the sensibilities and expressions that are involved in so many aspects of our business. Furthermore, our Group's business is supported by our many manufacturing bases and sales sites, both in Japan and overseas, numerous suppliers, partner factories, and our global network of sales and after-sales service. We are able to conduct stable management thanks to a trusting relationship with our business partners, shareholders, and financial institutions. Of course, our customers and our diverse and international employees, numbering roughly 12,000 at present, are also valuable stakeholders and management resources.

After the Great Kanto Earthquake struck in 1923, Kintaro Hattori surveyed the hundreds of watches that customers had entrusted to his shop which were destroyed by the earthquake and fire. He replaced all of them, at no charge to his customers, with new watches of equal quality. He also promptly rehired employees who had been laid off when his factory burned down. He always placed the highest priority on taking care of stakeholders and working together with them to solve important issues.

At the heart of our Group lies stakeholder engagement, which places great importance on working with our stakeholders to address business and social issues, as well as achieving sustainable growth. Going back to the basics of being a solutions company will help to reinforce our traditional stakeholder focus.

From “bundling” to “connecting”

Seiko Group Corporation

In October 2022, we changed our company name from Seiko Holdings Corporation to Seiko Group Corporation. Ever since adopting our holding company format in 2001, Seiko Holdings' approach was one of “bundling” the Group's various operating companies. However, in our current era of diversifying value and dramatic change, if we aim to respond rapidly and flexibly to changing situations and create new value, each of our companies must “connect” with others in the Group. We changed our company name again in order to accelerate this shift in mindset among Group employees and to help stakeholders better grasp how we are transforming our business.

Three Domain Strategies

At the heart of this system of “connecting” is our domain strategy. In April 2022, we reorganized the Seiko Group's business from its former structure, divided up by products and services, into one with three strategic domains, classified by the value they provide.

Emotional Value Solutions Domain

The first domain is the Emotional Value Solutions (EVS) Domain. In this domain, we pursue emotional value, provide customers with services that they will long cherish, and supply products that are aligned with our customers' lives, products that they will pass on to future generations. Through such activities, we will steadily increase our corporate value. In June 2022, we launched Seiko House Ginza, a place in which operating companies within this domain can coordinate with each other to communicate the value we create. The fifth, sixth, and seventh floors of the building present information about the Seiko brand and our activities connected with the United Nations' SDGs. Soon, we will open "Atelier Ginza" on the 7th floor, a place from which we will share our philosophy of manufacturing and dedication to mastering Japanese craftsmanship. The building's rooftop features a wooden deck made of Earth-friendly materials, a place where visitors can relax and enjoy the spirit of Ginza, accompanied by the sounds of the clock tower bell. It will be widely used as a space to provide customers with special, emotional experiences.

The Wako store, from the B1 level to the fourth floor, will continue to operate as usual. We will further refine the hospitality that Wako is known for and help it to remain a place beloved by generations of customers.

Devices Solutions Domain

The second domain is the Devices Solutions (DS) Domain. Work styles and lifestyles are becoming more diverse as a result of the pandemic. Remote work and automation are accelerating in all kinds of areas, and digital technologies, such as IoT and AI, are evolving at a rapid rate. A wide range of devices must be miniaturized in order to increase their functionality. Miniaturization will also reduce the amount of material used in manufacturing, which can help to reduce environmental impacts. Guided by the philosophy of "Craftsmanship, Miniaturization, and Efficiency," the DS Domain aims to promote technological innovation and contribute to the digitalization of society as well as helping to solve environmental problems.

Systems Solutions Domain

The third domain is the Systems Solutions (SS) Domain. In this business, we have always thought about what our customers want, and we have grown by constantly trying out new ideas. As I mentioned before, society's needs are becoming more varied, and the tide of digitalization is accelerating. The SS Domain, which covers both hardware and software, can provide one-stop solutions that meet all types of customers' needs. We will leverage these strengths to support social innovation and contribute to the realization of a sustainable society.

Not only will we increase the value we provide in each of these three strategic domains, but we will also create greater synergy among the domains and accelerate our open innovation to respond to social issues.

Three Strategic Domains

EVS Domain

➔ P.40



DS Domain

➔ P.46

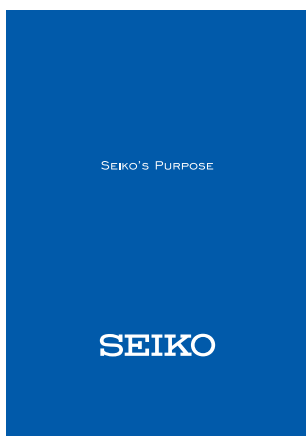


SS Domain

➔ P.48



Cultivating a new corporate culture



Purpose Book



With Purpose Awards winner

For us to become a company that provides real solutions, it is vital that each and every one of our employees changes their awareness. Our Statement of Purpose says we will “create a future full of smiles” by “constantly pursuing innovation.” To achieve this, we must create an organization and a culture of free thinking, fast decision-making, and swift action.

Now is the time for strategic transformation. Innovation is unachievable without taking on new challenges, which of course will not all be successful. It is human nature to want to avoid failure, but failure comes with the territory when you boldly take on new challenges. Consequently, we will foster a culture that encourages people to see occasional failures as a source of learning, we will help them to create new value from failure, and foster a willingness to continue to take on new challenges. We will encourage that type of resilient thinking within our Group and promote strategic human resources in order to produce innovation – that is, to create new value. This will provide greater flexibility to our Group’s values, which have tended to focus only on a single area. We will hire outside professionals and promote diversity in order to work with these increasingly diverse values.

We sincerely hope that all of our employees see our Statement of Purpose as something that relates to them directly, and that they feel passionate about helping to solve social issues through our business activities. Every employee in the Seiko Group has a small “Purpose Book.” If they are ever unsure about how to proceed in the course of their work, I hope that they will look at this book and be reminded of our Statement of Purpose. As our Group’s Chief Culture Officer (CCO), I believe it is my role to more thoroughly inculcate the ideals presented in the Statement of Purpose throughout the Group and to create a corporate culture that promotes innovation by taking on new challenges.

As part of our efforts to embody this philosophy, we created the Purpose Awards in fiscal year 2022, an incentive system that recognizes efforts put into activities that contribute to value creation for the Group. The Purpose Awards provide employees with a sense of pride in their business activities, raise their awareness, and promote a sense of Group unity. In addition to an award based on the “trust, excitement, and smiles” mentioned in our Statement of Purpose and corporate philosophy and another based on “innovation and challenge,” we created a new award in the second half of the term that recognizes activities with high aims that unfortunately failed to achieve their objectives, but whose experiences provided new insights and had a positive impact on others.

I believe that as we promote diversity, there is a growing need to convey the founder’s spirit to the Seiko Group. We will thoroughly convey to employees the importance of trust and reliability, which we have cultivated since our founding, and our Statement of Purpose, which is based on the ideals of our founder. We will strive to increase engagement with employees and transform ourselves into a solutions company.

The future of the Seiko Group

Under SMILE145, we will offer high-added-value products and services that create excitement and generate substantial profits. The reputation that Seiko has earned for high quality, precision, accuracy, and safety is a perfect match for businesses in the medical, healthcare, and environmental fields, among others. We will take on the challenges of new business fields based on the high-quality products and innovative technical strengths at which the Seiko Group excels. We will also reinforce our investment aimed at producing sustainable growth by improving our profitability. While continuing to pay stable dividends to our shareholders, we plan to optimize our interest bearing debt and study various types of shareholder returns based on changing business conditions.

SMILE145 is a plan for implementing stakeholder engagement. In the first five years of the plan, we will take on the challenge of transforming into a solutions company as we work towards our Group's 150th anniversary in 2031.



Value Creation Story

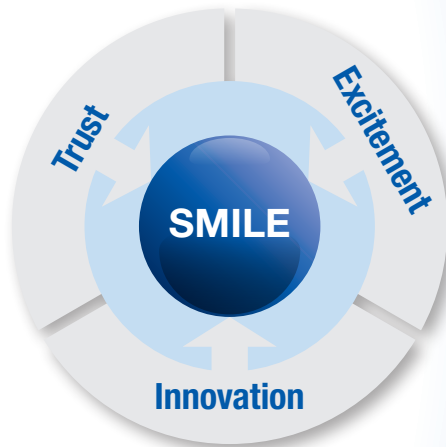
Environment Recognition

(Opportunities & Risks)

- Acceptance of diversity
- Change of the communication
- Digitization progresses
- Aging population and falling birth rates
- Climate change

SEIKO GROUP PURPOSE

As a company **trusted** by society, we will constantly pursue **innovation**, **inspiring** people everywhere, and creating a future full of **smiles**.



Corporate Philosophy

A Company that is Trusted by Society

Group Slogan

SEIKO Moving ahead, Touching hearts.

Spirit of the Founder

Always one step ahead of the rest

Management Resources



Human Capital

Global and diverse human resources / Employees awarded the Contemporary Master Craftsman and the Medal with Yellow Ribbon

Intellectual Capital

Technological capabilities / Research and development of new technologies / Excellent function, quality, and technology / Patent, trademark, and design rights

Social and Relationship Capital

Large numbers of suppliers and partner factories / Business partners / Sales and after-sales service network

Manufacturing Capital

Manufacturing bases spread globally / Manufacturing facilities

Financial Capital

Power to generate cash flows / Interest bearing debt

Natural Capital

Abundant water and mineral resources

Sustainability Policy

Starting with its Statement of Purpose, the Seiko Group will strive to use its business activities, which aim to create **WITH**, to realize the Group's steady growth and contribute to the development of a sustainable society.

Approaches to Social Issues for Value Creation

Well-being A Better Life **Inclusion** For All People **Trust** Certainty and Trust **Harmony** Harmony with the Earth

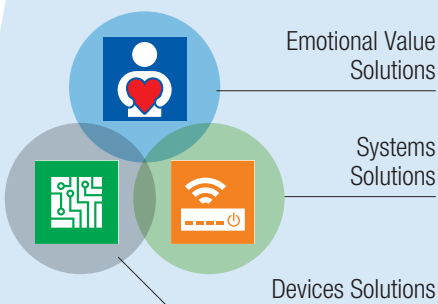


Growth Strategies

Five Group Core Strategies



Three Strategic Domains



Four Business Opportunities



* Society 5.0 is defined by the Cabinet Office, Government of Japan as "a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space."

GROUP 10-YEAR VISION

Leveraging analog & digital synergies to offer products and services that contribute to the creation of sustainable societies, connecting people, things, and time throughout the world



What We Aim to Be in 2026

By 2026, we aim to become "A solutions company that offers **high-added-value** products and services that create **excitement** and generate **substantial profits**."



MVP Strategy

Moving: excitement
Valuable: high-added-value
Profitable: substantial profits

8th Mid-Term Management Plan “SMILE145”

In the five years until our 145th anniversary, Seiko Group aims to become a solutions company that offers high-added-value products and services that create excitement and generate substantial profits to achieve the Group’s 10-year Vision.

Five-year plan aimed at the 145th anniversary of Seiko’s founding, formulated by backcasting from the Group’s 10-year Vision



- Business strategy in line with a value creation story that **solves social issues**
- Shift to high-added-value products and services with **a focus on improving profitability**
- Develop businesses focused on DtoC and a market-driven approach with **leveraging digital transformation (DX)**
- Build **new business models** and domains, and achieve **ambidextrous management** through the acceleration of Group-internal synergies and open innovation
- **Support employees in taking on challenges**, and build an organizational culture and systems that turn failure into value

Three Strategic Domains

To establish management unified by a common purpose, which aims to create business synergies through a purpose-driven approach, as well as to create a distributed business structure that responds to the risk of changes in the business environment, we classified our business into three domains based on the value that they provide.

→ P.40

Emotional Value Solutions Domain

- SWC** Watches, watch movements
- STC** Clocks, system clocks
- WAKO** High-end jewelry, apparel, fashion accessories

→ P.46

Devices Solutions Domain

- SII** Quartz crystals, micro batteries, materials, printers, precision turned parts
- NPC** Sensors, crystal oscillator ICs

→ P.48

Systems Solutions Domain

- SSOL** Wireless communications equipment, information network systems, data services, computer performance management software

SWC : SEIKO WATCH CORPORATION	STC : SEIKO Time Creation Inc.	WAKO : WAKO Co., Ltd.
SII : Seiko Instruments Inc.	NPC : SEIKO NPC CORPORATION	SSOL : SEIKO Solutions Inc.

150th Anniversary of our Founding
2031

145th Anniversary of our Founding
2026

What We Aim to Be in 2026

By 2026, we aim to become “A solutions company that offers **high-added-value** products and services that create **excitement** and generate **substantial profits.**”

Group's 10-Year Vision

Consolidated Management Indicators (KPI)

Financial Index	FY2026
Consolidated operating profit	18.0 - 20.0 Billion yen
Consolidated gross profit margin (GP%)	+ 5.0 percentage points (compared to FY2021)
Consolidated ROIC (Return on invested capital)*	Over 6.5%

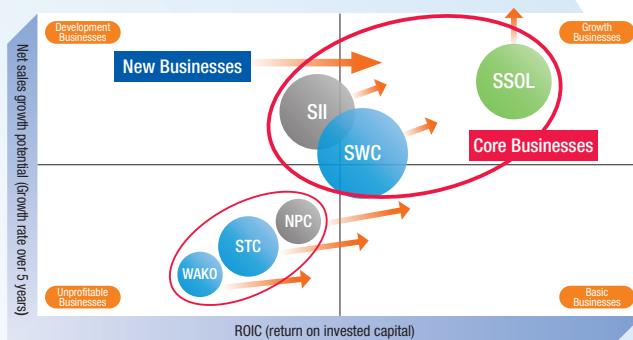
* ROIC = (Ordinary income after income taxes + Interest expense) / (Interest bearing debt + Net assets)

ESG Indicator	FY2026
Reducing CO ₂ emissions	SCOPE1·2 25% down* ¹
Increased Engagement Score* ²	

¹ CO₂ emission reduction rate compared to FY2020

² Engagement survey to begin in FY2022

Business Portfolio Strategy



*The size of the bubble represents net sales.

Four Business Opportunities

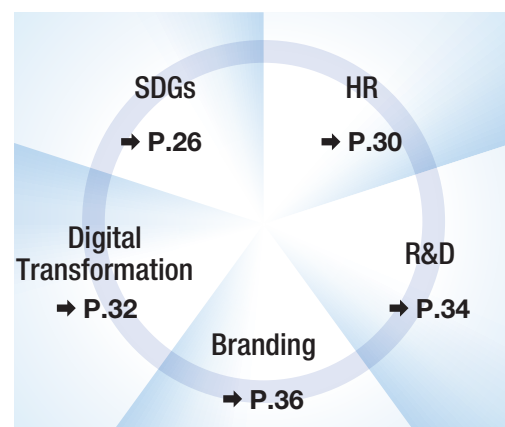
In addition to the foundation domain, which we have been working on by leveraging our strengths, we will aim for growth in the expansion domain that solves social issues going forward.



→ P.38

Five Group Core Strategies

The Group will make a concerted effort to promote the five core strategies that support growth.



Interview with the President



Our goal is to be a corporate group that grows together with society by creating value, starting with our efforts to help improve social issues.

Shuji Takahashi
President and Group COO

Q. The COVID-19 pandemic caused the business environment to change dramatically during the period covered by your 7th Mid-Term Management Plan. Could you give us a brief summary of how things changed over the past three years?

During the three years of our 7th Mid-Term Management Plan (FY2019 to FY2021), we intensified our growth-oriented investment and conducted business with the aim of realizing sustained growth. But due to factors such as the pandemic, we were unable to reach our Group targets. However, our Watches Business accelerated its digital marketing overseas, and we steadily implemented our Global Brands (GB) strategy. As a result, our GB were quite

successful overseas primarily in Europe, the United States and Asia. Now, we are even more convinced that focusing on this GB strategy will contribute to strong business growth. In the Electronic Devices Business, we made progress in reinforcing our business platform by expanding sales in growth areas such as the medical and automotive fields and by preparing our system for increased production of key items such as precision components. In our Systems Solutions Business, we steadily implemented a policy of expanding our stock business and diversifying business. As a result, we continued to increase both earnings and profits for 24 consecutive quarters. However, in our domestic watch business and our domestic B-to-C business, such as our Wako retail operations, delays in responding to changes in

the business environment significantly slowed our recovery. It is vital that we create a business structure that is sufficiently resilient to unexpected changes and can still produce stable revenue across the Group. This holds true for all our business segments. I think it

has become clear that we must accelerate our digital transformation, create new businesses, and develop human resources that can manage and operate those businesses.

Review of the 7th Mid-Term Management Plan

		Results	Challenges
Business Activities	Watches	<ul style="list-style-type: none"> • GB Sales doubled, mainly in the U.S. and Asia • Successful digital marketing, especially overseas • Integration of product development, procurement and manufacturing functions • Introduced new after-sales services for GS 	<ul style="list-style-type: none"> • Reform business models of domestic businesses • Develop new business domains • Diversify manufacturing sites • Build CRM and OMO to provide high-quality customer experiences
	Electronic Devices	<ul style="list-style-type: none"> • Increased sales in growth areas (medical and automotive) • Established systems to increase production of precision components, etc. 	<ul style="list-style-type: none"> • Overseas expansion of some businesses • Enhance incubation functions
	Systems Solutions	<ul style="list-style-type: none"> • Achieved 24 consecutive quarters of year-on-year growth in both revenue and profit • Increased profitability, operating profit margin grew by approx. 4 percentage points • Implemented M&As (2 companies) 	<ul style="list-style-type: none"> • Accelerate activities to create new businesses • Acquire human resources with industry knowledge • Accelerate M&As
	Time Creation/WAKO	<ul style="list-style-type: none"> • Developed a high-end marionette product “Rondeau” • Opened the GS Boutique Flagship Wako 	<ul style="list-style-type: none"> • Shift to products with high-added-value

Q. Last year, in the Group’s 10-year Vision, you set your sights on “contributing to the creation of sustainable societies.” How is the 8th Mid-Term Management Plan positioned with respect to the Group’s 10-year Vision?

The Group’s 10-year Vision in the years leading up to our 150th anniversary is as follows.

Leveraging analog & digital synergies to offer products and services that contribute to the creation of sustainable societies, connecting people, things, and time throughout the world

We created the 8th Mid-Term Management Plan by backcasting from the Group’s 10-year Vision to 2026, the midpoint between 2021 and the end-point of our 10-year Vision. Of course, 2026 also happens to be the 145th anniversary of the founding of our company. So, we named it “SMILE (Seiko Milestone

145” because it identifies milestones on the way to Seiko’s 145th anniversary. By 2026, we aim to become

A solutions company that offers high-added-value products and services that create excitement and generate substantial profits.

The most important task during the first half of our 10-year Vision will be “becoming a solutions company.” We see this five-year period as one of transformation in order to become a corporate group that grows together with society by creating value, starting with our contributions to addressing various social issues. Furthermore, in order to achieve sustainable growth in this VUCA era, we decided that we needed to apply a long-term perspective when taking on challenges instead of allowing ourselves to be excessively focused on short-term business results. This is why we created the Group’s 10-year Vision in the first place and also our first-ever five-year plan.

Q. Could you explain the basic concepts of SMILE145?

The basic policy of SMILE145 is our MVP Strategy, a name that derives from three key words: Moving, Valuable, and Profitable. Since the foundation of our Group, we have created countless emotionally moving experiences as the first manufacturer of wristwatches in Japan, by launching the world's first quartz watches, and other artistic and technical achievements. Creating products that can inspire our customers is no easy matter. I believe that accurately addressing customer needs and constantly taking up the challenges of innovation contribute to creating moving experiences. That is why we need to become a solutions company. Through the kind of value-added products and services that only the Seiko Group can offer, we will strive to improve profitability, which is an important issue for our Group. To become a solutions company, we must continue to offer competitive MVP products and services that have high growth potential and help to address social issues.

Q. How will you implement SMILE145?




Management under SMILE145 will take a multiplicative approach: Three Strategic Domains × Four Business Opportunities × Five Group Core Strategies. I would like to explain each of these in turn.

— Three Strategic Domains —

To achieve sustainable growth, we have shifted from our former segmented system, which was divided along the lines of products and services, to a system of three domains, which are divided based on the affinity between prospective customers and the value we provide.

The first domain, the Emotional Value Solutions (EVS) Domain, is one in which we pursue functional, emotional, and social value, supplying products and services that produce moving experiences. We do not simply look at product value, but consider the whole customer experience (CX) up to the point of purchase, as an important added value, and we are working to refine and enhance this CX.

In the second domain, the Devices Solutions (DS) Domain, we offer the kind of high functionality and quality products and services demanded by

 <p>Emotional Value Solutions Domain</p>	<p>SWC (Watches, Watch movements) STC (Clocks, System clocks) WAKO (High-end jewelry, Apparel, Fashion accessories)</p>
 <p>Devices Solutions Domain</p>	<p>SII (Quartz crystals, Micro batteries, Materials, Printers, Precision turned parts) NPC (Sensors, Crystal oscillator ICs)</p>
 <p>Systems Solutions Domain</p>	<p>SSOL (Wireless communications equipment, Information network systems, Data services, Computer performance management software)</p>

<p>SWC : SEIKO WATCH CORPORATION SII : Seiko Instruments Inc.</p>	<p>STC : Seiko Time Creation Inc. NPC : Seiko NPC Corporation</p>	<p>WAKO : WAKO Co., Ltd. SSOL : Seiko Solutions Inc.</p>
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contemporary society, always taking advantage of our ongoing technical innovations. In order to realize a new iteration of society (Society 5.0), which will integrate cyberspace and physical space to help deal with social problems, we must use IoT to connect all people and objects, sharing diverse knowledge and information to create unprecedented value. In this domain, we will leverage our Group's superior technical strengths for miniaturization, low power consumption, and long product lifetimes to meet this demand and contribute to social progress.

The third domain is the Systems Solutions (SS) Domain, where we will be a one-stop provider of ICT solutions that contribute to social innovation. By continuously offering value in line with customer needs, we will help to solve the issues faced by our customers and by society itself, and we will increase our own Group value.

In this modern VUCA (volatile, uncertain, complex, and ambiguous) era, where many discontinuous changes are occurring and people's sensibilities are growing increasingly diverse, we aim to fully leverage our Group's management resources and become a solutions company that solves social issues, based on this three-business domain structure.

—Four Expansion Business Fields—

By considering which fields would allow us to leverage our strengths in these three business domains and grow as a Group, we identified four business fields to focus on.

The first business field is what we call the Emotional Consumption Market. In this market, we conduct business aimed at customers who seek products and services that more directly appeal to their emotions and sensibilities. Even now, in our Watches Business, we are achieving growth through products that do not simply help customers to tell the time, but also bring the joy that comes with finding, buying, and owning an exceptional product. As demand shifts from "demand for objects" to "demand for experiences," we expect the Emotional Consumption Market to grow considerably. We plan to further refine and enhance our products and services that touch people's hearts, primarily in the EVS Domain.

The second business field is what we think of as the Society 5.0 Market. Here, we will create new value through systems that integrate cyberspace and physical space at a high level. We are already supplying devices and systems in our DS and SS Domains, but in the future we will aim to increase our contributions to solving social issues. We see these



SMILE 145 briefing for Group employees

two fields – the Emotional Consumption Market and the Society 5.0 Market – as the foundation domain in which our Group will expand its business.

In addition to this foundation domain, we have looked at a wide range of societal needs and selected the Wellness and Society/Environment fields as the expansion domain in which we can leverage our strengths to help deal with social issues while at the same time growing as a Group. In the Wellness Market, we will aim to offer products and services that improve people's quality of life (QOL), with an emphasis on sports, healthcare, and medicine. We believe that we can use our Group's technical strengths and proposal capabilities to contribute to growth in this field.

In the Society/Environment Market, we aim to solve critical issues related to social development, with a focus on green and digital economies. We aim to contribute to fields such as building infrastructure for each industry as well as environmental conservation. To provide value in this expansion domain, we will enhance our ability to create new value through synergy among business domains, and we will engage in alliances with outside parties using open innovation and accelerating collaboration in order to launch new businesses.

—Five Group Core Strategies—

In all three business domains, the Group will implement five core strategies.

The first of these is our SDGs strategy. We have defined materiality (key issues) based on our Group theme of "WITH" [Well-being (a better life), Inclusion (for all people), Trust (certainty and trust), and Harmony (harmony with the Earth)]. We are carrying out key actions to address these materialities. Among them, we are working to achieve our targets for addressing climate change, a global issue that affects all of humanity. In addition, we are progressing with decarbonization by specifying CO₂ emissions reductions as one of SMILE145 KPIs. Moreover, we are installing equipment for in-house generation of renewable energy and entering into Power Purchase Agreements (PPA) for the installation of leased solar panels, switching to green electricity contracts with added environmental value, and other initiatives. We are also actively establishing Group-wide human rights policies and disclosing non-financial information.

The second Group core strategy is our human resource strategy. We are working to improve

engagement and promote diversity, focusing on human resource development. We will promote digitally skilled human resource and entrepreneur development programs, taking into consideration the challenges outlined in our 7th Mid-Term Management Plan. We see the development of digitally sophisticated human resources as a particularly pressing issue. In June, we created a mandatory internal training system for all employees, and we are striving both to raise the overall level of digital literacy throughout our Group and to develop personnel with an entrepreneurial spirit.

The third Group core strategy is digital transformation. In our BtoC business, our OMO (Online Merges with Offline) activities will integrate online and offline shopping so that we can enrich customer experiences when encountering the Group's products and services. In our BtoB business, we will further refine and evolve our marketing automation, leveraging information technology to create a highly productive and flexible manufacturing system. We will implement our corporate digital transformation strategies using a flexible mindset that can quickly respond to changes in the business environment.

The fourth Group core strategy focuses on R&D, which plays an important role in our MVP strategy. This R&D strategy connects our individual business domains with our new business promotion efforts. It is an essential strategy that multiplies the strength of our business domains, generating synergies to create new value. By launching the new Seiko Future Creation Inc. and aggregating these functions within it, we are expanding business in the foundation domain and accelerating our creation of new businesses in the expansion domain.

The last Group core strategy is our branding strategy. We are steadily developing the Seiko brand into a brand of choice, a company working to help global society. Seiko will work to improve social issues with the aim of enriching the hearts of people everywhere, and create a happier future through added social, technical, and emotional value. To accomplish this, we will work to deepen our stakeholders' support so that they can share in the ideals expressed by the Group's Statement of Purpose as well as our long-term vision.

Our Group will continue to grow by implementing these five core strategies, using business opportunities in the four fields to drive growth in the three domains. This is the basic mechanism of SMILE145. Each individual domain will implement

MVP strategies in their own target markets, while at the same time implementing core strategies aimed at addressing the Group's issues and creating growth. Through this matrix- management approach, we will strive to achieve what we aim to be in 2026.

Q. Lastly, could you please discuss your commitment to achieve SMILE145?

At the same time that we began SMILE145, we also created a new management system to strengthen our unified Group management structure. To ensure the effectiveness of our management targets, we changed our compensation system for Directors to one linked to SMILE145 KPIs, which include non-financial targets. Furthermore, we are reviewing and revising our systems for verifying our progress toward SMILE145 goals. In an environment in which speed is increasingly important, we want to be able to constantly verify the progress we are making on SMILE145 so that we are always on-target, able to accelerate our decision-making, and make necessary improvements by rapidly identifying problems. We added one more Outside Director this fiscal year, so now 1/3 of our Board is composed of Outside

Directors. We plan to make the Board of Directors even more transparent and have it engage in higher quality discussions, implementing measures for achieving SMILE145.

We have prepared these systems focused on SMILE145, but if we are to successfully implement our plans, the most important thing will be a sense of unity throughout the Group, with every employee striving to achieve the same company ideals. We are working to convey the philosophy of SMILE145 to all employees and to further improve communication with Group employees. These efforts include the creation of opportunities for senior management to engage in direct dialogue with mid-level and junior employees, who will play key roles in the years following SMILE145, so that we can learn more about their ideas and opinions.

On October 1, 2022, we changed our company name from Seiko Holdings Corporation to Seiko Group Corporation. Our goal is to firmly link all parts of the Group and achieve sustainable growth together with our stakeholders.

The Seiko Group, led by its Statement of Purpose, will work as one to steadily implement the strategies of the SMILE145 Mid-Term Management Plan. We look forward to your ongoing support.



SDGs Strategy




Sustainability Policy

Starting with its Statement of Purpose, the Seiko Group will strive to use its business activities, which aim to create

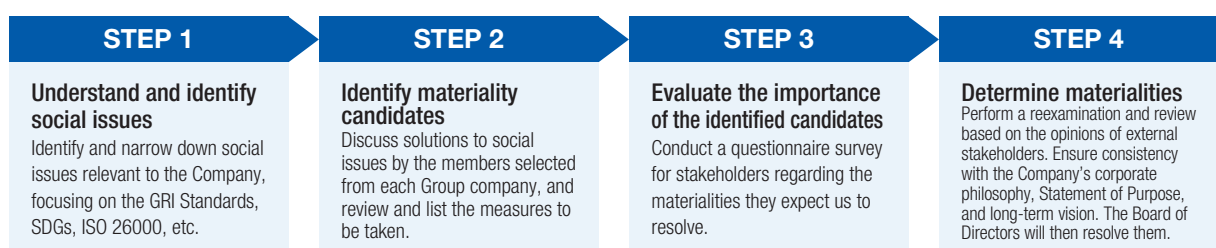
“WITH” [**W**:Well-being (A Better Life) / **I**:Inclusion (For All People) / **T**:Trust (Certainty and Trust) / **H**:Harmony (Harmony with the Earth)]

to realize the Group’s steady growth and contribute to the development of a sustainable society.

Materiality Overview

Four Themes	Materiality
<p>Well-being — A Better Life</p> <p>As a company that is open, approachable, and people-friendly, we aim to create a society where employees and all other stakeholders can work and live with a sense of pride and fulfillment while recognizing each other’s diverse values. In our business activities, we will actively address social issues such as human rights, and contribute to the realization of a world where more people can live comfortable, authentic lives, secure in body and mind.</p>	 Contribute to greater job satisfaction and active participation by diverse individuals
	 Promote mental and physical health and achieve social welfare
	 Implement initiatives for respecting human rights
	 Cultivate and support the next generation
<p>Inclusion — For All People</p> <p>Corporations can play a major role in the human quest for happiness, and creating an environment where all types of people are welcome is one key area. In addition to providing functional value such as convenience, our products and services provide emotional value based on respect for traditional culture. We also aim to enrich people’s lives through our support for activities such as music and sports. Using the power of our technologies, we want to create a safe and secure society by supporting people’s diverse lifestyles in this new era.</p>	 Contribute to the creation of a safe, secure, and inclusive social infrastructure
	 Contribute to a prosperous society through support for culture and sports
	 Contribute to local communities
<p>Trust — Certainty and Trust</p> <p>We believe that pursuing our commitment to high quality and outstanding products, as we have since our founding, will help us to meet the expectations of our stakeholders. Our basic philosophy is to be “A Company that is Trusted by Society.” We regard compliance with all laws and regulations, transparency and fairness in management, and respect for social ethics in all our businesses as vitally important concerns for our management. In order to put this philosophy into action, we will address issues such as corporate scandals, fraud and anti-competitive behavior, information asymmetry with stakeholders, and violations of customer privacy.</p>	 Provide high-quality products and services that are trusted by society
	 Promote responsible procurement and supply chains
	 Strengthen corporate governance and the compliance structure
<p>Harmony — Harmony with the Earth</p> <p>In recent years, problems such as the increasing number of natural disasters stemming from the climate crisis have become even more serious. Because of our responsibility as a global brand, we will focus on transforming our old consumption and production activities to eliminate the mass consumption of resources and mass disposal of waste. In addition, by utilizing environmental technologies, we will address issues such as greenhouse gas emissions and contribute to the creation of a sustainable society that can coexist with the global environment.</p>	 Implement initiatives for climate change and decarbonization
	 Help to realize a recycling-oriented society
	 Coexist and harmonize with nature

The Process to Determine Materialities



Key Actions	SDGs
<ul style="list-style-type: none"> Develop human resources as a pillar of our growth strategy, and work to improve engagement and promote diversity 	 
<ul style="list-style-type: none"> Develop products to enter medical and healthcare businesses 	
<ul style="list-style-type: none"> Conduct thorough investigations regarding human rights 	
<ul style="list-style-type: none"> Support the growth and development of the next generation through hands-on events, classes, etc. 	
<ul style="list-style-type: none"> Create and provide digital solutions to help realize a new age of society, where all people and goods are connected 	 
<ul style="list-style-type: none"> Promote sports, music, and cultural activities that enrich people's lives and enhance our corporate value 	
<ul style="list-style-type: none"> Support activities in local communities that promote social revitalization at all our facilities, both inside and outside Japan 	
<ul style="list-style-type: none"> Develop high-quality, high-added value products and services by leveraging the strengths of each business domain to increase sustainable business activities 	 
<ul style="list-style-type: none"> Establish and operate a sustainable supply chain management system that addresses social issues, including human rights and the environment 	 
<ul style="list-style-type: none"> Maintain and improve corporate governance and compliance operations based on respect for all relevant laws and regulations 	
<ul style="list-style-type: none"> Plan and promotion of reduction measures in line with the Seiko Group's long-term goal of reducing CO₂ emissions 	 
<ul style="list-style-type: none"> Create and expand lineup of environmentally friendly products and services Promote 3Rs (Reduce, Reuse, Recycle) 	  
<ul style="list-style-type: none"> Aim for coexistence with nature by increasing activities to conserve biodiversity and natural capital in each of our business locations 	 

Endorsement of International and National Initiatives



* For more information on our CSR initiatives, please refer to our website.

<https://www.seiko.co.jp/en/csr/>

Initiatives for climate change and decarbonization

The Group has identified “Implement initiatives for climate change and decarbonization” as a materiality, set long-term goals for the reduction of greenhouse gas emissions, and strengthened its initiatives to realize a decarbonized society. Based on the recommendations of the TCFD, to which we expressed our support in October 2021, we have been conducting scenario analysis of the risks and opportunities posed by climate change on our businesses, while strengthening our information disclosures on initiatives toward decarbonization.



Governance

Important matters related to climate change are discussed and resolved by the Sustainability Committee and reported to the Board of Directors. The Board of Directors is responsible for the oversight function of the Sustainability Committee and regularly discusses important matters related to climate change.

Strategy

In order to assess the financial and business impact of climate-related risks and opportunities on our Group under different scenarios and to enhance our Group’s resilience, we conduct scenario analysis.

● Business impact associated with climate-related risks and opportunities and the Group’s response*1

Classification	Description	Business Impact*2 (FY2030)	Group’s Response
Risk	Transition risk (Less than 2°C scenario) Increased costs associated with introduction of carbon tax Carbon tax is increased in the less than 2°C scenario, increasing the cost of carbon tax payments and greenhouse gas (GHG) emission reduction responses.	Less than 2°C scenario 1.06 billion yen Large	We will formulate a long-term decarbonization roadmap by the end of FY2022 and strategically reduce GHG emissions in line with the long-term goal. The roadmap will incorporate energy conservation promotion measures and capital investment plans for the introduction of renewable energy, and while checking the price trends of renewable energy power contracts as needed, we will formulate an optimal emission reduction plan, taking into account the balance between the economic rationality of various reduction measures, including the purchase of renewable energy certificates, and the evaluation of renewable energy introduction.
	Physical risk (4°C scenario) Cost increase due to flooding caused by extreme weather conditions Flooding has a significant impact on some production sites under the 4°C scenario, resulting in lower sales due to shutdowns, relocation of production facilities, and increased costs for construction to re-operate.	4°C Scenario Large	Production sites where the impact of flooding is of particular concern are already taking measures such as establishing a second factory on higher ground. However, since the impact of the shutdown of operations under the 4°C scenario is expected to be significant, we will review the operational structure of the production sites to further minimize the impact of the flooding, and will consider a mid- to long-term transition plan.
Opportunities	Products and Services Increased sales of decarbonization-compatible products Increased sales of environmentally friendly decarbonization products that meet the needs of the times and low power consumption products that directly contribute to customers’ GHG emissions reduction.	Large	We will expand sales of existing decarbonization-compliant products, such as liner-free label printers that do not generate waste and ball bearings for cooling fans that contribute to power saving in data centers, by expanding its product lineup and actively promoting them to encourage replacement of older products. Furthermore, we will develop and sell new products that use functions and materials that directly contribute to decarbonization, and develop and promote solution services that lead to decarbonization, in order to link climate change measures to business opportunities and expand sales.
	Market Increased sales due to improved brand value by demonstrating a decarbonized management stance to the market Increasingly, companies will be required to take proactive, long-term actions to achieve a decarbonized society, and by demonstrating this stance, the value of the Seiko brand will increase and sales of its products and services will grow.	Medium	We will strengthen our current efforts to realize a decarbonized society, and will actively respond to the CDP, enhance information disclosure based on TCFD recommendations, and acquire SBT certification to demonstrate the Group’s commitment to decarbonized management. We will also disclose in a timely manner our efforts to address other materialities that interact with climate change, such as biodiversity initiatives, to enhance our brand value.

*1 In FY2021, we conducted scenario analysis for the Watches business in the Emotional Value Solution Domain and three other businesses within the Devices Solution Domain. We also assessed risks for the Group as a whole.

*2 Large business impact: Extremely significant impact on business, such as a profit impact of 1 billion yen or more, business withdrawal, or business interruption of several months or more.
 Medium business impact: Significant impact on business, such as a profit impact of 100 million yen or more but less than 1 billion yen, impact on business plans, business downsizing, or business interruption of one week to one month.
 Small business impact: Minor impact on business, such as a profit impact of less than 100 million yen, or little to no impact on business plans or interruption of business.

Risk Management → P.64

In order to centrally manage risks that may have a significant impact on the Group’s business, the Risk Management Committee, chaired by the President, plays a central role in addressing risks that must be addressed across the Group.

Indicators and Targets

In December 2021, the Seiko Group set a long-term target for reducing greenhouse gas emissions. Going forward, we will strive to further reduce greenhouse gas emissions in accordance with the following targets based on the SBT.

Long-Term Targets for Greenhouse Gas Emissions Reduction

FY2026

Scope 1, 2: 25% reduction from 2020 levels

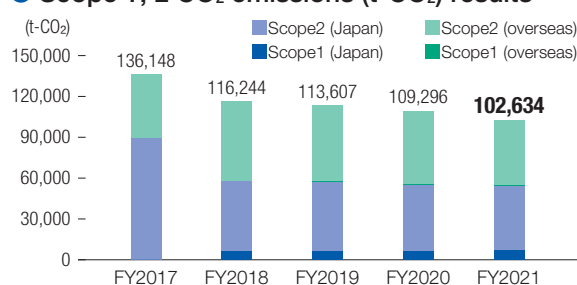
FY2030

Scope 1, 2: 42% reduction from 2020 levels

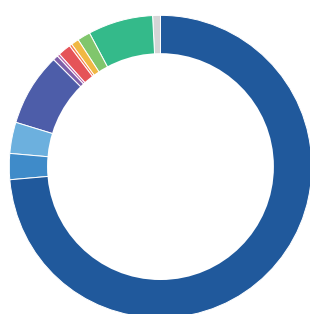
Scope 3: 25% reduction from 2020 levels

Aim to achieve carbon neutrality by 2050.

● Scope 1, 2 CO₂ emissions (t-CO₂) results



● Scope 3 CO₂ emissions (t-CO₂) results FY2020

(t-CO₂)

Category	Item	CO ₂ emissions (t-CO ₂)
Category 1	Products and services purchased	283,371
Category 2	Capital goods	10,284
Category 3	Fuel and energy-related activities not included in Scope 1, 2	12,857
Category 4	Transportation and distribution (upstream)	30,355
Category 5	Waste from business activities	1,546
Category 6	Business travel	1,029
Category 7	Employee commuting	5,957
Category 8	Leased assets (upstream)	122
Category 9	Transportation and distribution (downstream)	2,346
Category 10	Processing of sold products	6,173
Category 11	Use of sold products	26,073
Category 12	Disposal of sold products	2,914
Category 13	Leased assets (downstream)	—
Category 14	Franchises	—
Category 15	Investments	—

* Scope 3 calculation scope: Watch business in the Emotional Value Solution Domain and the main Device Solution Domain

Human Rights Policy and Procurement Policy

➔ P.66

For details on the Group's initiatives on human rights and procurement, please see the "Corporate Ethics / Compliance" page.

Toward Environmental Conservation — Opened a biotope* at Morioka Seiko Instruments Inc. —

In August 2022, as part of biodiversity conservation activities, Morioka Seiko Instruments Inc. opened a biotope on its premises with the cooperation of Iwate Prefectural University. For the water source, the biotope is equipped with a recycling mechanism that uses rainwater within the site and adjusts water quality with the power of the natural environment. In the future, the company plans to recycle wastewater from its factory as an additional water source and to preserve local endangered species.

* A space that has been artificially made as a habitat for living organisms that is close to its natural state.



Human Resource Strategy

We will aim to become a solutions company that solves social issues and creates new value through the mutual growth between individuals and the organization.

Basic Policy



Build an organizational culture and systems that turn failure into value, with human-resource development as a pillar of its growth strategy, by improving engagement and promoting diversity

To achieve the vision in SMILE145 of becoming a solutions company, we have positioned human resource strategies as a Group core strategy, and we will engage in initiatives for developing human resources, promoting diversity, and improving engagement across the Group.

Each employee is a driver of the Group's sustainable growth. We believe that the development of human resources who proactively take on challenges is key in achieving solutions to complex social issues and the creation of new value.

Moreover, the promotion of diversity is indispensable for becoming a strong organization capable of flexibly and swiftly responding to the changing social environment. Although we have been engaged in initiatives including promoting the active role of all employees, we believe that we need to develop a working environment so that it becomes an even better place to work, as well as to work on strengthening human resource development and other initiatives. Promoting the diversity of the organization will give rise to various innovations.

In addition, by providing an environment where employees can maximize their ambitions and skills, we will improve employee engagement, bring about a chain reaction of growth of individuals and the organization, and ultimately aim for the Company's sustainable growth and development.

- KPIs of Human Resource Strategy (Targets for FY2026)**
- Improve engagement indices*
 - Mid-career hiring rate
From 42.5% (April 2022) to 50.0%
 - Ratio of women in managerial positions
From 13.2% (April 2022) to 20.0%

* Commenced engagement surveys from fiscal year 2022

Health management

The Group has sent out the “Declaration of Health Management,” in which the perspective of health management is added to our initiatives for promoting the active role of all employees and has been promoting initiatives for the health maintenance and improvement of all Group employees, while building a cross-Group promotion system. In addition, the Company has been recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large-Enterprise Category) for three consecutive years starting in 2020. Three other Group companies have been the same recognition.



Declaration of Health Management

Each and every one of our employees is the driving force that enables Seiko to continue its relentless pursuit of innovation. Without our people, Seiko would not be able to produce such strong emotions in our customers or such a high level of trust in society.

We consider our staff to be our single greatest asset, and we constantly strive to maintain and improve their health and well-being.

We will continue to aim for the sustainable growth of our Group by creating an environment in which all our employees can enjoy their work and enjoy being part of the Seiko community.

Shuji Takahashi
President
SEIKO GROUP CORPORATION

Promoting paid childcare leave for male employees

The Group revised its maternity and childcare system as of October 1, 2022, in accordance with a revision to the Act on Childcare Leave/Caregiver Leave in Japan, and has introduced childcare leave at birth for male employees (up to four weeks within eight weeks after the child's birth). In addition, paid maternity leave before and after childbirth for female employees, which had been limited to the Company and some of its subsidiaries, has been expanded to cover all eight of its domestic subsidiaries, further enhancing the system.

One of the features of this system is that 100% of maternity leave both before and after childbirth and childcare leave after childbirth are paid, which exceeds the statutory requirement.

Furthermore, in order to encourage more male employees to take childcare leave (male employees take advantage of childcare leave at a lower rate than do female employees), we are actively promoting Group-wide efforts such as sending messages from the top management to Group employees and holding seminars on the promotion of childcare leave for male employees, intended not only for those who actually take the leave but also to promote understanding among supervisors and colleagues.

In addition to revising the system, by working to develop an environment in which both men and women can balance work and childcare, we aim to create a rewarding workplace that will support the lifestyles of all employees.



Photo by Naoya Ochiai

Childcare leave stories Yuki Kikuchi Sales Concierge Department, WAKO Co., Ltd.

I have taken a one-year childcare leave since February 2022. I was worried about taking it because there were few precedents of male employees taking long-term childcare leave. However fortunately, my workplace was understanding and embraced my decision. My wife and I have been blessed by being able to experience bringing up our first child together. By taking childcare leave, I have been able to experience first-hand the concerns of women who work while taking leave. Many of the male workers around me are also hoping to take long-term childcare leave. I hope that through this experience, I will be able to build a comfortable working environment regardless of gender.

Digital transformation fundamentals training for all employees → P.33

In 2022, we conducted digital transformation (DX) fundamentals training for all employees of the domestic Group companies. Going forward, we plan to carry out even more practical training with the aim of developing human resources capable of coming up with ways to apply DX to our operations and businesses and connecting it to the enhancement of business competitiveness and added value.

Initiatives to firmly establish the Statement of Purpose

We are promoting various activities to encourage each employee to reconfirm the link between the Group's Statement of Purpose and operations, deepen employee empathy with the Purpose, and to realize the Purpose as the Group as a whole.

From 2021, we adopted the system of "Purpose Awards" to recognize activities that make special contributions to the creation of the Group's value from the perspectives of "trust, inspiration, smiles, innovation, and pursuit," which are key words of the Group's Statement of Purpose. From the second half of 2022, in an effort to create a corporate culture that encourages challenges and turns failure into value, we established the "Big Challenge Awards" to recognize activities that take on ambitious goals and from which lessons for future growth can be learned.

In addition, to promote the understanding of the Group's Statement of Purpose, we published booklets on the Purpose and distributed a copy to each of the employees of the domestic Group companies. In March 2022, the Company held its first Purpose Workshop and held discussions and exchanged opinions including those of the officers on the theme of the "Division's Purpose."

Purpose Awards Ceremony

Scenes from the ceremony for the "Big Challenge Awards"



Award for "the development of production facilities and improvement of productivity through analog and digital synergies"
Seiko Instruments Inc.

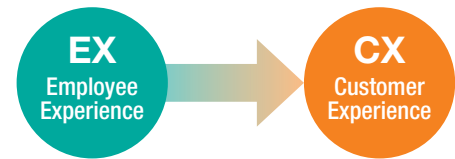
Digital Transformation Strategy

We use digital technology and data to provide better customer experience (CX) through our customer-centric products and services.







Basic Policy

The Group believes that digital transformation (DX) consists of “understanding customers’ pains and gains and using digital technology to improve assets, both internal and external, to supply products and services with even better customer experience (CX).” Enriching employee experience (EX) is vital to providing superior CX. Led by the basic policy, we are more dedicated than ever to digital technologies and data, and we will continuously carry out initiatives toward DX.

Make full use of digital technology and data to create high-added-value business that is customer-centric and that places an emphasis on the customer experience



Main efforts in activity areas

<p>BtoC biz.</p> <ul style="list-style-type: none"> · Improve customer experience through OMO (Online Merges with Offline) measures · Customer-oriented digital marketing 	<p>BtoB biz.</p> <ul style="list-style-type: none"> · B2B digital sales · Marketing enhancement 	<p>Innovation</p> <ul style="list-style-type: none"> · Create new business models · Reform business models 
<p>Digitalization</p> <ul style="list-style-type: none"> · Digitalization and automation of business processes 	<p>Business Systems</p> <ul style="list-style-type: none"> · Develop and upgrade the business systems operated by Group companies 	<p>Infrastructure/Security</p> <ul style="list-style-type: none"> · Sophisticated IT operations / Enhance our system architecture · Response to security incidents 

In order to create better CX and EX, we will focus our efforts in specific activity areas, such as the following. For CX, we will carry out initiatives aligned with the business performed by specific companies within the Group. In our BtoC business, we will promote Online Merges with Offline (OMO) measures, fusing online and offline to enrich customer experiences. In our BtoB business, we will further refine our digital sales and marketing as sales DX, while working to create a manufacturing system with high productivity and flexibility by leveraging information technology as manufacturing DX. Furthermore, we will carry out innovation activities to cultivate a mentality focused on transformation, to provide spaces for this mentality to be put into action, and to advance the creation of new businesses. With regard to EX, we will improve productivity and review and revise our operation processes through the digitalization of business processes, including RPA*1. We will also accelerate our management decision-making by introducing digital contract systems, and will reduce the labor and monetary costs of associated operations.

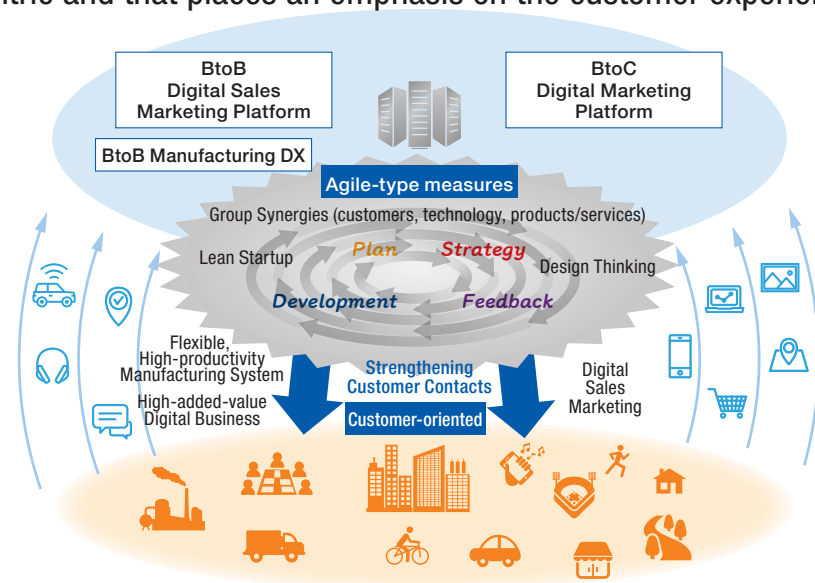
To improve our operation systems, we will operate our core operation systems with a high level of precision and upgrade and update these systems, thereby continuously supporting the rational and stable implementation of DX. We will also operate our IT infrastructure stably and without interruption while enhancing its security in order to take our IT operation to a higher level.

*1 RPA: The use of software robot technologies to automate computer-related work processes (Robotic Process Automation)

Practices

Practices are an important aspect of advancing DX. We place great value on being “customer-oriented,” “data driven,” “motivation,” and “business conceptualization ability.” We will leverage digital technology and data to provide better CX and enrich EX, thereby providing high-added-value business.

Make full use of digital technology and data to create high-added-value business that is customer-centric and that places an emphasis on the customer experience



Digital Transformation Education

In order to steadily implement our MVP strategy, we believe that it is necessary to develop digitally skilled human resources and transform practices. That is why from June to October 2022, we conducted “DX fundamentals training” for all employees in Japan. To accurately reflect the needs of the Group, we used educational video content created in-house. We plan to follow up on this compulsory education with the following training.

- Practical training in which participants bring their own ideas for new businesses and operation reforms, build hypotheses, verify them, and then repeat this cycle, ultimately creating implementation plans (Participants must apply to take part in this training)
- Training for employees in Group companies that develop their abilities as innovators and creators of new business (Participants are selected based on recommendations)

In addition, we also hold every month “DX Update,” an event featuring lectures, dialogues, and panel discussions by experts with actual DX promotion experience from outside the Group. These events are held for the purpose of sharing the latest information regarding DX throughout the Group.

Themes of the “DX Update” internal event

- Continuously Changing in Order to Stay the Same --Shrine in the Modern Era--
- Introduction to DX: Global Trends and You
- DX Initiatives by Veteran Department Stores
- Accelerating Corporate Transformation through Digital Technology and Co-creation
- The Pinnacle of DX Transformation - The Latest Technologies × Innovations by keen insight at customer contacts
- The Digital Innovation that Results from a Thorough Customer-Oriented Approach
- Consumer Changes and Ethical e-Commerce
- The New Value Creation Demanded by Our Changing Times
- The Latest Trends and the Future Outlook of DX in the Medical and Healthcare Fields

OMO Initiative

For WAKO Co., Ltd., we have formulated measures based on the results of our analysis of customer data. The first of these will be measures aimed at inactive customers, who purchased a product in the past but have not purchased any additional products for a long period of time thereafter. We have also considered the personas of our target customers and are designing customer journeys based on these in order to bring in new customers.

Digital Marketing Initiative

SEIKO Solutions Inc. has created a database based on MA^{*2} and CRM^{*3} in order to respond to the changes in customer behavior that have become more prominent as a result of the COVID-19 pandemic. We will integrate and analyze information such as web activity, inquiries, email, event participation, and contact with salespeople, and create a more pleasant experience closely aligned with our customers. We will use this experience to promote digital marketing and digital sales in all companies in the Seiko Group.

^{*2} MA : Marketing Automation

^{*3} CRM : Customer Relationship Management

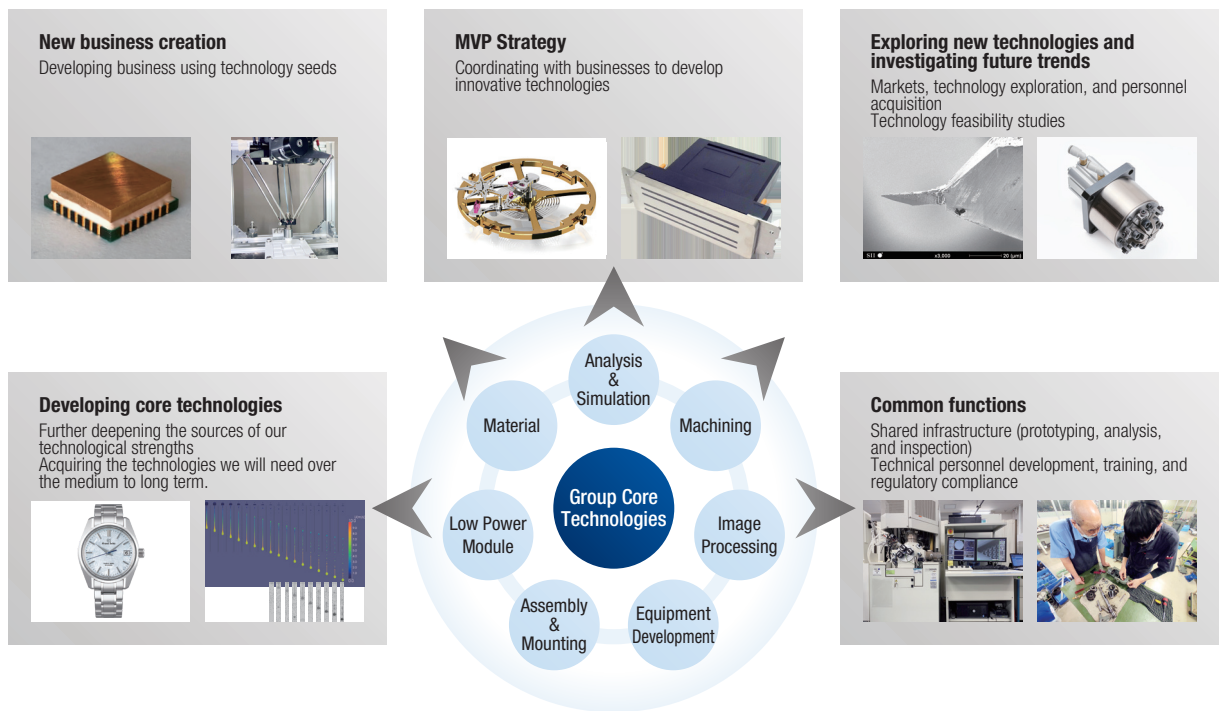
R&D Strategy

We will leverage synergy between “Craftsmanship, Miniaturization, and Efficiency” and “Digital Technology” to establish high-added-value product development and production technologies as a solutions company that inspire people and society.

Basic Policy

Under SMILE145, we will realize the Group’s 10-year Vision of “analog & digital synergies” and establish product development and production technologies as a “a solutions company that offers high-added-value products and services that create excitement and generate substantial profits” defined in SMILE145 based on the Emotional Value Solutions Domain and Devices Solutions Domain, according to the basic policy of our R&D strategy. We will expand our luxury/premium domain, which is part of the MVP strategies of each business domain, accelerate our coordination with the planning division and other divisions in each operating company to strengthen the Society 5.0 field, and carry out innovative technology development. For the Group to keep staying as a sustainable enterprise, we are also working to reduce resource usage and labor, as required by the SDGs, and to create production technologies that contribute to decarbonization through the optimization of processes. We will also actively promote new business creation and synergy between businesses, while developing technologies that will serve as the sources of added value and competitive advantage in the expansion domain.

Further evolve its technology and create new value by combining its long-cultivated technological philosophy of “Craftsmanship, Miniaturization, and Efficiency” with digital technology



Establish a new R&D company, Seiko Future Creation Inc.

As of July 1, 2022, we established Seiko Future Creation Inc. (SFC), whose main functions will be the overall Group research and development, production technology development, business support, and Group-wide new business development. Our goal is to strengthen the system we will use to advance SMILE145’s R&D strategy. We have allocated the Group’s development resources to SFC, making it the development base within the Group. It will strengthen the system of collaborations between each business domain, promote collaboration with outside parties to provide research functions for investigating matters such as future trends and to make up for weak areas, and acquire and train development personnel who will contribute to the future. As its name indicates, the SFC’s goals are for all employees to have strong belief in using their technologies to create a richer future and to boldly advance into every business area.



Tetsu Kobayashi
Seiko Future Creation Inc.
President

R&D Activities

Research in the practical application of vision engineering

In December 2021, The Japan Society for Precision Engineering's Technical Committee on Industrial Application of Image Processing held "VIEW2021 (Vision Engineering Workshop 2021)." Together with joint research partners, Chukyo University and YYC Solution*1, Seiko gave a presentation titled "Interpreting the Feature Space of Visual Inspection DNN*2 Using Artificial Inspection Images."

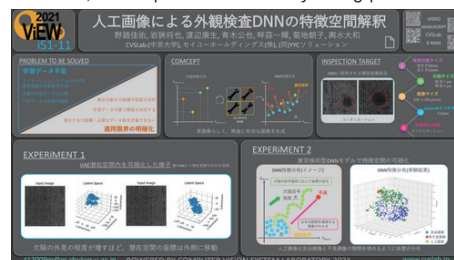
We are developing equipment that uses "deep learning*3" for some of the visual inspection work that the Group has had difficulty performing using conventional methods, and introducing them to worksites. To successfully perform visual inspection using deep learning, it is essential to create a high performance, trained DNN. However, with deep learning, there are no clear criteria for determining what level of defect is considered acceptable and what should result in a failing inspection. For this reason, development is currently being performed through successive rounds of learning using actual samples and evaluation of judgment accuracy. In this research, we examined methods for visualizing the judgment criteria of a trained DNN and evaluating its performance and learning weaknesses.

*1 YYC Solution (YYC Solution LLC.) : A consulting company specializing in imaging technologies.

Its head, Hiroyasu Koshimizu, is an emeritus professor at Chukyo University and a project researcher at the Chukyo University Institute for Advanced Studies in Artificial Intelligence.

*2 DNN (Deep Neural Network) : The learning model used in deep learning.

*3 Deep learning : An AI method for teaching computers activities that humans perform naturally. Well-known examples include playing Go or Shogi, automated driving, and machine translation.



Publications of "VIEW2021"

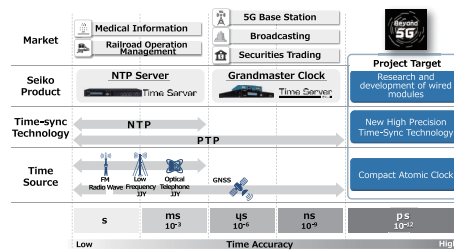
High-precision time synchronization in preparation for the world Beyond 5G

SEIKO Solutions Inc. submitted a joint proposal with the National Institute of Information and Communications Technology (hereinafter, "NICT") and other organizations for research and development to expand radio frequency resources, which was newly implemented by the Ministry of Internal Affairs and Communications in fiscal year 2022. This proposal was selected for "Research and Development of High-Accuracy Time Synchronization Infrastructure for Effective Use of Frequency Resources." We started researching and developing wired time and frequency synchronization technology with a compact atomic clock in August 2022.

The Network Time Protocol (NTP) for time synchronization and the Precision Time Protocol (PTP) for even higher precision time synchronization are indispensable technologies for IT systems. SEIKO Solutions Inc. has been providing high-precision NTP servers and PTP Grandmaster Clock, among others, for over 20 years, and has made significant contributions to the operation of financial, telecommunication, broadcasting, and other social infrastructures.

The construction of this new autonomous, decentralized time synchronization system that uses compact atomic clocks, which we proposed in concert with NICT et al., has high potential for use in mission critical applications such as automated driving that uses the mobile communications systems in the next generation that will follow 5G, known as "Beyond 5G."

Our aim is to build a time synchronization infrastructure with unprecedented accuracy that can be used safely when and where it is desired.



Time synchronization technologies and Seiko's initiatives

Examples of new technologies and products introduced to the market in 2022

Grand Seiko's first complication watch

Kodo

Launched in October 2022.

➔ P.42



Liner-free label printer

that reduces environmental impact.

Launched in February 2022.

➔ P.47



Branding Strategy

Through a branding strategy that emphasizes social value, technical value, and emotional value, we aim to create the Seiko brand that inspires our customers and delivers smiles to them.

Basic Policy

Seiko's contributions to the world are not limited to products, services, and technology. Over our long history, we have created immense value for society through the reliable technologies we have built up and the products and services that have inspired people. Going forward, in our branding activities, we will place greater emphasis on the social value that Seiko creates through technical value and emotional value, so that we can continue to deliver smiles to people around the world.

Seiko will face social issues with the aim of enriching the hearts of people around the world, and create a future full of smiles through our social, technical, and emotional value.

Three axes of value that support Seiko's branding strategy

Technical
value

A brand that stays one step ahead of the rest through technology, while innovating and tirelessly taking on new challenges

Social
value

A brand that contributes to a sustainable society

Well-being	Inclusion	Trust	Harmony
A better life	For all people	Certainty and Trust	Harmony with the Earth

Emotional
value

A brand that offers excitement and smiles to people around the world through emotional value

- Initiatives to be strengthened
- ▶ Global branding that helps upgrade brand value
 - ▶ PR activities that contribute to the Group's overall business
 - ▶ Support to Team Seiko's athletes and their contribution to branding
 - ▶ A next-generation development program that children will be excited about



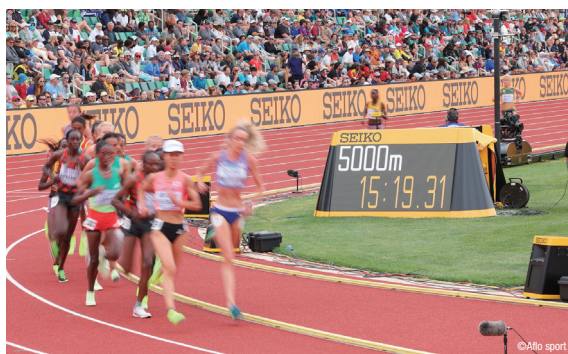
Main Initiatives



Seiko House Ginza is the center for communicating information of the Seiko brand. We are working to use Seiko House Ginza as a place to highlight Seiko's journey with society, while passing on to the future the technology of Japanese craftsmanship and our thoughts on manufacturing. Using this historical space where one can feel the richness of time, we will work to upgrade our brand value.



For 37 years, we have been the official timer for the World Athletics Championships. Through our experienced timing team and accurate timing and measurement of the latest equipment, we have delivered moments of smiles and excitement to audiences around the world. At the Oregon Championships, Seiko introduced a new piece of equipment, the "JMS-Jump Management System," the result of Seiko's innovation. We also worked with SEIKO WATCH CORPORATION to strengthen product branding in the global market.



Sports School

Time & Timepieces School

Environment School

This is a class that brings excitement to children and fosters a prosperous future through authentic experiences that only Seiko can deliver. Having started with a class on time and timepieces, the program has been expanded to include sports classes such as athletics and swimming, environmental classes in Shizukuishi-cho, Iwate Prefecture, where there is a watch assembly workshop, and sun dial classes in the Sky Garden, the rooftop of Seiko House Ginza. We are working on education of the next generation through this program where children themselves are creating a brighter future.



Sound of "Wa"
Concert to Support Eastern Japan

This concert began as an event for people to offer support to all those affected by the Great East Japan Earthquake. Eleven years on, victims of the disaster themselves participate in the event, which serves as a stage for hope to move forward strongly on the road to reconstruction. Tapping into the power of music, we will continue to move toward a future filled with smiles.



Four Business Opportunities

In light of the global changes taking place in our business environment, we have set four new business opportunities and aim to create new businesses through “multiplicative synergy” that multiplies the Company’s strengths.

Environment Recognition for the Future

In recent years, the outlook of the global economy has become increasingly uncertain due to intensifying geopolitical tension, as epitomized by the COVID-19 pandemic, the situation in Russia and Ukraine, mounting tensions between the U.S. and China, and more. As for the environment, in addition to the changes in our living environment including air, water, and soil, factors such as the deterioration of the environment that extends to the whole ecosystem as well as increased emissions of greenhouse gases have made initiatives toward the realization of a recycling-oriented society a task that should be pursued by all mankind. In addition, in Japan and many other countries and regions of the world, changing demographic composition as a result of aging populations and falling birth rates, among other factors, are making it difficult to secure the necessary human resources, which, in turn, have given rise to the need to improve business efficiency. Furthermore, digitalization has been accelerated due to the COVID-19 pandemic, and a transition to a data-driven society utilizing IT as well as the progress of automation and robotization through digital transformation (DX) are expected. Amid such changes and increasingly diverse values and lifestyles of consumers, the Group has set four business opportunities, as described on the right, as business fields, in which the Group will be capable of leveraging its strengths to implement solutions.

Changing Demographic Composition, Heightened Geopolitical Risks



Environmental Problem






In a VUCA era, where many discontinuous changes are occurring, we will contribute to solving social issues through our business

Evolution of Electronics Technology and Digitization



Support for the New Normal and after COVID-19



-  : Emotional Value Solutions (EVS) Domain
-  : Devices Solutions (DS) Domain
-  : Systems Solutions (SS) Domain

Four Business Opportunities

Foundation Domain



Emotional Consumption

Business field targeting customers who focus on products and services that appeal more directly to the emotions and senses

Main Strategic Domain




SOCIETY 5.0

Business field that contributes to development of the digital society, by offering devices and ICT products and services related to a high-level integration of cyberspace and physical space

Main Strategic Domains



Expansion Domain



Wellness

Business field oriented toward offering products and services that improve people’s quality of life (QOL) from sports, healthcare, and medical perspectives

Main Strategic Domains






Society / Environment

Business field that solves challenges for the development of society, such as helping to build infrastructure for each industry involved in social development, and contributing to the global environment

Main Strategic Domains

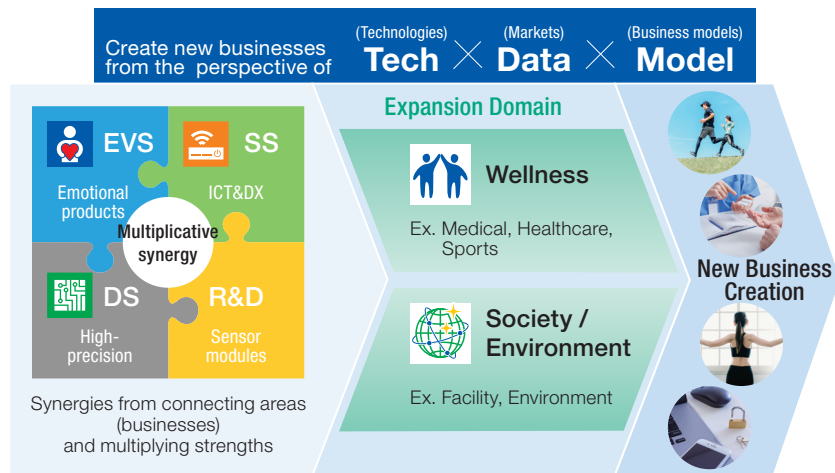



Creating new businesses through “multiplicative synergy”

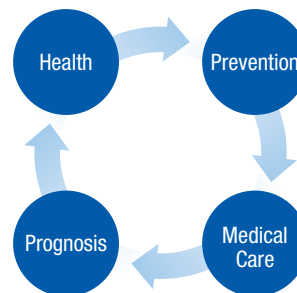
Starting from fiscal year 2022, in order to achieve the Group’s 10-year Vision, we have set three strategic domains based on the solutions that we offer and promoted our strategies within the context of the four business opportunities, mentioned above. The Group aims to generate synergy effects by multiplying its strengths in these three strategic domains, together with the cooperation of the R&D division. With this “multiplicative synergy,” the Group aims for growth in new businesses, especially in the expansion domain.

In the Wellness field, we will aim to create value as required by society by focusing on the health cycle (diagram on the right) to improve Quality of Life (QOL) and determine which area has the potential for business creation. For “Health,” we will contribute to initiatives such as sports-related DX, starting from the utilization of recorded measured data relating to sports. In “Prevention,” “Medical care,” and “Prognosis,” we will meet various needs such as of digitalization and cloud-based medical data and provide solutions backed by robust security to make medical services more efficient and labor-saving. Meanwhile, in the Society/Environment field, we will aim for the realization of facility solutions based on the theme of development of products and services that help improve the security and convenience of social infrastructure. We will also engage in initiatives to expand various data measurement areas to keep up with the changes in society/environment and advance environmental DX to promote the development of incidental services. In addition, we will contribute to realizing a sustainable society by such means as studying the possibility of providing solutions to meet corporate needs to reduce CO₂ emissions.

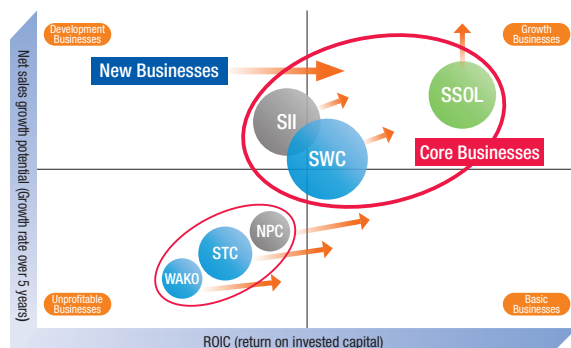
These business themes will be discussed by the Business Strategic Council, comprised of the Company’s officers and the presidents of the major operating companies, where we will identify the markets in which the businesses will be developed based on market research and analysis. In this way, through the creation of synergies by multiplying the strengths unique to the Group based on various viewpoints, we will aim to transform new business fields into growth businesses.



Health Cycle to Improve of QOL



SMILE145 Group-wide Business Portfolio Strategy



- SWC : SEIKO WATCH CORPORATION
- STC : SEIKO Time Creation Inc.
- WAKO : WAKO Co., Ltd.
- SII : Seiko Instruments Inc.
- NPC : SEIKO NPC CORPORATION
- SSOL : SEIKO Solutions Inc.

Emotional Value Solutions (EVS) Domain



Through cooperation within the domain, we will provide solutions to customers who demand a sense of deep satisfaction and lasting value.

The pandemic that began in 2020 brought about major changes to society. Restrictions on social activities worldwide caused a shift toward digital shopping and entertainment, gradually transforming people’s thinking. The desire for quality time has grown stronger than ever, and it has never been more important to ask oneself what real, personal fulfillment is and what provides real, lasting value. Since our foundation in 1881, the Seiko Group has created high-quality products and services that are sincerely focused on meeting our customers’ needs. For many years, the core businesses of our Group have focused on the manufacture and sale of clocks and watches, which is what our business was founded on, and Wako, our upscale specialty retail store in Ginza, where our Group began. Under our new Mid-Term Management Plan, which started in fiscal year 2022, we have named these businesses our “Emotional Value Solutions Domain.” Through coordination among our three business segments in this domain, we will provide solutions to customers who demand deep satisfaction and long-lasting value in the new post-pandemic era.

Director, Senior Executive Vice President
Emotional Value Solutions Domain

(President, SEIKO WATCH CORPORATION)

Akio Naito

Vision

- Create products and services with high functional, emotional, and social value, with a sense of beauty and meticulous attention to detail that excite customers
- Improve our brand and corporate value by selling products that are partners for life, and can be enjoyed together in times of joy, through a superior customer experience

Target Value

Operating Profit **14.5 - 15.0** billion yen

MVP Ratio* **60%**

*Growth areas as % of EVS domain sales

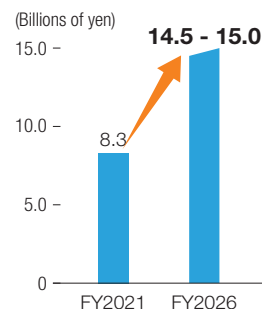
Social Needs

- Polarization of personal consumption (increasing expectations for products with high-added-value)
- Growing interest in ethical consumption
- Changes in purchasing behavior focusing on “experiences”

MVP Strategy

- Offer products and services that create excitement and pursue high-added-value
- Evolution of CX (Customer Experience)
- Enhanced data utilization through digital transformation (CRM (Customer Relationship Management System))

Operating Profit





Seiko House Ginza

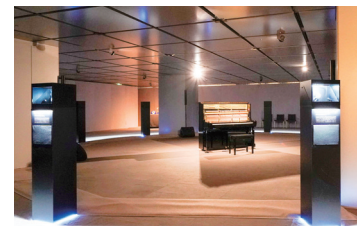
Kintaro Hattori, the founder of Seiko, opened a shop selling and repairing watches and clocks on a corner lot in Ginza 4-chome in 1894. At that time, the founder, Kintaro Hattori, insisted on installing a clock tower on the roof of the building as a service to the people of Ginza. Later, as a symbol of Tokyo's reconstruction after the Great Kanto Earthquake, a new building was completed on this site in 1932, and it, too, featured a clock tower. Today, the Wako building, with its iconic clock tower, is perhaps the most easily recognizable symbol of this world-famous shopping district.

In 2022, to mark the 90th anniversary of this edifice, we redeveloped the main Wako building and renamed it "Seiko House Ginza." We reviewed the role of this place, which is the starting point of the Seiko Group's business, and will implement various measures to make it a place that communicates the technology and the eternal spirit of Japanese craftsmanship to the future and Seiko's progress with society.



A sound installation for experiencing cultural heritage and harmony

As part of the opening events for Seiko House Ginza, we held a special exhibition, "Seiko Harmony—Twelve Sounds of Master Craftsmanship." In the space, twelve different sounds, representing the craftsmanship of the EVS Domain, which Seiko hopes to pass on to the next generation, together formed a harmony, and items related to each sound were displayed. Through the exhibit, we aimed to engage with visitors through their senses, allowing them to experience each aspect of craftsmanship visually and aurally.



Atelier Ginza

In December 2022, we will open the Atelier Ginza, a workshop on the 7th floor of the Seiko House Ginza that will bring together the craftsmanship of the Seiko Group. We will use it not only as a manufacturing workshop focusing on high-end products, but also as a place to communicate information about manufacturing culture and craftsmanship.



ATELIER GINZA

Upcoming initiatives for the EVS Domain

Our three operating companies, SEIKO WATCH CORPORATION, SEIKO Time Creation Inc., and WAKO Co., Ltd., have until now been operating independently. Going forward, we will aim to provide customers with an excellent customer experience that creates excitement by demonstrating synergies of the three businesses, including the use of Atelier Ginza that is planned to be opened, and by providing products, services, events, etc. unique to the EVS Domain.



Watches Business

Growth Strategy for SMILE145

In the Watches Business, as one of the world’s leading manufacturers, we offer our customers around the world not only functional value, but also emotional and social value, from initial design through planning and development, to manufacturing, marketing, sales, and after-sales service. Continuing on from the previous Mid-Term Management Plan, we have positioned the Global Brands (GB) strategy as a growth strategy for SMILE145. We aim to create solutions that deliver deep excitement and great satisfaction to people around the world with high-added-value products and services centered on Grand Seiko (GS), while continuing to provide highly profitable and sustainable products and services.

Global Brands (GB) Strategy

We are developing products with “technological capabilities” and “special stories” that bring “joy and excitement” to our customers around the world. We align our marketing activities with each signature story.

Watches Business KPI
(FY2026)

GB Ratio* Over **85%**

*Percentage of GB sales to total completed watches sales

Expansion of high-end products business centered around Grand Seiko

The share of high-end products in the global watch market is increasing each year. It has more than doubled* over the past 20 years. In recent years, Seiko has also seen strong growth in GS sales. During the five years of SMILE145, we will further strengthen our high-end product business centered on GS.

*Source: Data from the Federation of the Swiss Watch Industry

Grand Seiko

Since becoming an independent brand in 2017, GS has worked to increase recognition in Japan and overseas by actively communicating information through digital marketing. Overseas, after establishing Grand Seiko Corporation of America in 2018 and recording remarkable growth in the U.S., we established Grand Seiko Europe S.A.S (headquartered in Paris) in 2020 to strengthen sales of GS in the European market. We also opened a directly managed GS boutique in Place Vendôme, Paris.

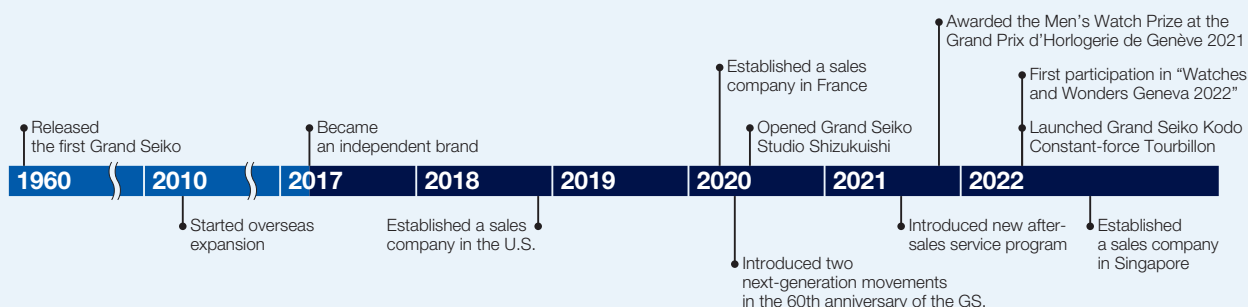
In March 2022, the brand exhibited for the first time at the prestigious Watches & Wonders Geneva fair, and introduced the Grand Seiko Kodo Constant-force Tourbillon, the brand’s first mechanical complication watch incorporating a new mechanism that is the first of its kind in the world.

Furthermore, in October 2022, “Grand Seiko Asia-Pacific Pte. Ltd.” was established in Singapore. Following Europe and the U.S., we will work to expand GS sales in the Asia-Pacific region.

In line with the GS brand philosophy, we will strengthen each design area to further add value to our products. We will also work on initiatives such as strengthening our directly managed boutiques and e-commerce, and enhancing our global after-sales service. Through our products and services, we aim to inspire customers beyond their expectations.



Grand Seiko Kodo Constant-force Tourbillon



Strengthening the Grand Seiko global after-sales service system

As we expand sales overseas, we are working to improve our global after-sales service system. We are continuously training GS repair technicians from various countries and conducting technical training to upgrade their skills. In 2021, we introduced an after-sales service program that extends the warranty period to five years worldwide to ensure long-lasting use by our customers. At the same time, we have enhanced convenience for our customers by digitizing warranty forms and established a system that enables us to provide more accurate and prompt after-sales service.

In Japan, we have developed an “exterior repair polish service” that can repair deep scratches on cases or bracelets that cannot be handled with conventional polishing. With a focus on the maintenance of exteriors such as cases and bracelets, we aim to earn a high level of customer satisfaction for our after-sales service system.

Supporting high-end watches by cultivating craftsmen and passing on technology

“Craftsmen” is our term for the technicians who support the manufacture of our high-end watches such as GS. SEIKO WATCH CORPORATION, Morioka Seiko Instruments Inc., and SEIKO TIME LABS CO., LTD. have five recipients of the Medal with Yellow Ribbon and eight recipients of “Contemporary Master Craftsmen” (some of whom also received the Medal with Yellow Ribbon). We have introduced an in-house qualification “professional system” to promote the succession of advanced technology. This puts in place a structure for grading technicians according to their level of proficiency, and for skilled technicians to provide technological guidance to young technicians and take responsibility for their development. This ensures that we pass on craftsmanship thoroughly to the next generation.

Expansion of mid-range products business by Global Brands (GB)

We aim to expand business by placing GB in the mid-price range at the core of our intermediate product business and increasing their high-added-value.

Seiko served as the official timer at the World Athletics Championships in Oregon (July 2022). At the event, we displayed the logo of Seiko Prospex, which is popular mainly for its diver’s watches, along with the logo of Seiko. Through global media exposure throughout the championships, we were able to promote a brand story based on Seiko’s timekeeping history, while showing our presence as a sports watch brand.

In addition, as part of our expansion measures to strengthen directly managed boutiques, we opened our 10th directly managed Seiko Boutique in Europe (Milan, Italy) in June 2022.

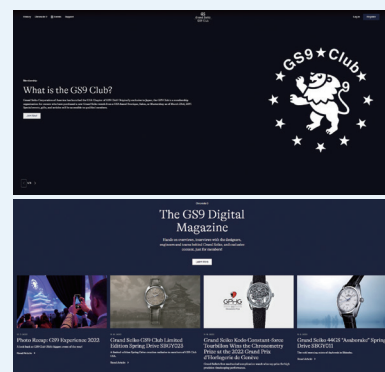


Provide excitement to people and society through superior customer experience

The evolution of the information society and other changes have brought a shift in customers’ purchasing behavior toward a focus on the customer experience. For customers to choose our products, we must increase customer satisfaction at every point of contact. It is important that they become fans of our products.

We aim to use digital transformation to create high quality, high-added-value customer experiences. We will enhance brand value and gain loyal customers through the customer journey.

For example, the “GS9 Club,” a club for GS owners, allows members in Japan to check their purchased products, store registration status, and maintenance history through a members-only website. In addition to delivering quality content suitable for GS owners, we also hold members-only events, factory tours, and more.



“GS9 Club” member site

Watches Business

Developing Grand Seiko in the European market

We spoke with the head of Grand Seiko Europe S.A.S. (GSE) about GS, which has been steadily increasing sales in the European market since 2020, to learn why GS has been so well received in Europe.

1 When GSE was established in February 2020, what challenges did you face in Europe at that time in order to strengthen GS sales?

At that time, each local subsidiary in Europe was working on its own to strengthen sales of GS. We had to go from those previous efforts back to a blank page and restart, which was a big challenge. The strategy was clear: “Harmonization” and “Vision.” By positioning GS in the €6,000 to €15,000 price range, and reviewing the distribution, sales and advertising methods appropriate for that position, we differentiated GS from the Seiko brand. It also worked in our favor that GS was one of the few brands that could communicate positive announcements even during the COVID-19 pandemic.

2 GS has been steadily increasing sales in European market. What kind of initiatives have been successful?

The opening of Europe’s first GS boutique in Place Vendôme, Paris in June 2020 was the first major stepping stone in restarting the European business. The presence of a GS boutique, where customers can experience the essence of the GS brand value, has made it possible to develop and promote high-end distribution in Europe and clearly share the GS brand story.

Next, at Watches and Wonders Geneva 2022, GS showed its presence alongside other international brands in the same price range. We could say this was a sign of recognition of GS’s “Vision” to become a major brand in the global high-end watch market. Finally, with the launch of the new 9SA5 and 9RA5 calibers in 2020 and the Grand Seiko Kodo in 2022, we demonstrated the excellent technological capability of GS’s watchmaking that continues to innovate towards the next generation while reinforcing our technological reliability.



Frédéric Bondoux
President
Grand Seiko Europe S.A.S.

3 What do you think of the reason GS has kept growing in these years in the European market?

The GS vision has played a major role in building the brand. GS, a top-of-the-line watch made in Japan with excellent emotional value, has attracted talented personnel in recruitment, which is most important for expanding sales in Europe. Over the past three years, we have been able to develop our distribution in Europe in line with GS’s vision for the future. The brand’s values and reputation have helped us to establish brand messages of elegance, tradition, superior performance, technological capability, and product reliability. This has enabled us to attract many new and younger customers since GSE was founded.

GS’s superior performance and sophisticated design has contributed to the success of GS in Europe.

4 Please tell us about the future growth potential of GS in the European market, and what are the key points for growth from your point of view?

Establishing a strong position in the global high-end watch market requires clear brand values and outstanding marketing strategies.

We are now working to establish GS’s position through our differentiation strategy.

GS allows customers to enjoy sophisticated Japanese aesthetics. At the same time, we continue to innovate every day in areas such as movement, design lineup, various services such as after-sales, omnichannel, and environmental protection.

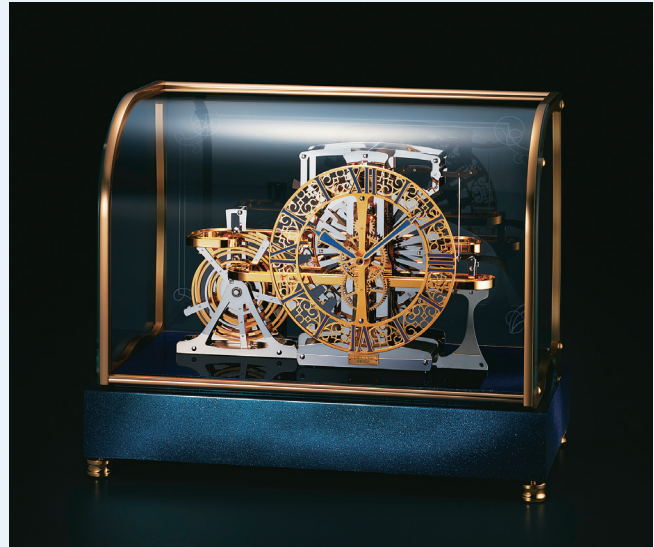
The values that GS offers fit perfectly with the needs of the new generation in Europe. The brand projects a uniquely Japanese sense of beauty and spirituality that continues to earnestly pursue GS’s brand philosophy, “THE NATURE OF TIME.”

There is plenty to come for GS in the European market, so please look forward to it.

Time Creation Business

In addition to manufacturing and selling clocks, the core businesses upon which the Group was founded, for SMILE145 in the Time Creation business which handles systems clocks and sports timing, we aim to provide integrated solutions in every time-related issue by combining traditional analog technology with the latest digital technology.

In clocks, we will strengthen the luxury area and products with high emotional value. In system clocks and displays and sports timing devices, IoT enables the provision of “time + α ” information in various facilities, buildings, and equipment, including general households. Through sports digital transformation (DX), health DX, and facility solutions, we will work to develop products to solve users’ issues and improve CX.



WAKO Business

In 2022, the Wako Clock Tower, a famous symbol of Ginza, celebrated its 90th anniversary. It was also the 75th anniversary of the founding of Wako. In the Wako business, we will carry out rebranding under SMILE145 with the aim of becoming a “Japanese luxury brand.” We will strive to expand our customer base through new products and sales methods. As part of this effort, in October 2022, we opened “WAKO SITE,” a new concept shop with a collection of Wako bags, in the Odakyu Department Store Shinjuku. In addition, we will promote the integration of real stores and online stores (OMO). Furthermore, we will move ahead with building an infrastructure environment that enables employees to focus on customer service. This will include improving One-to-One marketing by enhancing customer information analysis and centralizing our inventory management. In this way, we will deliver customer satisfaction and excitement by providing higher quality hospitality.



Devices Solutions (DS) Domain



Director, Senior Executive Vice President
Devices Solutions Domain

(President, Seiko Instruments Inc.)

Takahiro Naito

Providing best-in-category device solutions by creating new value and employing a thorough design-in approach.

— Contributing to the realization of a more digitally connected society through the evolution of “Craftsmanship, Miniaturization, and Efficiency”* —

While social issues, such as global warming, other environmental problems, and negative population growth are becoming more severe, the COVID-19 pandemic has accelerated efforts aimed at achieving an ultra-smart society that integrates cyberspace and physical space at a high level. We have therefore defined our new vision as “providing best-in-category device solutions by creating this new, digitally connected society and employing a thorough design-in approach.” IoT, which connects cyberspace and physical space, is vital to the realization of this new vision of society. The electronic and precision components used in IoT devices must be compact, precise, and of very high quality, with low power consumption, low waste and loss, and a long product lifetime. We will further evolve our tradition of “Craftsmanship, Miniaturization, and Efficiency,” which we have developed over many years, and our highly reliable semiconductor technologies, applying a thorough design-in approach to requests from customers in order to provide the best device solutions in this category.

* “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.

Vision

- Offer the high functionality and quality demanded by society, with devices solutions that are created through technical innovation
- Realize Society 5.0 (resolution of social issues by integrating cyberspace and physical space)

Target Value

Operating Profit **7.5 - 8.0** billion yen
MVP Ratio* **60 %**

* Growth areas as % of DS domain sales

Social Needs

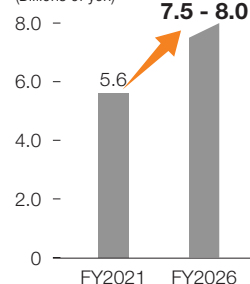
- Realization of CPS (Cyber Physical System)
- Building a safe and secure society
- Realization of a recycling-oriented society

MVP Strategy

- Actively deploy to growth markets in the digital economy (information and communication devices, automotive, IoT, etc.)
- Expand sales to the green economy market by leveraging technologies for miniaturization, lower power consumption, and long lifetime
- Accelerate product development in wellness and social/environmental fields

Operating Profit

(Billions of yen)



Initiatives for a design-in approach

The strengths of micro batteries developed in the watch business are compact, thin, lightweight, and high energy density. Leveraging these strengths, several years ago we began expanding into a new field of healthcare devices, and have been building relationships of trust with new customers. When a customer is launching a new series of products, we have been able to drill down into the customer's thinning needs from the development stage, quickly developing technologies that solve their issues. By proposing our own technologies, we have been able to contribute to the miniaturization and thinning of our customers' products, while also significantly increasing our share in the new series. These efforts are not limited to batteries. We are also carrying them out in many of the Group's businesses. For example, it is vital to prepare to match the customer's product, which is a very important factor in quartz crystals. We aim to create solutions that are unique to us because of the long-standing relationships of trust that we have with our customers. In the thermal printer business, we were able to respond to raw material shortages that occurred in fiscal year 2021 by working across divisions to change specifications to match the materials that were available to our customers. This further strengthened our relationships of trust with our customers, which, in turn, generated win-win results. Rather than merely supplying general-purpose products, we will continue to stay close to our customers and carry out development activities with the most focus on their perspective, thereby building a business model that will enable us to provide solutions quickly.



Exhibited at "CEATEC 2022," a comprehensive exhibition of Society 5.0

Sustainability initiatives

The importance of sustainability initiatives is recognized even in our daily life. To target the new lifestyle patterns that have emerged from the COVID-19 pandemic, we began selling liner-free label printers to the food and beverage industry, where food delivery and takeout, etc. have rapidly gained ground and where demand for thermal printers is expected to increase. This liner-free label printer reduces the amount of wood, water, and electricity required to produce the label backing sheet, helping to "reduce environmental impact by reducing backing sheet waste," while also "lowering costs and improving efficiency." Thermal printers have become widespread in society as they offer the most convenient means of transmitting information due to their low cost, long life, and small size and light weight. Through this technology, we continue to propose solutions globally to connect the next generation to daily life where the three elements of the environment, society, and economy are in harmony.



Liner-free label printer with compact design and reduced environmental impact

Value creation story for the Group's sensors (strengths and future prospects)



Yoichi Endo
SEIKO NPC CORPORATION
President

The Group's sensors are based on reliable technology built up together with our customers and have been used for over 30 years. In particular, our optical sensors, which are key components of the sensing parts of ATMs and servo motors, incorporate our core technologies, including packaging, module technology, and testing technology centered on semiconductor elements. They have earned us a strong reputation in a wide range of fields, including precision, industrial, and healthcare devices. Going forward, we will continue to expand the application fields and strive to add higher value through such means as providing new solutions by adding digital signal processing and algorithms, as well as upgrading the detection characteristics of sensors from motion detection to motion prediction, in order to realize the reduction of manpower and environmental impact, and more.



Systems Solutions (SS) Domain



Director, Senior Executive Vice President
Systems Solutions Domain
(President, SEIKO Solutions Inc.)

Jun Sekine

Providing solutions tailored to customer issues, always exceeding their expectations. We will grow together with our stakeholders.

In the roughly 10 years since it began conducting business in 2013, Seiko Solutions Inc., the core company of the SS Domain, has grown by 600 employees, including those who joined through M&A activity. It is now an organization with over 1,100 members. The SS Domain is gradually realizing its vision of promoting diversity and cultivating a culture of collaborative creation while achieving growth through the efforts of individual employees with a management mindset. We have endeavored to contribute to our customers' success by providing solutions tailored to their needs that substantially exceed their expectations, and by continuously increasing the value we provide through these solutions. Our business environment is changing dramatically, and working on new solutions is becoming increasingly important. To achieve sustained business growth in this environment, we will strive to ensure that every employee sees this business as something that affects them personally, thereby accruing decision-making experience. In that way, our organization will become one that produces more entrepreneurial employees and creates new business from within the company. SS Domain's businesses are the kind that lead to this new model of society. By helping to bring this about, we aim to help create a society in which everyone, including our customers, employees, and stakeholders, is able to grow.

Vision

- Achieve sustainable growth by offering social innovation through one-stop ICT solutions
- Increase the value of customers, society, and the Group by continuously offering value in line with customer needs

Target Value

Operating Profit **6.5 - 7.0** billion yen

MVP Ratio* **73%**

* Stock Business as % of Marginal Profit in the SS domain

Social Needs

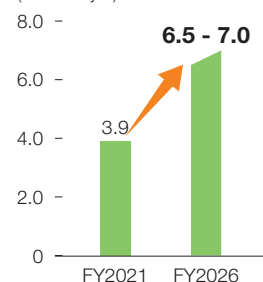
- Increasing complexity and lack of transparency in society, Diversification of values
- Transition from a seller's market to prioritizing buyers and users
- Accelerating Digital Shift

MVP Strategy

- Further advance the transition to the stock business
- Diversify further through M&As and alliances
- Expansion of digital transformation platforms

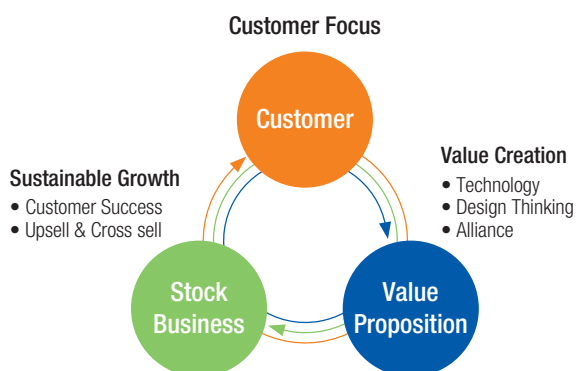
Operating Profit

(Billions of yen)

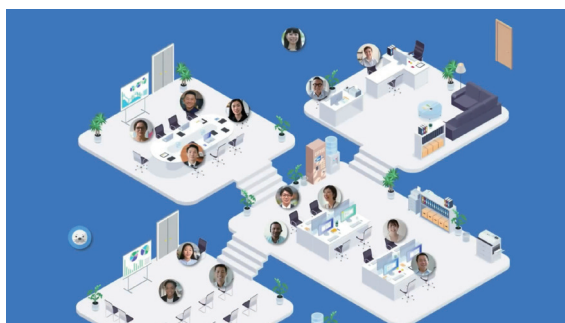


Stock Business

In the SS Domain, continuing on from the previous Mid-Term Management Plan, in SMILE145 we have positioned the expansion of the stock business as one of our growth strategies. The Group's stock business is summarized in the figure on the right. Everything starts with the customer. By using design thinking to build a business from the issues to be solved, we can enable customers to quickly use the products and services they need. At the same time, by continuing to provide services not only by delivering products, but also as a stock business, we will enable our customers to use services that are continuously evolving. In an era of rapid changes in the business environment, ensuring the success of our customers depends on constantly providing services according to the situation. The key to this is a sense of distance from the customer. By thinking together about changes in the field and in the surrounding environment, about management's strategies and issues, and how we feel about them, we can understand the fundamental issues faced by our customers. We can provide value accordingly, enabling us to support our customers' continued success. This will also power the growth of each of our employees related to this process. We are committed to building these spirals of positive change.



Digital Communication Tool



Instruction Co., Ltd. uses the metaverse for teleworking.

Diversification

At SEIKO Solutions Inc., we strive to promote diversity to accelerate the launch of new solutions. To further strengthen IIM Corporation's business, which has grown significantly since joining the Group in 2017, in April 2022, we newly welcomed three companies: Instruction Co., Ltd., a cloud application company; BackStore Co., Ltd., a provider of backup security; and Prestige Co., Ltd., which strengthens the business for finance, where the demand for digitalization is growing significantly. In promoting diversity, it is important for a company to be attractive to its employees. With this in mind, we are also focusing on optimizing our working environment and conditions. In particular, we have partly begun to use the metaverse internally. We are carrying out development toward proposing new solutions that go beyond our own organization to connect people with other people, and people with companies.

Instruction Co., Ltd.



Instruction Co., Ltd. caters to the rapidly increasing cloud needs, providing construction, operation, and maintenance management services in the cloud. It provides meticulous support using IT capabilities on a par with those of major corporations.

BackStore Co., Ltd.



BackStore Co., Ltd. provides cloud backups, an area of growing demand, enabling data backups for each business environment without the need for specialized skills.

Prestige Co., Ltd.



Prestige Co., Ltd. provides advanced financial systems engineering services for megabanks, leveraging long-established experience, insight, and analytical skills in the financial industry.

CFO Message



We will work to establish SMILE145 throughout the Group and realize our MVP strategy.

Shimesu Takizawa

Director, Executive Vice President
Group CFO

KPIs of our new Mid-Term Management Plan, “SMILE145”

The COVID-19 pandemic struck during the first year of our 7th Mid-term Management Plan, and we found ourselves unable to reach our consolidated net sales or operating profit targets. However, the growth strategies we implemented in our businesses have produced steady results, and it has now become clear what issues we face as we consider the future direction of our Group.

Based on these insights, we have developed our new Mid-Term Management Plan, SMILE145, which sets operating profit as its most important KPI. We have set a target of 18 billion to 20 billion yen in total operating profit for our three strategic domains, a business scale that will enable us to achieve sustainability even beyond our 150th anniversary. In addition to these targets, we have defined gross profit margin, ROIC, and ESG as KPIs for SMILE145.

Gross profit margin and operating profit

Operating profit is seen as the most important indicator for measuring the success of a business, but from the perspective of stakeholder relations, profit must be accompanied by a high level of satisfaction among business partners and employees. We must therefore earn enough gross profit (GP) to sufficiently invest in growth, quality control, and the like. Needless to say, GP is determined by multiplying net sales by the GP margin, but in this VUCA era, market trends can be dramatically swayed by sudden external factors. Based on the issues faced under the 7th Mid-

Term Management Plan, we have decided this time not to rely on net sales, which can be easily affected by external factors, but instead to set GP margin improvement itself as a KPI. Our goal is to raise the GP margin by 5% within the next five years. We will not do this by expanding scale or changing the composition ratios of our three domains, but by having each domain implement the MVP strategies that are the basic policies of SMILE145, improving their mix of products and distribution, and increasing the profit-generating capabilities of existing businesses while at the same time nurturing new businesses. In situations that could negatively affect the GP margin, we will review and if necessary, revise our business portfolio.

Introducing ROIC

We have selected ROIC as a KPI for determining the efficiency of the investment necessary for profit expansion and business growth. SMILE145 was originally planned to enable Group employees to understand the Group's vision, so that they can move forward together, sharing the same objectives as we approach our 145th and 150th anniversaries. We believe that, for many employees, ROIC, which uses the total amount of capital necessary for business operations as a denominator, is easier to understand than ROE or ROA, and it is easier to link ROIC to concrete improvement activities.

Our businesses are diverse, and capital efficiency varies significantly based on the nature of individual businesses. For example, businesses such as those in the SS Domain, have extremely high levels of capital efficiency, but the barrier to entry by competitors tends to be lower. The EVS Domain is less

efficient, because long-term investment is necessary to maintain and grow its differentiated brands. We will not simply look at the level of efficiency, but also at the Group's overall balance, taking into consideration the characteristics of each business and identifying their opportunities and risks.

Non-financial KPIs

We consider addressing issues such as environmental and human resource issues to be essential to our Group's sustainable growth, so we have positioned these as core strategies to be undertaken by the entire Group. Among them, reducing CO₂ emissions and increasing employee engagement are key issues that we must prioritize. But doing so also has a tendency to constrain profitability, and these issues involve activities that must be continued over a longer time period than is the subject of financial reporting. This is why we have defined clear non-financial KPIs in SMILE145 and will work steadily to implement them.

Cash allocation approach

When it comes to cash allocation, it is important to steadily bring in cash using our MVP (Moving, Valuable, Profitable) strategy. Over the course of five years, we aim to bring in on the order of 130 billion yen in pre-investment activity cash. Of this, we expect to use 100 billion yen for growth investment. This will consist of investment in branding; capital investment; the reinforcement of existing initiatives such as M&A; R&D, which has been positioned as a core strategy; human resource development; the acceleration of our digital transformation (DX); maintaining and expanding MVP products and services; and the creation of new businesses. Some of these investments will require a long time before they contribute to income, but we will maintain a balance of these longer-term investments and those that can produce income in the short term. With regard to shareholder returns, our policy of issuing stable dividend payouts will remain unchanged. However, net

interest bearing debt exceeded the target of the 7th Mid-Term Management Plan by roughly 15 billion yen due to factors such as inventory increases, so we must work to quickly respond to this situation. We will also consider other means of shareholder returns, not simply dividends alone.

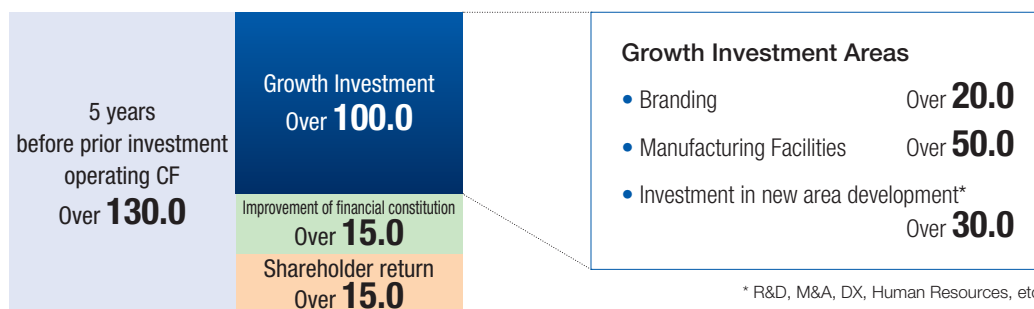
Our role as the Group's finance leader

In order for our business divisions to realize the SMILE 145 MVP strategy, I believe the Financial division should work to define the MVP for each business and visualize the consistency of MVP products and services as well as the progress we are making to implement that strategy. We will contribute to the achievement of SMILE 145 by enabling quantitative analysis of qualitative definitions, and by quickly establishing a system to visualize the progress of the MVP strategy.

Our MVP products and services vary depending on the business, and the products and services that fit those definitions will change as the environment changes. Therefore, instead of simply trying to hold onto existing MVP products, it is important for us to always think about which MVP products and services can help us to realize sustainable growth. We must also consider how to improve the accuracy of the "MVP" designation itself. I believe that establishing this approach throughout the Group is also one of the responsibilities of the Finance division.

In formulating SMILE145, we gained many insights from our discussions with investors and analysts. Engaging in ongoing dialogue with all stakeholders, including investors, and disclosing all relevant information in a timely manner are important responsibilities for any company. We will improve the transparency of our business to the greatest degree possible and share our progress toward SMILE145 with all stakeholders. Our aim is to increase our corporate value based on our Statement of Purpose, consistently achieving growth while satisfying our stakeholders and conducting our business in a way that resonates with them.

● Financial Policy : Cash Allocation (Billions of yen)



Seiko Group Quality

SMILE145 and Seiko Group Quality

The Group has defined and is in the process of implementing the “MVP strategy” as the basic policy for achieving our vision for 2026 “a solutions company that offers high-added-value products and services that create excitement and generate substantial profits” under the 8th Mid-Term Management Plan “SMILE145.”

To become a solutions company, it is vital that we have the ability to understand and solve the issues being faced by our customers and that we provide high quality MVP products and services befitting the Seiko brand. The Seiko quality that supports our MVP products and services is the quality we achieve by not being content to simply reach ordinary quality levels, but instead to go above and beyond to reach levels of quality that surpass expectations. It is the product of upstream quality activities consisting of repeated testing and improvement to create stable production processes from the development and design phase, and of downstream quality activities consisting of daily, ongoing quality maintenance.

The Seiko quality we have achieved by fusing our technological capabilities, which we have polished for over 140 years of our company history, and our corporate philosophy, which recognizes trust as paramount value, is constantly evolving and improving through the years.

Based on the solid technologies we have cultivated through wristwatch manufacturing, we develop, manufacture, and sell a wide range of devices. In our 7th Mid-Term Management Plan, we significantly advanced the device business by accelerating our business development in markets related to advanced information society, which demands high quality. We see this growth as the result of society’s recognition of Seiko’s “quality” as contributing to solving social issues. In the Devices Solutions (DS) Domain, we will promote business development in markets which require high levels of quality, based on “Craftsmanship, Miniaturization, and Efficiency”^{*1}, and we will continue to propose solutions that offer the quality that only Seiko can provide.

^{*1} “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.

Reflowable^{*2} manganese-silicon (MS) Lithium Rechargeable Battery^{*3}

The MS lithium rechargeable batteries provided by the Group are compact, high-capacity batteries which suffer little capacity change even after repeated charging and discharging.

We also manufacture products which can be used in high temperature environments. These products are widely used in devices such as security cameras and drive recorders. To meet the new needs of customers, we developed reflowable MS lithium rechargeable batteries in 2019. We are the only group in the world that manufactures and sells this type of product. Reflowing makes automatic mounting on substrates possible, thereby improving customer mounting efficiency and reducing the number of mounting defects.

In developing this product, since reflowing involves high levels of heat that would expose a battery body to a temperature of roughly 260 degrees Celsius, we faced the issues of reduced discharge capacity and a higher likelihood of the battery exterior rupturing. We spent several years in the design phase of product development, exploring new, exceptionally heat-resistant materials and engaging in repeated rounds of prototype evaluation and verification. Through this process, we established optimal elemental technologies that solved these issues.

The batteries’ product design that absorbs variance factors during the production process, and quality verification performed in areas which exceed actual market usage environment and conditions helped ensure Seiko quality in our “tough design,” which realizes a stable level of quality in our mass-produced products.

^{*2} Reflowable: “Reflowing” is short for “reflow soldering.” It consists of placing solder paste at room temperature and then heating the paste to melt it and attach components. Reflowing makes it possible to automatically mount components to substrates.

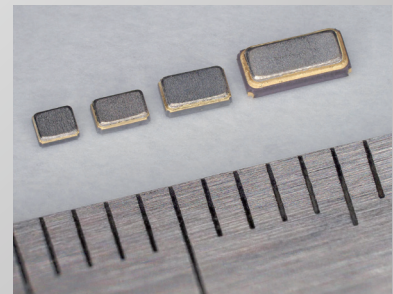
^{*3} manganese-silicon (MS) Lithium Rechargeable Battery: These rechargeable lithium batteries use high capacity silicon oxide developed by Seiko for their negative electrodes and lithium-manganese composite oxide for their positive electrodes.



Ultra-compact crystal oscillators

Crystal oscillators are used to accurately control time, not just in watches but in all types of electronic devices. Seiko's crystal oscillators were first developed as the hearts of quartz watches. Through the years, we have constantly striven to make them more compact, higher quality, and more reliable. The Group developed the world's smallest tuning fork crystals, and we are one of the few manufacturers who can mass produce them. The evolution of IoT is creating a need for greater compactness in electronic components used in wearable devices, such as smartwatches, and hearables, such as wireless earphones. The smaller the size of a crystal oscillator, the more difficult it becomes to maintain consistent accuracy. The Group has developed state-of-the-art fine laser processing technologies which make it possible to perform high precision processing, not leaving behind even trace amounts of material. These technologies have enabled us to succeed at manufacturing ultra-compact crystal oscillators with stable frequencies. Furthermore, these devices must be highly shock resistant. Based on the design philosophy we have cultivated through our watch manufacturing, which places great importance on quality and reliability, we define rigorous product specifications from the development phase and then perform repeated prototyping, testing, and refinement to achieve a high level of shock resistance.

The number of electronic vehicle-mounted systems has rapidly risen in recent years, and the components used in these systems must offer a high level of operational stability even in harsh usage environments. The Group's crystal oscillators live up to those quality standards.



Ultra-compact crystal oscillators SC-12S (left)
World's smallest size: 1.2×1.0mm, Thickness: 0.5mm

Miniature ball bearings

Miniature ball bearings are important components that assist with the low friction, smooth movement of rotary shafts in machines and motors. They significantly affect the amount of energy that machinery consumes. The most important aspect in reducing friction is the precision of the processing performed on the balls themselves and the surfaces on which they travel. The Group performs in-house manufacturing not only for the balls themselves, but also the internal grinders used to process the surfaces the balls roll on. Based on the precision component assembly technologies we have cultivated through watch manufacturing, we have also set up compact, high-speed automated assembly lines within the Group, and we manufacture tens of millions of precision miniature ball bearings each month. We owe the quality of these components to the Group-wide product development capabilities and manufacturing technology capabilities, including our ability of developing manufacturing equipment. Our high-quality products are used in numerous applications, such as the rotational components of compact cooling fan motors, which must be silent, consume little power, and have long service lives.

For the hard disk drive market, which requires particularly high quality levels, the Group has been supplying pivots, components that contain miniature ball bearings, for over 20 years. Hard disk drives are made up of numerous extremely high-precision mechanisms, hence their high precision and quality requirements. There are currently only three companies in the world, including us, that are able to consistently supply high-quality pivots needed by hard disk drives. The Group's miniature ball bearings are also used in the rotating drill components of dental handpieces. The ultra-fast rotation speeds of these devices demand high levels of precision, which we meet thanks to our manufacturing technology capabilities, thereby ensuring the quality of the devices used for medical applications.



Pursuing high quality in order to achieve sustainable growth

We will continue to actively dedicate ourselves to “upstream quality” and “tough design,” in order to provide solutions that “create a future full of smiles” through “constantly pursuing innovation.”

The Group's dedication to quality is not limited to the DS Domain. In the Emotional Value Solutions Domain, we will polish our skills and sensibilities and maintain a long-term, deeply customer-oriented focus so that we can offer products and services that inspire people. In the Systems Solutions Domain, we will continue to put ourselves in our customers' shoes as we tackle all types of issues and ceaselessly provide quality that contributes to the realization of IoT society and Society 5.0.

Corporate Governance

List of Directors & Officers (current as of October 2022)

SEIKO GROUP CORPORATION

Director, Chairman, Group CEO, and Group COO
Shinji Hattori

Director,
Senior Executive Vice President
Takahiro Naito

Devices Solutions Domain

Outside Director
Tsuyoshi Nagano

Outside Director
Yasuko Teraura

Outside Corporate Auditor
Masatoshi Yano

Outside Corporate Auditor
Kenji Sakurai

Senior Vice President
Naoki Tajima

Human Resources
and General Affairs

Director, President
Shuji Takahashi

Director,
Senior Executive Vice President
Jun Sekine

Group CIO (System Solutions Domain)
IT Planning and DX Business
Promotion

Outside Director
Noboru Saito

Standing Corporate Auditor
Haruhiko Takagi

Executive Vice President
Kiyoko Niwasaki

Corporate Branding,
Public Relations & IR,
and ESG - SDGs Promoting

Director,
Senior Executive Vice President
Akio Naito

Emotional Value Solutions Domain,
Legal, and Intellectual Property

Director,
Executive Vice President
Shimesu Takizawa

Financial Management and Real
Estate Management

Standing Corporate Auditor
Takashi Nishimoto

Outside Corporate Auditor
Hideki Amano

Executive Vice President
Makoto Ichimura

Secretaries, Corporate Strategy
Planning, and Strategy Planning

SEIKO WATCH CORPORATION

Director, Chairman of the Board
Shinji Hattori

Director,
Senior Executive Vice President
Taku Yoneyama

Corporate Strategy
& Planning Division

Director,
Executive Vice President
Yoshikatsu Kawada

Marketing Division II

Director
Shuji Takahashi

Director
Hideo Hattori

Senior Vice President
Yasunori Hagiwara

Marketing Division I

Senior Vice President
Katsuyoshi Takizawa

Planning
& Development Division

President
Akio Naito

Director,
Senior Executive Vice President
Hiroshi Nakahara

Planning & Development Division

Director, Senior Vice President
Teruyo Ishimaru

Marketing Division II

Director
Kiyoko Niwasaki

Corporate Auditor
Atsushi Kaneko

Senior Vice President
Naoaki Tanimura

Corporate Strategy
& Planning Division

Senior Vice President
Shuichiro Seki

Planning & Development Division

Representative Director,
Deputy Chief Operating Officer
Minoru Ishiguro

Marketing Division I

Director, Executive Vice President
Hiromi Kanagawa

Marketing Division I

Director, Senior Vice President
Akira Takakura

CS Strategy & Planning Division

Corporate Auditor
Haruhiko Takagi

Senior Vice President
Kiyomi Tanemura

Planning & Development Division

Senior Vice President
Munehisa Shibasaki

Marketing Communications Office

SEIKO Time Creation Inc.

President
Kenji Hagiwara

Director,
Executive Vice President
Ryozo Suenaga

Time System & FA Business
Headquarters and Head of
Construction Management

Director,
Executive Vice President
Akira Banno

Clock Business Headquarters
and Domestic Marketing Division

Director, Senior Vice President
Satoshi Morita

General Administration Division

Director, Senior Vice President
Susumu Kawanishi

Clock Business Headquarters and
Planning and Product Division
and International Marketing Division

Director, Senior Vice President
Osamu Sugita

Clock Business Headquarters and
Research & Technology Division

Director, Senior Vice President
Mitsunaga Yata

Time System & FA Business
Headquarters and Production
Engineering Management Division

Director
Shuji Takahashi

Director
Kiyoko Niwasaki

Director
Naoki Tajima

Director
Atsutoshi Yamamoto

Corporate Auditor
Kazuo Yamamura

Corporate Auditor
Takashi Nishimoto

Corporate Auditor
Hideo Hattori

Senior Vice President
Kenichi Muroya

Sports Timing & PR Office and
SDGs Promoting

Senior Vice President
Hisaya Mito

Time System & FA Business
Headquarters and Marketing
Division

WAKO Co., Ltd.

Chairman
Shinji Hattori

President
Shuntaro Ishii

Senior Executive Director
Kazuhiko Sakamoto

Director
Kiyoko Niwasaki

Director
Takeshi Endo

Director
Kotaro Okajima

Director
Shuji Takahashi

Director
Minoru Ishiguro

Corporate Auditor
Haruhiko Takagi

Seiko Instruments Inc.

President
Takahiro Naito

Director,
Senior Vice President
Kenji Otsuka
General Manager, Printing Device
Business Headquarters

Director
Shimesu Takizawa
Corporate Auditor
Makoto Hirota

Senior Vice President
Yasuto Nakamura
Precision Instrument Dept.

Senior Vice President
Kazuhisa Onishi
General Manager, Quartz Crystal
Division General Manager, Electronic
Components Sales Head Office

Director, Chief Executive
Vice President
Akihiro Okuma
General Manager, /Corporate Strategy
Division General Manager, /Precision
Device Business Headquarters, /Musical
Instruments Dept./Consumer Products Dept.

Director,
Senior Vice President
Koji Tomitsuka
General Manager, /Electronic components
Business Headquarters General Manager,
/Micro-Energy Division

Corporate Auditor
Norimasa Kuroda
Corporate Auditor
Takashi Nishimoto

Senior Vice President
Tatsuo Sagami
General Manager, Printing Device
Business Management Office

Senior Vice President
Makoto Matsuda
General Manager,
Print System Division

Director,
Executive Vice President
Satoshi Yoshino
General Manager, Human Resources
& General Administration Division
Finance Division

Director
Hideo Hattori
Director
Shuji Takahashi

Executive Vice President
Takumi Yoshitomi
General Manager, Finance Division

Senior Vice President
Yoshihiro Takeda
General Manager, Printek Division

SEIKO NPC CORPORATION

President
Yoichi Endo

Director
Kunio Nakajima
Corporate Auditor
Haruhiko Takagi

Senior Vice President
Norio Suzuki
Production Department

Director, Senior Vice President
Kimio Yomogida
Production & Administration
Department, Human Resources and
General Affairs

Senior Vice President
Hideaki Tadokoro
Administration & Finance
Department

Director
Akihiro Okuma
Director
Shimesu Takizawa

Senior Vice President
Toshimitsu Ogasawara
Sales Department

Seiko Future Creation Inc.

President
Tetsu Kobayashi

Director
Masao Kasuga

Director
Yoshio Kobayashi
Corporate Auditor
Takashi Nishimoto

Senior Executive Director
Makoto Ichimura

Director
Fumiharu Iwasaki

Senior Executive Director
Shinji Nureki

Director
Taku Yoneyama
Director
Takahiro Naito

SEIKO Solutions Inc.

President
Jun Sekine

Director, Executive Vice President
Takeshi Ichikawa
IoT Solutions Business Unit

Corporate Auditor
Haruhiko Takagi
Corporate Auditor
Tsutomu Konomura

Executive Vice President
Junichi Fujii
Strategic Business Unit

Senior Vice President
Tomoyuki Nakayama

Senior Vice President
Yasushi Moriya

Director, Senior Executive Vice President
Yoshio Kobayashi
Strategic Business Unit

Director
Shuji Takahashi
Director
Makoto Ichimura

Executive Vice President
Hiroyuki Watanabe
Quality Assurance Dept.

Executive Vice President
Nobuchika Matsuoka
Digital Transformation
Solutions Business Unit

Senior Vice President
Seigo Kanamaru

Senior Vice President
Tsutomu Shinkawa
Food Service Solutions Business
Unit, Data Service Business Unit

Director, Senior Executive Vice President & CFO
Yoshiyuki Hashimoto

Director
Naoki Tajima
Corporate Auditor
Minoru Nakao

Executive Vice President
Toshimasa Ike
Mobile Solutions Business Unit

Executive Vice President
Hirofumi Sakamoto
Value Creation Business Unit,
Strategic Network Business Unit

Senior Vice President
Masahiro Noguchi

Toward Strengthening Corporate Governance

The Group believes that strengthening corporate governance is indispensable to be a sustainable company. To this end, we are constantly making efforts to strengthen governance, including evaluating the effectiveness of the Board of Directors. The major initiatives taken in fiscal year 2022 are as follows.

▼ Outside Directors account for one-third of all Directors

As a result of the General Meeting of Shareholders held on June 29, 2022, three (3) of nine (9) Directors became Outside Directors. The three (3) Outside Directors of the Company are Tsuyoshi Nagano, Yasuko Teraura, and Noboru Saito.

▼ Introduction of the System of Executive Officer (Senior Vice President)

The Company has introduced the system of executive officer (senior vice president) for the purpose of strengthening supervisory functions of the Board of Directors and accelerating the execution of business, by separating management decision-making and supervision from the execution of business.

▼ Skills Matrix of Directors and Corporate Auditors → P.58

From the 161st Ordinary General Meeting of Shareholders held on

June 29, 2022, the Company has started disclosing in the notice of convocation a skills matrix of the skills and experiences of the Directors and Corporate Auditors.

▼ Revision of the calculation method for performance-linked compensation → P.60

In conjunction with the commencement of the 8th Mid-Term Management Plan "SMILE145" in fiscal year 2022, the proportion of performance-linked compensation to total compensation has been raised and non-financial targets have been added to the traditional financial targets as KPIs for the performance-linked compensation.

The Company has carried out additional measures, such as providing various opportunities to the Directors and Corporate Auditors to acquire the necessary knowledge and information to continue fulfilling their roles and responsibilities.

Basic Principle of Corporate Governance

Based on the principle "being a company that is trusted by society", Seiko Group Corporation considers "compliance with relevant laws and regulations", "implementation of management transparency and fairness", and "honoring social ethics" as core business goals. In order to achieve these goals, the Company will strengthen and promote its corporate governance framework and strive to achieve the Group's sustainable growth and increase corporate value.

Basic Policy

(1) Securing the Rights and Equal Treatment of Shareholders

The Company strives to develop a necessary environment that effectively ensures the rights of shareholders including voting rights at the general meeting of shareholders, and provides them with the necessary information accurately so that they can exercise their rights appropriately. The Company also committed to securing equality among shareholders, such as minority shareholders and foreign shareholders.

(2) Appropriate Cooperation with Stakeholders other than Shareholders

The Company recognize that its social responsibility is to contribute to the realization of a sustainable society through implementation of the Group's basic principle "being a company

that is trusted by society". Under such recognition, the Company strives to cooperate appropriately with its various stakeholders, including its shareholders, customers, business partners, members of local communities and employees.

(3) Ensuring Appropriate Information Disclosure and Transparency

In order to obtain appropriate evaluation from its various stakeholders including its shareholders, and to engage in a constructive dialogue with shareholders, the Company strives not only to disclose appropriate information in compliance with relevant laws and regulations, but also to disclose other information in a timely and appropriate manner so that such information would be clear and useful for the people who use it.

(4) Responsibilities of the Board of Directors

The Board of Directors will engage in free and constructive discussions and exchanges of opinions, and will appropriately fulfill its roles and responsibilities for the sustainable growth of company and the enhancement of corporate value over the medium to long-term, including making decisions on important management matters such as business strategies, establishing an environment that supports swift and decisive decision-making by the senior management, and enhancing management supervision.

(5) Dialogue with Shareholders

The Company will promote constructive dialogue with its

shareholders to contribute sustainable growth and enhancement of corporate value over the medium to long-term based on “Basic Policy on Constructive Dialogue with Shareholders”.

Corporate Governance Structure

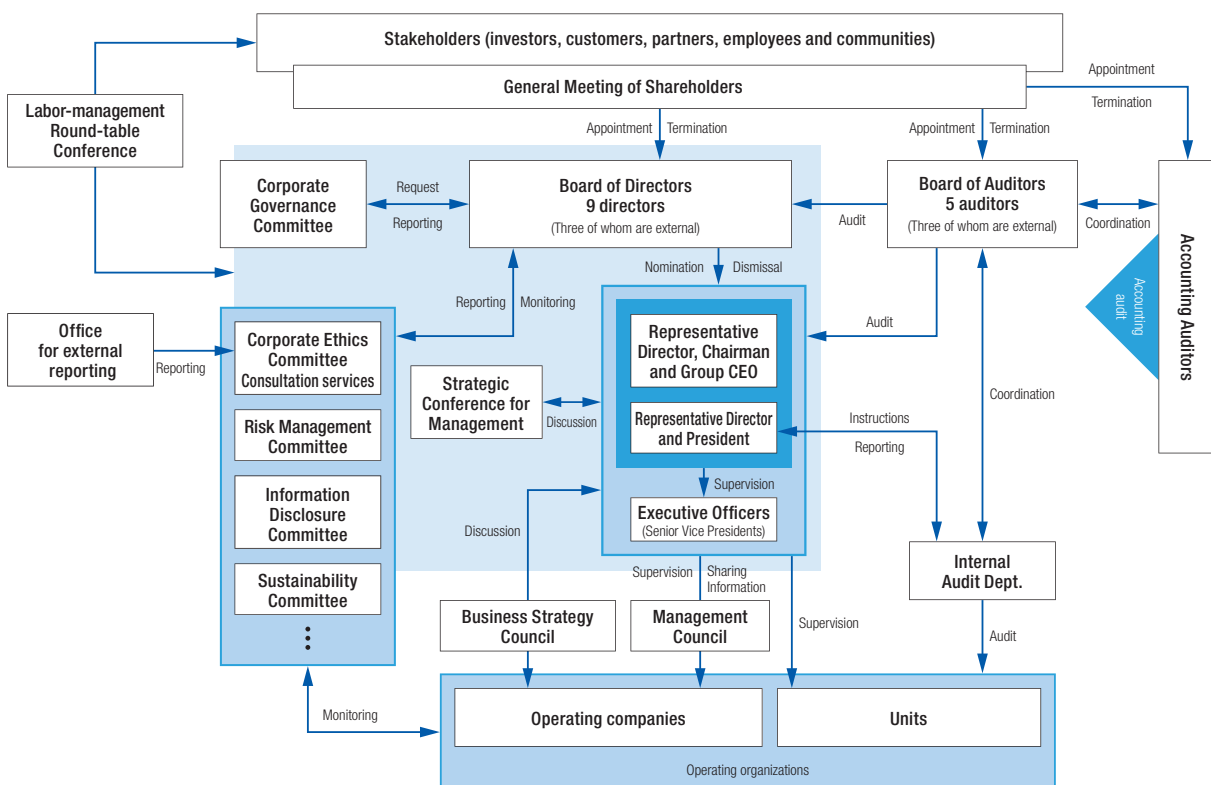
As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function. The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when necessary, as well as carries out quick and appropriate decision-making. The Company holds a Management Council and a Business Strategy Council, comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company and the respective Presidents of operating companies, for the purpose of working to share the management policy and management information of the Group and discussing medium-to long-term business strategies. The Company also holds a Strategic Conference for Management comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company for the

purpose of deliberating basic matters of business execution and promoting management activities appropriately and promptly.

Board of Directors

The Board of Directors is composed of nine (9) Directors (including one (1) female director), of whom three (3) are Outside Directors. The Board of Directors, pursuant to the Regulations of the Board of Directors, is engaged in decision-making concerning fundamental management matters and important business execution, in addition to matters set forth in laws and regulations and the Articles of Incorporation, as well as the monitoring of business execution. The Company has introduced the system of executive officer (senior vice president) for the purpose of strengthening supervisory functions of the Board of Directors and accelerating the execution of business, by separating management decision-making and supervision from the execution of business. There are three (3) Outside Directors who have broad experience and considerable insight in business management and in respective fields of specialization. With their independent positions, they contribute to improvement of monitoring functions of the management.

● Corporate Governance Structure



● Skills Matrix of Directors and Corporate Auditors

Name	Positions	Length of service	Gender	Skills and experience						
				Corporate management	Brand culture	Marketing	Technology	Finance & Accounting	Legal & Risk management	Global
Shinji Hattori	Chairman & Group CEO Group CCO	15	Male	●	●	●				●
Shuji Takahashi	President	9	Male	●		●	●			●
Akio Naito	Director, Senior Executive Vice President	Newly appointed	Male	●		●			●	●
Takahiro Naito	Director, Senior Executive Vice President	Newly appointed	Male	●			●			●
Jun Sekine	Director, Senior Executive Vice President	1	Male	●		●	●			
Shimesu Takizawa	Director, Executive Vice President	6	Male					●	●	●
Tsuyoshi Nagano	Outside Director	3	Male	●	●	●				●
Yasuko Teraura	Outside Director	3	Female						●	●
Noboru Saito	Outside Director	Newly appointed	Male	●		●	●			●
Haruhiko Takagi	Standing Corporate Auditor	6	Male					●		●
Takashi Nishimoto	Standing Corporate Auditor	2	Male					●	●	
Hideki Amano	Outside Corporate Auditor	3	Male					●	●	
Masatoshi Yano	Outside Corporate Auditor	3	Male	●					●	
Kenji Sakurai	Outside Corporate Auditor	Newly appointed	Male	●		●				●

Evaluation of the Effectiveness of the Board of Directors

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

Analysis and evaluation methods

All Directors and Corporate Auditors were asked to fill out a questionnaire regarding the effectiveness of the Board of Directors, and replies were collected from all of them. The questionnaire was prepared based on initiatives and discussions on the Company's corporate governance to date, and the following evaluation items were set.

Evaluation Items	Evaluation results	Issues from the previous fiscal year	Status of measures
1) The status of deliberations and operation of the Board of Directors 2) The composition and roles of the Board of Directors 3) The support system for Outside Directors 4) The Corporate Governance Committee 5) Relationships with investors and shareholders The Board of Directors conducted an analysis and evaluation of its effectiveness based on the replies to the items described above.	It was confirmed that the Board of Directors of the Company was functioning properly and its effectiveness had mostly been assured. As for the issues raised in the previous fiscal year, due to taking the measures described on the right, improvements to issues 1 and 2 were confirmed, while it was confirmed that issue 3 required further improvement in information sharing with the Board of Directors.	1 Discussions of medium- and long-term issues by the Board of Directors 2 Composition of the Board of Directors as a whole 3 Feedback by investors on the Company's evaluation, etc.	・ Prioritizing and scheduling key issues ・ Clarifying the discussion points of the key topics (sharing the background for being placed on the agenda and discussion points, etc.) ・ Further reviewing the allocation of discussion time and improving prior explanations ・ Conducting discussions on the diversity of the expertise, experience, etc. of the members comprising the Board ・ Improving the reports on the status of IR activities at the Board of Directors

Regarding “Feedback by investors on the Company’s evaluation, etc.,” given that the continuing need to improve information sharing with the Board of Directors was confirmed, the Company decided to continue addressing this issue. In addition, in light of the opinions designating necessity of an improvement of the Board’s discussion on non-financial items such as human capital and sustainability, the Company decided to newly set them as future issues.

Support system for Directors and Corporate Auditors

The Company provides, mediates, and provides monetary support for the necessary opportunities, such as seminars conducted by outside organizations, to Directors and Corporate Auditors, at their appointment and continuously after their appointment, in order for them to acquire the knowledge and information needed to fulfill their roles and responsibilities. During fiscal year 2022, the Company invited Outside Directors and Corporate Auditors to an inspection tour of “Japan Watch Collection”, an exhibition of watches which proposes collection of new products and example of merchandise display at stores to customer watch retailers. The Company held an inspection tour of its business locations, and gatherings for Outside Directors and Outside Corporate Auditors.

Board of Auditors

The Board of Auditors is composed of two (2) Corporate Auditors and three (3) Outside Corporate Auditors. Its role is to make decisions and discussion on important matters relating to the audit. Corporate Auditors audit the compliance and validity of the Directors’ business execution by participating in the Board of Directors meetings and other important meetings. Outside Corporate Auditors offer necessary advice, suggestions and opinions, making use of their broad experience and insight in business management and in respective fields of specialization.

Corporate Governance Committee

In order to enhance the objectivity and transparency of management, the Company establishes the Corporate Governance Committee where Independent Outside Directors and Independent Outside Corporate Auditors account for the majority of members, as an advisory body for the Board of Directors. The Committee deliberates on matters relating to compensation for officers, nomination of officer candidates including succession planning, appointment and dismissal of the senior management such as Representative Directors, and other matters regarding corporate governance from an objective and fair perspective, and reports to the Board of Directors.

The members and the chairperson of the Corporate Governance Committee are as follows:

Chairperson	President	Shuji Takahashi
Members	Chairman & Group CEO	Shinji Hattori
	Independent Outside Director	Tsuyoshi Nagano
	Independent Outside Director	Yasuko Teraura
	Independent Outside Director	Noboru Saito
	Independent Outside Corporate Auditor	Hideki Amano
	Independent Outside Corporate Auditor	Masatoshi Yano
	Independent Outside Corporate Auditor	Kenji Sakurai

Compensation of Officers

1. Basic policy of the compensation of officers

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

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

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

2. Compensation system for officers

Compensation for Directors who execute business duties consists of “basic compensation” which is a fixed compensation, and “bonuses” (short-term incentive compensation) and “stock compensation” (mid- to long-term compensation), which are performance-linked compensation.

To further promote the medium- and long-term improvement of business performance, the Company revised the composition ratio of compensation, the indicators regarding performance-linked compensation, and the calculation method of performance-linked compensation. In terms of the composition ratio, the proportion of performance-linked compensation was raised. To reinforce incentives and ensure the effectiveness of the Mid-Term Management Plan, “consolidated operating profit” “consolidated gross profit margin” and “consolidated ROIC” were set as the three (3) financial indicators. “individual evaluation” and “ESG indicators” (reduction rate of CO₂ emissions, etc.) were set as the two (2) non-financial indicators. In addition, in line with the introduction of the system of executive officer (senior vice president) on June 29, 2022, the Company decided to make Executive Officers (Senior Vice Presidents) eligible for the payment of performance-linked compensation, in addition to Directors who execute business duties.

The approximate compensation ratio of each type is as follows. (When the performance achievement ratio and the payment rate based on qualitative evaluations are 100%)

■ Basic compensation ■ Bonuses ■ Stock compensation

Representative Directors

Before revision:



After revision:



Directors who execute business duties other than Representative Directors and Executive Officers (Senior Vice Presidents)

Before revision:



After revision:



● Indicators for the performance-linked compensation

	Performance indicators
Bonuses	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Evaluation of individuals
Stock compensation	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Consolidated ROIC 4) Evaluation of ESG: CO ₂ emissions reduction rate (SCOPE 1 and 2), etc.

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

The Company believes that it is essential that candidates for senior management, Directors and Corporate Auditors have the character and knowledge suitable for their respective duties. Based on this concept, in the appointment of senior management and the nomination of candidates for internal Directors, comprehensive consideration is given from the standpoint of appointing the right person for the right position, so that talent is appointed in a well-balanced manner to cover functions of the Company as a holding company as well as the Group’s business fields, while ensuring accurate and timely decision-making. In the nomination of candidates for internal Corporate Auditors, comprehensive consideration is given from the standpoint of whether the candidate possesses knowledge of the Group’s businesses as well as insight regarding finance, accounting and legal affairs, and whether the candidate can contribute to ensuring the soundness of management.

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

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

Based on the above policy, the Board of Directors determines

the candidates proposed by the representative directors, upon deliberation by the Corporate Governance Committee, the majority of which comprises outside officers.

In addition, with regard to the dismissal of senior management, in situations in which dismissal standards determined by the Board of Directors apply, such as when senior management is not fully fulfilling his or her function in light of evaluations including the Company's performance, the Corporate Governance Committee conducts deliberations in a timely manner, and the Board of Directors, based on the results of such deliberations, determines the dismissal of senior management.

Appointment of Advisors, etc.

The Company, in accordance with internal rules, may appoint the former Representative Director and President, etc. as an Advisor, etc. The term of office of Advisors, etc. is one (1) year. The election/dismissal, re-election, duties, compensation, and other treatments are determined by the Board of Directors upon deliberations by the Corporate Governance Committee, the majority of the members of which comprise outside officers. Advisors, etc. are not involved in the management decision-making of the Company.

Cross-Shareholdings

From the perspective of improving the corporate value of the Group in the mid- to long-term, the Company has a policy to reduce shares that are deemed not to have a significance of holding them, taking comprehensively into consideration the Company's management strategy, business relationships with clients, and the benefits and risks, etc., associated with holding in view of its capital cost.

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

Most recently, an individual verification was conducted at the meeting of the Board of Directors held in August 2022. With regard to certain shares, which were determined to be lacking in significance or rationale for continued holding, the Company proceeds with discussions toward their disposal.

Based on the above policy on cross-shareholdings, the Company sold five stocks among the shares held by its subsidiaries in the fiscal year ended March 31, 2022.

Standards for exercising voting rights on cross-shareholdings

With regard to the exercise of voting rights on cross-shareholdings, the Company exercises its voting rights, upon fully respecting management policies and strategies, etc. of the issuing company, by comprehensively determining on whether the proposal contributes to the sustained growth and the mid- to long-term enhancement of corporate value of the issuing company, and whether or not it undermines shareholder value, among other factors.

In addition, in making such decisions for particularly important proposals, the Company holds dialogue with the issuing company, as necessary. The proposals deemed important by the Company are as follows.

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

Internal Control System

The Company, in accordance with its basic policy on the internal control system, has established a Group-wide internal control system, including the Group's business management, corporate ethics, compliance with laws and regulations, risk management and internal audits.

Furthermore, the Company monitors the operation status of internal controls and periodically reports the results to the Board of Directors.

Interview with an Outside Director



We will do our utmost to promote sustainable management and help to solve social issues while maintaining a focus on human resource development.

Outside Director
Tsuyoshi Nagano

Chairman of the Board of Tokio Marine Holdings, Inc.
Outside Director of Central Japan Railway Company
Outside Director of FUJIFILM Holdings Corporation

Q What do you see as the role of an Outside Director?

A I believe that an Outside Director's role is to provide advice regarding the formulation and implementation of Company policies so that the organization can achieve sustainable growth while helping to solve social issues and fulfill its Statement of Purpose. We provide advice based on our experience in a variety of roles, including company management. In this way, Outside Directors promote sustainable management. I believe that employee motivation is the most important aspect of the challenges facing management amid the recent dramatic changes in society. Therefore, in my comments as a director, I pay particular attention to the corporate culture and opportunities for employee growth that form the foundation of this motivation.

Q How would you evaluate the Company's efforts to strengthen corporate governance?

A I am now in my fourth year as an Outside Director here, and I feel that the Company has made steady improvements every year. The more information that the Company provides, the more advice Outside Directors are able to offer. It is important that management be transparent

and that there be frank discussions based on that transparent information. I think President Takahashi's stance of providing all necessary information, openly and candidly, is excellent. Also, over this time, I have seen an increase in the number of opportunities to deliberate medium- and long-term issues and other important matters at Board of Directors meetings. I think it is important to sharpen the focus of discussions on such topics. On the other hand, due in part to the pandemic, I have felt that there has been insufficient dialogue between Outside Directors and both the top management and core personnel in various Group businesses. It is important to gain a deeper understanding of employees and of the organization itself through such communication. I see this as something that needs to be addressed going forward.

Q The Group has already begun SMILE145, but what kind of discussion went into its formulation?

A In the first half of that process, an explanation of the formulation policy was provided to the Corporate Governance Committee, which consists primarily of outside officers. The basic policies of each business were then explained, and in the last stages of the process, the Board of Directors held three meetings, during which the overall policy, domain strategies, Group core strategies, and the like were explained. I felt that there was quite an active and

vigorous sharing of opinions in these meetings. We were able to sufficiently discuss each newly defined domain's business environment and strategy, including how each one relates to the Statement of Purpose, the Group's 10-year Vision in the run-up to our 150th anniversary, and our sustainability policy, all of which were determined before SMILE145 existed, as well as how each business carried on from the end of the previous Mid-term Management Plan. During these discussions, I occasionally offered some stern comments about the connections between these, as well as the content of some of the plans.

Q How do you view the current compensation system for officers, which was revised in conjunction with SMILE145?

A Several internal systems were changed when SMILE145 was launched. One of the important changes was a revision to the performance-based compensation system for officers, which is linked with the new KPIs. SMILE145 involves many strategies, and I hope that by demonstrating which of these are the most important for executives, we will have prepared a solid foundation for the execution of SMILE145. In this age of using business activities to help address social issues, I believe that we are sending a strong message by setting non-financial items as performance-based compensation KPIs.

Q How would you evaluate SMILE145? What issues do you think the Group will face in implementing it?

A Our Statement of Purpose was defined through a process of listening to employees and engaging in repeated discussions. We linked this to the Group's 10-year Vision, and we defined SMILE145 in line with that vision. I was very impressed by the steps in this process and by the discussions that took place around them. SMILE145 has clearly outlined three objectives: (1) Implementing management unified by a common purpose and through a purpose-driven approach; (2) Aiming to become a solutions company; and (3) Building a platform consisting of three domains and engaging in decentralized business-based management. We also defined the Group core strategies that will support these. To improve our execution capabilities under SMILE145, each and every employee must share the same powerful desire to create a company that responds to social issues. In our implementation

of SMILE145, the key challenges we face are establishing a widespread corporate culture and drawing out our Group's bottom-up power through a top-down approach. I believe our human resource strategy will be the key foundation of SMILE145.

Q Could you share your own expectations for the Company?

A Our Statement of Purpose represents sustainable management itself. We will work to address social issues, bring people greater satisfaction, and in the process, realize corporate growth. It is essential that we thoroughly establish our corporate culture – that is, the ideals expressed in our Statement of Purpose – and align the personal growth of our employees with the business growth of the Group. Each and every employee will be involved in moving the Group forward. These are also the tasks we face as we implement SMILE145. To lead the Group using a bottom-up approach, I think the most important thing will be how well we are able to incorporate the ideals in our Statement of Purpose into our employees' daily actions.

We cannot simply focus on achieving our budget plans; we need to make customers' needs and society's needs into objectives and reflect them in our future plans if we are to be effective in addressing social problems. This will earn us the support of customers, which will lead to higher sales and profits. We need to implement this kind of business cycle. The starting point, or the driving force of this virtuous cycle is, I believe, the motivation of employees who understand our Statement of Purpose. That is why honest and serious dialogue between top management and employees is key. Our real work has only just begun. I think we really need to be passionate and work steadily, and I am positive that this will drive the Group's future growth.

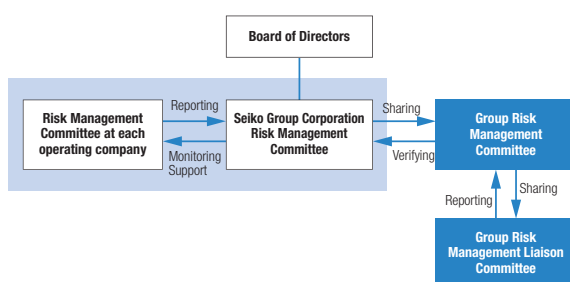


Risk Management

Group Risk Management Structure

In order to perform centralized management of risks that could greatly influence the Group’s business, Seiko Group Corporation is engaged in the development and strengthening of the risk management structure for the entire Group as well as responses to risks that must be addressed in a cross-organizational manner, led by the Risk Management Committee, with the president of the Company as chairperson. In addition, each operating company independently promotes risk management, while the Company’s Risk Management Committee supports the risk management at each company through collecting risk information and managing the status of responses to the risks. Furthermore, for the aim of smooth promotion of the group risk management in close cooperation and coordination among the Group, the Group Risk Management Committee, made up of the presidents of each operating company, has been established to verify and share information on the risks facing the Group. The Company has also established the Crisis Management Manual in preparation for when crises occur, and in normal times, has set out a system capable of responding to crises, such as prompt collection of the necessary information.

● Group Risk Management Structure



Business Risks

Risks that may seriously affect the operating results and/or financial position of the Group are outlined below. The Group considers brand-impairment risks and risks that affect the safety and health of employees and others to be critical risks. Both are medium-term risks, apart from the risks that have a significant impact on the business results in short term.

- (1) Economic trends
- (2) High dependence on procurement from specific supplier
- (3) Market environment of the DS Business
- (4) Country risks on manufacturing bases overseas
- (5) Dependence on sales to major customers
- (6) Shortage and increase in price of resources
- (7) Quality issues and production liability
- (8) Intellectual property rights
- (9) Currency exchange rate fluctuations
- (10) Interest rate fluctuations
- (11) Market price fluctuations
- (12) Environmental issues
- (13) Information securities
- (14) Natural disasters and influences of infectious diseases
- (15) Conduct risk

For details, please refer to our Annual Securities Report.
https://www.seiko.co.jp/en/ir/assets/AnnualSecuritiesReport_2203.pdf

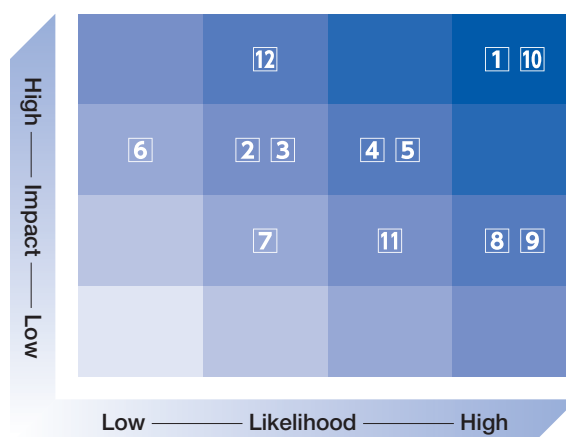
Initiatives to Improve Risk Management

The Risk Management Committee is working on various initiatives to improve risk management. As risks constantly change according to the external environment, the Company has ensured prompt reporting of risk information at various meetings beyond the risk management framework. Through this flexible initiative, prompt cross-Group information sharing and studies of measures have become possible, which has led to minimizing the impact of various risks on businesses. Going forward, we will continue our efforts to improve risk management to maintain sustainable business activities.

Initiatives to Address Significant Risks

The Group defines risks that could cause tremendous loss to the management of each Group company as Significant Risks. The Risk Management Committee of each Group company selects the Significant Risks each fiscal year and addresses them led by the departments responsible for the risks. In addition, Significant Risks that must be addressed in a cross-organizational manner are defined as Group Significant Risks, and the Company takes a central role in responding to such risks. The Company's Risk Management Committee and the Group Risk Management Committee monitor and share information on responses to Significant Risks and Group Significant Risks. The Group Risk Management Liaison Committee comprising risk management personnel from each Group company supports the promotion of measures against the Significant Risks of each company through inter-Group collaboration and cooperation.

Risk map of Group Significant Risks



● Group Significant Risks in FY2022

Category	Risk details
Risks that affect the safety and health of employees and others	1 Health hazards to employees and others due to the COVID-19 pandemic
Brand-impairment risks	2 Conduct risk
	3 Significant legal violations, quality issues, etc. in the supply chain
	4 Business operation risk due to computer system failures, etc.
	5 Disruption in operation and damage to the Company's image through IT trouble (including cyberattacks)
	6 Delays in and increased costs of decarbonization initiatives
	Business and financial risks
8 Impact of the situation in Russia and Ukraine on sales and procurement activities	
9 Difficulties in procuring parts and materials, labor shortages, and disruptions in logistics	
10 Deterioration of business performance due to the COVID-19 pandemic	
11 Difficulties in securing human resources (development and recruitment)	
12 Delays in innovating the business model	

Corporate Ethics / Compliance

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

Basic Principles of Corporate Ethics

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

Structure for the Promotion of Corporate Ethics and Compliance

In accordance with the Basic Principles of Corporate Ethics, the Company has established the Corporate Ethics Committee and Action Guidelines for Corporate Ethics, and consistently promotes education and enlightenment, consultation and reporting, auditing, and evaluation, etc. to all its officers and employees. Each operating company of the Group has established its own system of corporate ethics and action guidelines in accordance with characteristics of its business, relevant laws, regulations, and rules. Accordingly, when an incident involving corporate ethics occurs at an operating company, the operating company is responsible for resolving the issue. When requested by an operating company, the Company provides full cooperation and support toward resolving issues.

Implementing Corporate Ethics and Compliance Structure

The Company regards maintaining and implementing Corporate ethics and compliance structure as a crucial management issue and therefore implements business ethics training for all executives and employees. The Group considers brand impairment as a significant medium-term risk. Since noncompliance with laws and regulations as well as unethical and socially unacceptable acts are highly likely to expose the Group to the risk of an impaired brand image, we have identified a wider range of risks (conduct risks) including compliance risks as significant Group risks from fiscal year 2021. The entire Group has been committed to education, raising awareness, and other activities aimed at strengthening corporate ethics and compliance.

Internal Reporting System

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

Human Right Policy and Procurement Policy

On May 10, 2022, we established our Human Rights Policy. We will fulfill our responsibility to respect fundamental human rights in order to create “a future full of smiles,” as stated in the Group’s Statement of Purpose, and to realize our Corporate Philosophy. In addition, to achieve long-term coexistence and co-prosperity with our suppliers, we have established the “Seiko Group Procurement Policy” that is the basis for the procurement activities of the entire Group.

In fiscal year 2022, as key actions under the materiality of “Implement initiatives for respecting human rights” and “Promote responsible procurement and supply chains,” we established the “Seiko Group Procurement Guidelines” and are engaged in the establishment of a due diligence system for human rights.

* Please refer to our website for each policy.

https://www.seiko.co.jp/en/csr/sustainability_policy/

Investor Relations Activities

IR Policy

Seiko Group Corporation is committed to the facilitation of responsive and transparent communications with our shareholders and investors, making every effort to disclose information on a timely and appropriate basis.

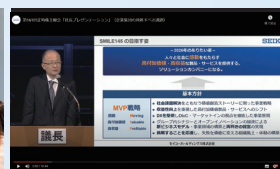
Targets	Activities	Content
Shareholders	General Meeting of Shareholders	Held on June 29, 2022
Institutional investors / Analysts (Japan and overseas)	Financial results briefings	Held on a quarterly basis Briefing materials and summary of Q&A are disclosed on the Company's website (Japanese and English)
	Business briefings	Conducted by officers in charge of each domain Example of past briefings : Systems Solutions Business briefing
	Small meetings	Held separately to discuss individual topics Example of past meetings : Small meeting held by the President to discuss the Mid-Term Management Plan
	Individual Interviews	Interviews and media coverage are handled by the CFO as a general rule, except during quiet period
	Conferences sponsored by securities companies	Every year, we participate in conferences held by securities companies in order to create greater opportunities for dialogue
	Group facility visits	Institutional investors and analysts are invited to Group facilities to provide them with a greater understanding of the Group Example of past visits : Grand Seiko Studio Shizukuishi, Seiko Museum Ginza



Small meeting by the President



Systems Solution Business briefing



General Meeting of Shareholders



Visit to Grand Seiko Studio Shizukuishi

Measures to improve IR activities

In order to ensure that our IR activities are beneficial to shareholders and investors, we actively conduct interviews, including one-on-one interviews, and questionnaires; actively request evaluations by outside evaluation organizations, etc.; and constantly strive to improve our IR activities. We will continue to engage in active dialogue with stakeholders and provide feedback regarding their valuable opinions to the management, disclose information in an appropriate and timely manner, and conduct IR activities that further increase our corporate value.

More broad-ranging IR information is posted on our Investor Relations website.



Investor Relations website
<https://www.seiko.co.jp/en/ir/>

Corporate website
<https://www.seiko.co.jp/en/>



Main IR content

- Financial Results, IR Presentation
- Mid-Term Management Plan
- Annual Securities Report
- Value Report
- Stocks and Dividends Information
- Financial Data etc.

Non-Financial Review

Environment

	FY2017	FY2018	FY2019	FY2020	FY2021
CO ₂ emissions* ^{1,4} (t-CO ₂)					
SCOPE1 + SCOPE2	136,148	116,244	113,607	109,296	102,634
SCOPE1	—	6,662	6,834	6,898	8,279
SCOPE2	—	109,582	106,773	102,398	94,356
Energy consumption* ¹ (MWh)	—	249,588	247,410	241,320	253,295
Renewable energy consumption* ³	0	0	0	0	15,948
Industrial waste emissions* ² (t)	5,223	6,080	5,124	5,232	5,686
Water consumption* ² (1,000 m ³)	989	904	870	814	791

*1 Scope of calculation: Seiko Group Corporation and all of operating companies in Japan and overseas

*2 Scope of calculation: Seiko Group Corporation and 22 operating companies in Japan and overseas

*3 Including purchases by certificate

*4 The following CO₂ emission coefficients are used:

Electricity: In Japan, we use emissions factors as determined by the emissions output for each separate electric power utility, as specified in the Act on Promotion of Global Warming Countermeasures. Overseas, the International Energy Agency (IEA) emission factors for each country are the standard reference.
 Fuel: Both in Japan and overseas, emissions are measured as the calorific value by type of fuel and emission factors for fuel use as specified in the Act on Promotion of Global Warming Countermeasures.
 Chilled/heated water: Emission factors provided by suppliers are used.

Social

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of employees Total (people)	12,033	12,020	11,947	12,092	11,984
Emotional Value Solutions* ¹	8,167	8,140	7,917	7,267	7,063
Devices Solutions* ¹	3,018	2,991	2,810	3,405	3,484
Systems Solutions	683	713	746	1,027	1,045
Others* ¹	28	35	35	37	31
Corporate* ^{1,2}	137	141	439	356	361
Ratio of women in managerial positions* ³ (%)	10.9%	12.4%	13.4%	13.7%	13.2%
Average years of employee service* ⁴ (years)	19.7	18.4	17.9	19.8	20.0
Ratio of employees with disabilities* ⁵ (%)	2.2%	2.4%	2.3%	2.7%	2.3%

*1 Reported segments have been changed from FY2022. Accordingly, the number of employees from FY2017 through FY2021 has been reclassified to reflect the new disclosure segments.

*2 From FY2019, a method of considering expenses related to headquarters have changed in order to appropriately evaluate the results of each reported segment. Following this change, the classification of the number of employees has been changed.

*3 The ratio of women in managerial positions for April 1 in the following fiscal year is displayed as the ratio as of the end of that fiscal year.

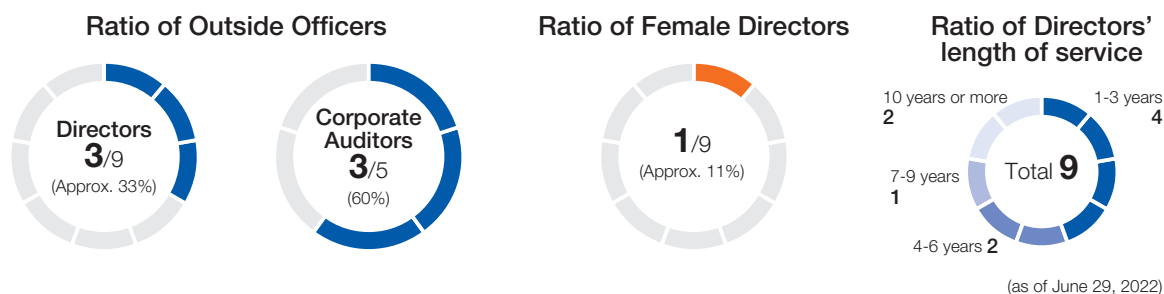
Scope of calculation: Seiko Group Corporation and 17 operating companies in Japan

*4 Scope of calculation: Seiko Group Corporation and 7 operating companies in Japan

*5 The ratio of employees with disabilities for June 1 in the following fiscal year is displayed as the ratio as of the end of that fiscal year.

Scope of calculation: Seiko Group Corporation and 8 companies certified as group companies including special subsidiaries

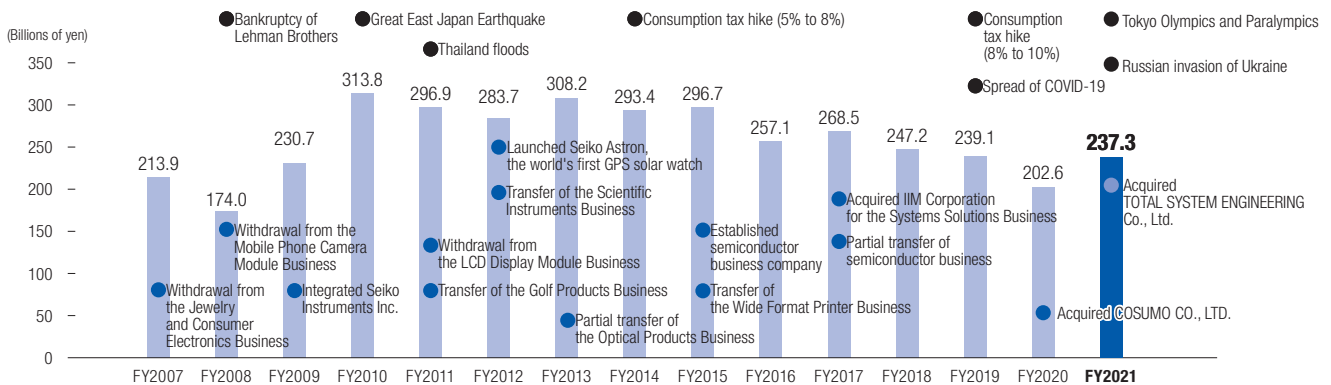
Governance



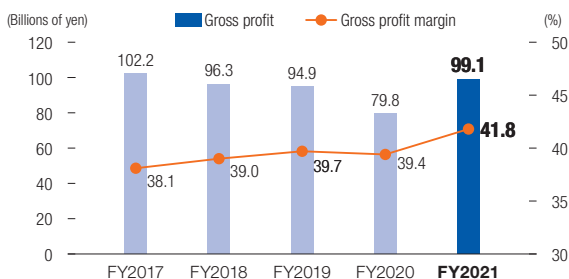
Ratio of Attendance at Board of Directors	FY2017	FY2018	FY2019	FY2020	FY2021
Average attendance rates of all Directors	97.8%	97.9%	97.9%	100.0%	100.0%
Average attendance rates of all Corporate Auditors	100.0%	96.9%	98.5%	100.0%	98.5%
Attendance rates of Outside Officers	100.0%	95.4%	93.8%	100.0%	98.5%
Average attendance rates of all Officers	98.5%	97.6%	98.1%	100.0%	99.5%

Financial Review

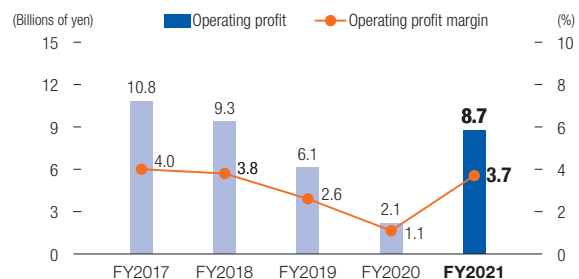
15 year net sales transition



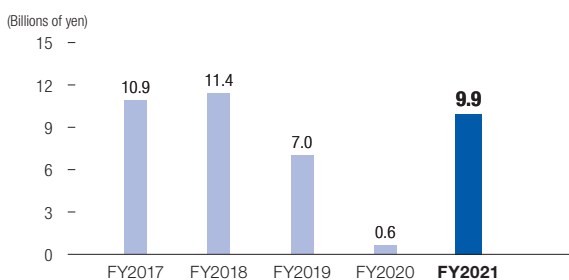
Gross profit / Gross profit margin



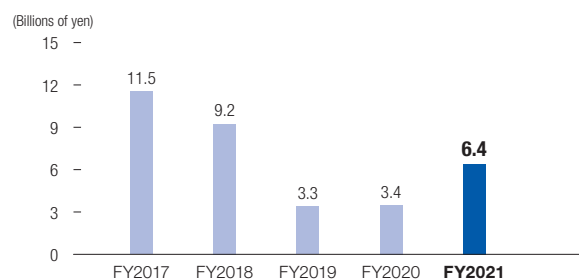
Operating profit / Operating profit margin



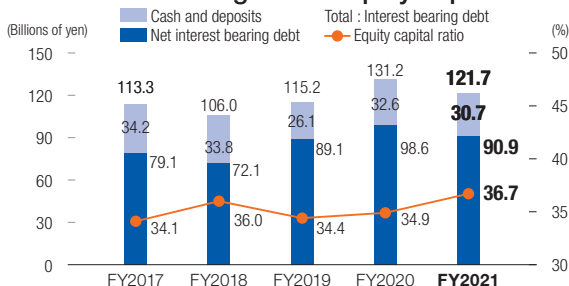
Ordinary profit



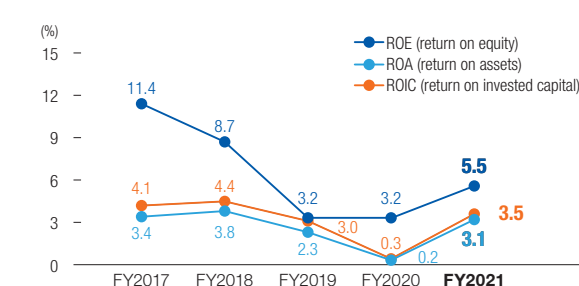
Profit attributable to owners of parent



Net interest bearing debt / Equity capital ratio



ROE / ROA / ROIC



* Net interest bearing debt = interest bearing debt - cash and deposits
 * Interest bearing debt = borrowings + lease obligations
 The Company has applied IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from Q1, FY2019.
 * 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) from the beginning of FY2018, and the indexes for FY2017 are presented after reclassification.

* ROE = profit attributable to owners of parent / ((equity capital at beginning of fiscal year + equity capital at end of fiscal year) / 2) x 100
 * ROA = ordinary profit / ((total assets at beginning of fiscal year + total assets at end of fiscal year) / 2) x 100
 * ROIC = (ordinary income after income taxes + interest expense) / (interest bearing debt + net assets) x 100

Ten-Year Financial Table

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Consolidated Statement of Income							
Net sales (by segment)*1							
Emotional Value Solutions	143,878	179,470	188,525	195,141	161,796	168,049	169,833
Watches*2	121,022	150,739	159,075	164,453	134,592	140,156	141,788
Others-Adjustments*3	22,856	28,730	29,450	30,687	27,204	27,892	28,044
Devices Solutions*4	106,844	86,299	88,684	87,351	78,662	76,632	50,133
Systems Solutions*5	16,157	22,868	21,142	19,455	20,287	27,411	30,809
Others*6	23,543	26,329	1,264	1,235	961	1,047	1,218
Adjustments	(6,633)	(6,681)	(6,144)	(6,478)	(4,591)	(4,610)	(4,701)
Consolidated total	283,790	308,286	293,472	296,705	257,115	268,529	247,293
Gross profit	87,053	103,540	104,266	108,540	96,292	102,297	96,338
Gross profit to sales ratio (%)	30.7%	33.6%	35.5%	36.6%	37.5%	38.1%	39.0%
Selling, general and administrative expenses	81,530	89,526	92,599	95,233	88,804	91,461	86,943
Operating profit (by segment)*1							
Emotional Value Solutions	7,720	11,002	11,746	12,934	7,185	8,166	11,086
Watches*2	7,874	12,253	12,334	12,722	7,615	7,902	10,391
Others-Adjustments*3	(153)	(1,251)	(587)	211	(429)	264	695
Devices Solutions*4	(1,203)	2,330	2,741	3,382	4,291	5,917	1,129
Systems Solutions*5	497	349	327	364	1,283	1,605	2,401
Others*6	372	944	249	160	159	229	229
Adjustments	(1,864)	(611)	(3,398)	(3,532)	(5,432)	(5,082)	(5,452)
Consolidated total	5,523	14,014	11,667	13,307	7,487	10,836	9,394
Operating profit to sales ratio (%)	1.9%	4.5%	4.0%	4.5%	2.9%	4.0%	3.8%
Ordinary profit	3,243	10,165	12,373	11,879	6,671	10,911	11,410
Ordinary profit to sales ratio (%)	1.1%	3.3%	4.2%	4.0%	2.6%	4.1%	4.6%
Profit attributable to owners of parent	5,527	7,422	21,778	12,142	5,392	11,541	9,249
Profit attributable to owners of parent to sales ratio (%)	1.9%	2.4%	7.4%	4.1%	2.1%	4.3%	3.7%
Advertising and sales promotion expenses	9,476	13,343	16,624	18,366	15,882	16,393	16,905
Salaries and wages	32,693	36,139	36,060	37,200	34,819	34,639	32,454
Provision for bonuses	1,113	2,007	2,202	2,074	1,867	1,986	1,879
Retirement benefit expenses	2,016	1,034	1,928	1,610	770	1,383	1,470
Research and development expenses*7	5,046	3,851	4,112	4,023	3,901	4,669	4,190
Consolidated Balance Sheet							
Cash and deposits	42,830	43,002	41,292	39,131	35,355	34,229	33,844
Inventories	60,638	57,022	62,910	65,196	66,177	57,011	58,305
Interest bearing debt*8	203,454	200,881	137,250	127,560	136,586	113,387	106,022
Net assets	40,801	64,766	92,589	102,692	107,161	105,170	110,415
Total assets	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	21,450	15,598	16,562	15,096	4,209	27,885	17,508
Net cash provided (used in) investing activities	(2,027)	(10,917)	46,254	(8,334)	(13,200)	(17,430)	(7,093)
Net cash provided (used in) financing activities	(29,274)	(3,517)	(66,816)	(6,645)	5,713	(11,759)	(10,670)
Free cash flow	19,423	4,681	62,816	6,762	(8,991)	10,455	10,414
Depreciation	12,886	12,242	10,892	10,325	10,959	10,128	8,980
Purchase of property, plant and equipment	(19,790)	(11,006)	(9,350)	(13,054)	(12,138)	(6,954)	(6,341)
Management Indices							
Overseas net sales	138,420	160,206	154,025	150,864	122,285	125,499	107,296
Overseas net sales ratio (%)	48.8%	52.0%	52.5%	50.8%	47.6%	46.7%	43.4%
ROE (return on equity) (%)*9	17.5%	14.6%	28.4%	13.1%	5.6%	11.4%	8.7%
ROA (return on assets) (%)*10	0.9%	2.8%	3.5%	3.6%	2.0%	3.4%	3.8%
ROIC (return on invested capital) (%)*11	2.3%	3.3%	4.5%	4.5%	2.6%	4.1%	4.4%
PER (price earnings ratio) (times)*12	14.3	11.4	5.8	7.6	17.4	9.2	11.7
Equity capital	39,013	62,871	90,410	94,521	98,119	104,010	109,221
Equity capital ratio (%)*13	11.0%	17.1%	27.1%	28.7%	29.8%	34.1%	36.0%
Net interest bearing debt*14	160,623	157,879	95,957	88,428	101,230	79,158	72,178
Net D/E ratio (times)*15	3.9	2.4	1.0	0.8	0.9	0.7	0.6
Basic earnings per share (yen)*16, *17	147.07	179.58	526.95	293.81	130.71	280.01	224.42
Net assets per share (yen)*16, *18	943.82	1,521.18	2,187.60	2,287.18	2,380.50	2,523.54	2,649.99
Dividend per share (yen)*16	12.50	25.00	50.00	62.50	75.00	75.00	75.00
Dividend payout ratio (%)	8.5%	13.9%	9.5%	21.3%	57.4%	26.8%	33.4%
Exchange rate (fiscal year average) (JPY)							
USD	83.1	100.2	109.9	120.1	108.4	110.8	110.9
EUR	107.1	134.3	138.7	132.6	118.8	129.7	128.4

(Millions of yen)

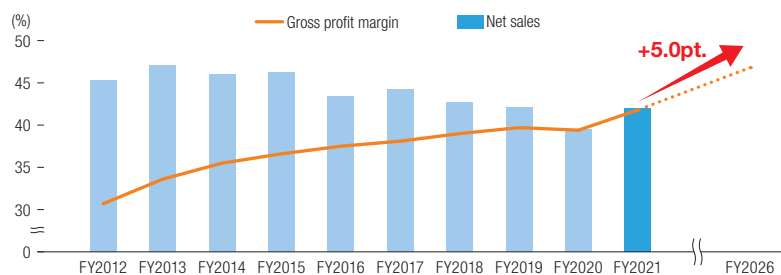
FY2019	FY2020	FY2021
163,444	127,835	150,890
135,475	105,054	125,744
27,969	22,781	25,146
46,962	47,536	61,060
32,839	34,114	34,413
1,222	1,274	1,052
(5,319)	(8,090)	(10,035)
239,150	202,671	237,382
94,928	79,866	99,178
39.7%	39.4%	41.8%
88,794	77,672	90,408
10,138	5,206	8,295
10,158	5,600	7,638
(19)	(393)	656
668	1,365	5,638
3,010	3,538	3,946
264	284	216
(7,947)	(8,200)	(9,326)
6,134	2,194	8,770
2.6%	1.1%	3.7%
7,004	633	9,939
2.9%	0.3%	4.2%
3,394	3,475	6,415
1.4%	1.7%	2.7%
18,845	14,929	15,985
32,163	28,827	32,970
1,913	2,023	2,365
1,371	1,224	1,294
4,607	4,095	4,106
26,112	32,611	30,740
65,734	68,424	73,048
115,261	131,242	121,728
104,273	113,082	121,624
299,990	319,671	327,533
2,704	2,874	20,358
(10,688)	(7,838)	(9,318)
678	10,465	(13,909)
(7,983)	(4,963)	11,040
10,315	10,690	8,879
(8,852)	(17,735)	(8,797)
101,635	89,561	112,978
42.5%	44.2%	47.6%
3.2%	3.2%	5.5%
2.3%	0.2%	3.1%
3.0%	0.3%	3.5%
21.2	22.3	14.7
103,050	111,695	120,067
34.4%	34.9%	36.7%
89,148	98,631	90,988
0.8	0.8	0.7
82.36	84.30	155.56
2,499.97	2,709.17	2,911.17
75.00	37.50	50.00
91.1%	44.5%	32.1%
108.7	106.1	112.4
120.8	123.8	130.6

Summary

In conjunction with the end of deflation in Japan, the Watches Business in the Emotional Value Solutions (EVS) Business performed favorably after FY2013, mainly in the Japanese market. From FY2016, net sales in the Watches Business temporarily slumped due to changes in market conditions, including shifts in theretofore booming consumption by foreign tourists in Japan and global stagnation in the market for affordable watches. In addition, net sales in the Devices Solutions (DS) Business also decreased as a result of the pursuit of selection and concentration. Net sales in the Watches Business began to grow from FY2016 through an acceleration of a shift to mid-high priced watches, and consolidated operating profit increased starting in FY2017, excluding the impact of removing the semiconductor business of the DS Business from the scope of consolidation. Since the fourth quarter of FY2019, our business was significantly impacted by the COVID-19 pandemic. However, despite the pandemic, the Watches Business has been successful in promoting digital marketing and expanding sales in overseas markets. In the DS Business, both net sales and profits grew due to factors such as a steady shift in the product portfolio to growth markets, such as Society 5.0. In addition, the Systems Solutions Business has achieved increases in both earnings and profits for six consecutive years thanks to our efforts on a shift to the stock business, even with the COVID-19 pandemic.

The gross profit (GP) margin has continued to improve over the past 10 years thanks to the successful measures in each business. Under SMILE145, we are focusing on medium- and long-term profitability and growth and working to enhance our growth investment capabilities by further improving the GP margin. We have positioned and pro-actively rolled out products with high-added-value and profitability as MVP products that create excitement, while also taking on the challenge of cultivating new growth markets to achieve the KPIs of SMILE145, namely the increase in the consolidated GP margin by 5.0 points (compared to FY2021), working toward realizing what we aim to be in 2026.

Changes in Gross profit margin



- *1 Reported segments have been changed from FY2022. Accordingly, the actual results from FY2012 through FY2021 have been reclassified to reflect the new disclosure segments, and they are unaudited and provided for reference.
- *2 The previous Watches Business
- *3 Including some of the businesses included in the previous Electronic Devices Business, the Time Creation Business and WAKO Business, not previously included in reported segments, and adjustment in the Emotional Value Solutions Business
- *4 The businesses previously in the Electronic Devices Business, other than those that have been changed to the Emotional Value Solutions Business
- *5 Separate segment from FY2013 (included in the Devices Solutions Business until FY2012)
- *6 Including the Optical Products Business until FY2013 (from FY2014, an equity method affiliated company)
- *7 Total of research and development expenses included in general and administrative expenses and manufacturing cost
- *8 "Interest bearing debt = borrowings + lease obligations
The Company has applied IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from Q1, FY2019."
- *9 ROE = profit attributable to owners of parent / ((equity capital at beginning of fiscal year + equity capital at end of fiscal year) / 2) x 100
- *10 ROA = ordinary profit / ((total assets at beginning of fiscal year + total assets at end of fiscal year) / 2) x 100
- *11 ROIC = (ordinary income after income taxes + interest expense) / (interest bearing debt + net assets) x 100
- *12 PER = stock price / basic earnings per share
- *13 "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) from the beginning of FY2018, and the indexes for FY2017 are presented after reclassification."
- *14 Net interest bearing debt = interest bearing debt - cash and deposits
- *15 Net D/E ratio = net interest bearing debt / net assets
- *16 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.
- *17 Profit attributable to owners of parent pertaining to common stock / average number of shares of common stock outstanding during the period
- *18 Net assets at end of fiscal year related to common stock / number of common stock at end of fiscal year

Financial Statement

Consolidated Balance Sheets

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Assets					
Current assets					
Cash and deposits	34,229	33,844	26,112	32,611	30,740
Notes and accounts receivable-trade	38,109	37,456	34,397	37,185	—
Notes receivable-trade	—	—	—	—	2,730
Accounts receivable-trade	—	—	—	—	35,694
Contract assets	—	—	—	—	343
Merchandise and finished goods	38,381	38,119	42,964	42,365	42,847
Work in process	10,701	11,448	12,161	13,878	16,376
Raw materials and supplies	7,928	8,737	10,608	12,180	13,823
Accounts receivable-other	3,537	3,116	5,406	4,932	4,437
Other	6,589	7,419	7,790	8,306	9,102
Allowance for doubtful accounts	(1,206)	(1,153)	(1,317)	(1,421)	(1,310)
Total current assets	138,271	138,989	138,123	150,039	154,786
Non-current assets					
Property, plant and equipment					
Buildings and structures	72,303	71,913	72,189	74,459	77,046
Machinery, equipment and vehicles	80,147	81,388	78,307	79,098	82,590
Tools, furniture and fixtures	30,419	31,772	32,278	34,183	35,782
Other	1,766	1,820	7,183	8,831	9,909
Accumulated depreciation	(145,116)	(148,177)	(146,873)	(150,227)	(156,227)
Land	49,199	48,998	48,522	54,409	54,056
Construction in progress	779	924	2,434	2,422	1,942
Total property, plant and equipment	89,498	88,640	94,044	103,177	105,100
Intangible assets					
Goodwill	9,149	8,289	7,430	7,336	6,453
Other	8,887	8,957	8,572	8,493	8,391
Total intangible assets	18,036	17,247	16,003	15,830	14,844
Investments and other assets					
Investment securities	46,774	45,913	38,759	41,463	43,536
Retirement benefit asset	—	—	—	391	773
Deferred tax assets	4,015	4,243	4,441	2,273	2,200
Other	8,908	8,165	8,734	6,605	6,397
Allowance for doubtful accounts	(208)	(163)	(115)	(109)	(106)
Total Investments and other assets	59,490	58,159	51,820	50,625	52,802
Total non-current assets	167,025	164,047	161,867	169,632	172,747
Total assets	305,297	303,036	299,990	319,671	327,533

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Liabilities					
Current liabilities					
Notes and accounts payable-trade	24,921	26,449	21,869	19,310	21,027
Electronically recorded obligations - operating	7,956	6,438	6,495	6,048	7,138
Short-term borrowings	49,916	49,610	59,140	72,611	63,709
Current portion of bonds payable	—	—	—	350	150
Current portion of long-term borrowings	21,476	19,698	16,843	17,315	23,719
Accounts payable-other	12,598	12,402	11,739	9,266	11,359
Income taxes payable	1,275	1,281	1,282	1,478	1,546
Contract liabilities	—	—	—	—	6,574
Provision for bonuses	3,534	3,644	3,477	3,634	4,174
Provision for goods warranties	445	440	462	367	409
Provision for loss on lease contracts	348	348	348	348	348
Provision for business restructuring	—	—	—	—	136
Other provisions	350	444	555	414	245
Asset retirement obligations	51	—	13	6	—
Other	11,589	12,213	13,929	14,528	13,873
Total current liabilities	134,467	132,972	136,158	145,679	154,413
Non-current liabilities					
Bonds payable	—	—	—	450	300
Long-term borrowings	40,075	35,106	33,637	35,263	28,752
Lease liabilities	—	1,246	4,288	4,499	4,096
Deferred tax liabilities	2,521	2,451	1,929	3,346	3,069
Deferred tax liabilities for land revaluation	3,614	3,614	3,614	3,614	3,614
Provision for loss on lease contracts	1,832	1,483	1,134	785	436
Provision for stock benefits	—	89	133	161	232
Provision for long-term goods warranties	77	82	84	86	90
Provision for retirement benefits for directors (and other officers)	36	36	35	35	19
Provision for gift certificate exchange losses	157	155	148	152	—
Provision for loss on business withdrawal	57	32	10	—	—
Provision for environmental measures	351	349	1	—	—
Other provisions	38	8	7	21	29
Retirement benefit liability	10,810	10,602	10,453	9,402	7,617
Asset retirement obligations	676	888	908	729	1,070
Other	5,410	3,501	3,171	2,361	2,166
Total non-current liabilities	65,660	59,647	59,558	60,909	51,494
Total liabilities	200,127	192,620	195,717	206,589	205,908
Net assets					
Shareholders' equity					
Share capital	10,000	10,000	10,000	10,000	10,000
Capital surplus	7,245	7,245	7,245	7,245	7,245
Retained earnings	67,975	74,124	74,418	75,909	79,075
Treasury shares	(334)	(335)	(328)	(315)	(292)
Total shareholders' equity	84,886	91,034	91,335	92,839	96,028
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities	11,639	10,099	5,486	10,431	10,942
Deferred gains or losses on hedges	(294)	(104)	11	(133)	(331)
Revaluation reserve for land	8,190	8,190	8,190	8,190	8,190
Foreign currency translation adjustment	468	878	(804)	1,055	5,116
Remeasurements of defined benefit plans	(879)	(876)	(1,169)	(687)	120
Total accumulated other comprehensive income	19,123	18,186	11,714	18,856	24,038
Non-controlling interests	1,159	1,194	1,223	1,387	1,557
Total net assets	105,170	110,415	104,273	113,082	121,624
Total liabilities and net assets	305,297	303,036	299,990	319,671	327,533

Consolidated Statements of Income

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	268,529	247,293	239,150	202,671	237,382
Cost of sales	166,231	150,955	144,221	122,804	138,203
Gross profit	102,297	96,338	94,928	79,866	99,178
Advertising and promotion expenses	16,393	16,905	18,845	14,929	15,985
Provision of allowance for doubtful accounts	57	71	210	90	50
Personel expenses	34,639	32,454	32,163	28,827	32,970
Provision for bonuses	1,986	1,879	1,913	2,023	2,365
Retirement benefit expenses	1,383	1,470	1,371	1,224	1,294
Other selling, general and administrative expenses	37,001	34,161	34,289	30,576	37,741
Total selling, general and administrative expenses	91,461	86,943	88,794	77,672	90,408
Operating profit	10,836	9,394	6,134	2,194	8,770
Non-operating income					
Interest income	152	188	171	55	67
Dividend income	735	774	763	771	774
Share of profit of entities accounted for using equity method	734	1,941	1,313	—	898
Foreign exchange gains	—	—	—	278	699
Royalty income	386	—	367	324	420
House rent and other rental revenues	426	—	340	350	—
Other	820	1,889	628	534	696
Total non-operating income	3,255	4,794	3,585	2,315	3,557
Non-operating expenses					
Interest expenses	1,293	985	982	899	896
Foreign exchange losses	558	79	291	—	—
Share of loss of entities accounted for using equity method	—	—	—	1,826	—
Other	1,327	1,712	1,441	1,149	1,492
Total non-operating expenses	3,180	2,777	2,715	3,876	2,388
Ordinary profit	10,911	11,410	7,004	633	9,939
Extraordinary income					
Subsidy income	—	—	—	618	133
Gain on sale of investment securities	—	—	—	7,603	—
Gain on sale of non-current assets	—	257	346	1,043	—
Gain on liquidation of subsidiaries and associates	—	—	—	140	—
Gain on sale of memberships	—	106	—	—	—
Gain on sale of businesses	9,373	—	—	—	—
Total extraordinary income	9,373	363	346	9,406	133
Extraordinary losses					
Loss on the spread of infectious disease	—	—	305	3,614	974
Business restructuring expenses	1,955	—	264	—	221
Impairment loss	177	—	240	—	—
Loss on retirement of non-current assets	—	—	179	—	—
Retirement benefit expenses	—	—	158	—	—
Provision of reserve for loss on lease contracts	2,181	—	—	—	—
Loss on liquidation of subsidiaries and associates	142	—	—	—	—
Total extraordinary losses	4,456	—	1,148	3,614	1,196
Profit before income taxes	15,828	11,774	6,201	6,424	8,876
Income taxes - current	2,338	2,409	1,745	1,682	2,138
Income taxes - deferred	470	35	974	1,088	125
Total income taxes	2,809	2,445	2,719	2,771	2,264
Profit	13,019	9,329	3,481	3,653	6,611
Profit attributable to non-controlling interests	1,477	79	86	177	196
Profit attributable to owners of parent	11,541	9,249	3,394	3,475	6,415

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Cash flows from operating activities					
Profit (loss) before income taxes	15,828	11,774	6,201	6,424	8,876
Depreciation	10,128	8,980	10,315	10,690	10,879
Increase (decrease) in allowance for doubtful accounts	162	(76)	134	65	(167)
Increase (decrease) in retirement benefit liability	(757)	(275)	149	(1,152)	(1,796)
Interest and dividend income	(887)	(962)	(935)	(827)	(842)
Interest expenses	1,293	985	982	899	896
Foreign exchange losses (gains)	203	(94)	75	74	(485)
Share of loss (profit) of entities accounted for using equity method	(734)	(1,941)	(1,313)	1,826	(898)
Impairment loss	177	—	240	—	—
Loss (gain) on sale of investment securities	—	—	—	(7,603)	—
Loss (gain) on sale of businesses	(9,373)	—	—	—	—
Loss (gain) on sale of non-current assets	—	(257)	(346)	(1,043)	—
Loss on retirement of non-current assets	276	92	245	192	304
Decrease (increase) in trade receivables	(2,438)	1,132	2,388	(911)	1,496
Decrease (increase) in inventories	1,990	(976)	(7,446)	(1,552)	(2,048)
Increase (decrease) in trade payables	9,310	(518)	(4,358)	(3,889)	176
Other, net	6,862	1,926	(2,643)	1,118	6,060
Subtotal	32,043	19,788	3,689	4,311	22,452
Interest and dividends received	887	963	935	827	842
Dividends received from entities accounted for using equity method	213	327	1,456	127	176
Interest paid	(1,291)	(988)	(990)	(898)	(897)
Extra retirement payments	(2,299)	(170)	(666)	(1)	—
Income taxes paid	(1,667)	(2,412)	(1,720)	(1,492)	(2,215)
Net cash provided by (used in) operating activities	27,885	17,508	2,704	2,874	20,358
Cash flows from investing activities					
Purchase of property, plant and equipment	(6,954)	(6,341)	(8,852)	(17,735)	(8,797)
Proceeds from sale of property, plant and equipment	124	1,061	546	1,864	642
Purchase of investment securities	(966)	(0)	(0)	(200)	(34)
Proceeds from sale of investment securities	6	33	2	10,624	301
Loan advances	(725)	(522)	(477)	(806)	(487)
Proceeds from collection of loans receivable	646	508	1,229	790	693
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,095)	—	(219)	(1,365)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	—	—	218
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,264)	—	—	—	—
Other, net	(5,201)	(1,831)	(2,916)	(1,008)	(1,854)
Net cash provided by (used in) investing activities	(17,430)	(7,093)	(10,688)	(7,838)	(9,318)
Cash flows from financing activities					
Proceeds from short-term borrowings	943,237	910,847	893,019	1,451,815	1,267,894
Repayments of short-term borrowings	(942,950)	(911,281)	(883,432)	(1,438,848)	(1,277,121)
Proceeds from long-term borrowings	24,200	16,300	16,800	20,800	18,600
Repayments of long-term borrowings	(32,476)	(23,058)	(21,124)	(19,172)	(19,045)
Repayments of lease liabilities	—	(371)	(1,463)	(1,798)	(1,716)
Dividends paid	(3,100)	(3,100)	(3,100)	(2,067)	(2,067)
Other, net	(669)	(5)	(20)	(265)	(453)
Net cash provided by (used in) financing activities	(11,759)	(10,670)	678	10,465	(13,909)
Effect of exchange rate change on cash and cash equivalents	67	229	(427)	727	1,267
Net increase (decrease) in cash and cash equivalents	(1,237)	(26)	(7,732)	6,228	(1,601)
Cash and cash equivalents at beginning of period	35,333	33,911	33,843	26,111	32,340
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(184)	(41)	—	—	—
Cash and cash equivalents at end of period	33,911	33,843	26,111	32,340	30,738

Segment Information

(Millions of yen)

		From April 1, 2020 To March 31, 2021	From April 1, 2021 To March 31, 2022
Emotional Value Solutions Business*	Revenues from external customers	125,709	147,849
	Transactions with other segments	2,126	3,041
	Total	127,835	150,890
	Segment profits	5,206	8,295
	Segment assets	127,719	128,009
	Depreciation and amortization expense	5,393	5,305
	Amortization of goodwill	0	0
Devices Solutions Business*	Investment amounts to equity method companies	136	41
	Increase amounts of fixed assets and intangible assets	3,933	4,814
	Revenues from external customers	44,059	56,653
	Transactions with other segments	3,477	4,407
	Total	47,536	61,060
	Segment profits	1,365	5,638
	Segment assets	70,481	76,374
Systems Solutions Business	Depreciation and amortization expense	3,030	3,169
	Amortization of goodwill	—	—
	Investment amounts to equity method companies	1,651	1,435
	Increase amounts of fixed assets and intangible assets	2,783	4,683
	Revenues from external customers	32,486	32,511
	Transactions with other segments	1,628	1,901
	Total	34,114	34,413
Others*	Segment profits	3,538	3,946
	Segment assets	23,912	24,799
	Depreciation and amortization expense	1,057	1,092
	Amortization of goodwill	388	394
	Investment amounts to equity method companies	—	—
	Increase amounts of fixed assets and intangible assets	1,033	780
	Revenues from external customers	416	367
Transactions with other segments	857	685	
Total	1,274	1,052	
Adjustments*1, *2	Segment profits	284	216
	Segment assets	21,721	24,140
	Depreciation and amortization expense	84	85
	Amortization of goodwill	—	—
	Investment amounts to equity method companies	5,069	5,958
	Increase amounts of fixed assets and intangible assets	32	100
	Revenues from external customers	—	—
Transactions with other segments	(8,090)	(10,035)	
Total	(8,090)	(10,035)	
Consolidated Total	Segment profits	(8,200)	(9,326)
	Segment assets	75,837	74,208
	Depreciation and amortization expense	1,123	1,225
	Amortization of goodwill	566	566
	Investment amounts to equity method companies	10,047	11,372
	Increase amounts of fixed assets and intangible assets	9,417	475
	Revenues from external customers	202,671	237,382
Transactions with other segments	—	—	
Total	202,671	237,382	
Consolidated Total	Segment profits	2,194	8,770
	Segment assets	319,671	327,533
	Depreciation and amortization expense	10,690	10,879
	Amortization of goodwill	955	962
	Investment amounts to equity method companies	16,904	18,808
	Increase amounts of fixed assets and intangible assets	17,200	10,855

*1. Reported segments have been changed from the fiscal year ending March 31, 2023. Accordingly, the above figures for the fiscal years ended March 31, 2021 and 2022 have been reclassified to reflect the new disclosure segments, and they are unaudited and provided for reference.

*2. Adjustments are as follows:

(1) Adjustments to segment profits include the following. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.

	From April 1, 2020 To March 31, 2021	From April 1, 2021 To March 31, 2022
Amortization of goodwill	(566) million yen	(566) million yen
Elimination of inter-segment transactions, etc.	309 million yen	32 million yen
Company-wide expenses not appropriated to each reported segment	(7,944) million yen	(8,792) million yen

(2) Adjustments to segment assets include the following. Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).

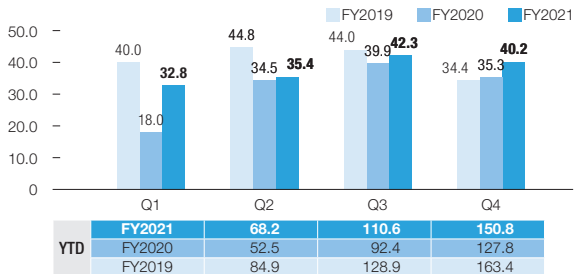
	From April 1, 2020 To March 31, 2021	From April 1, 2021 To March 31, 2022
Elimination of inter-segment liabilities.	(85,347) million yen	(71,786) million yen
Company-wide assets not appropriated to each reported segment	211,958 million yen	212,462 million yen
Elimination of investment and equity, etc.	(50,773) million yen	(66,467) million yen

(3) Adjustment to investment in entities accounted for by the equity method is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.

By Quarter (by Segment)

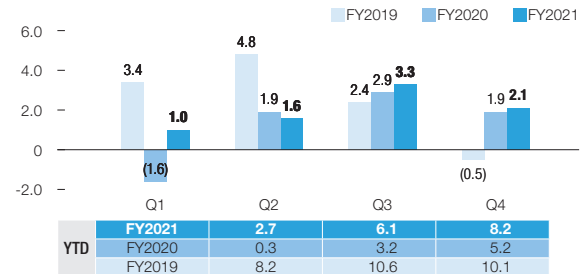
Net Sales (Billions of yen)

Emotional Value Solutions Business

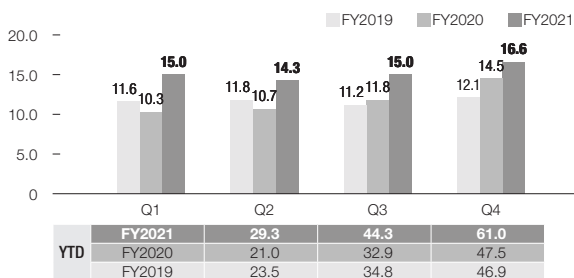


Operating Profit (Billions of yen)

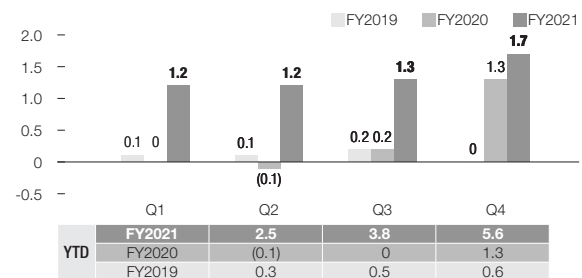
Emotional Value Solutions Business



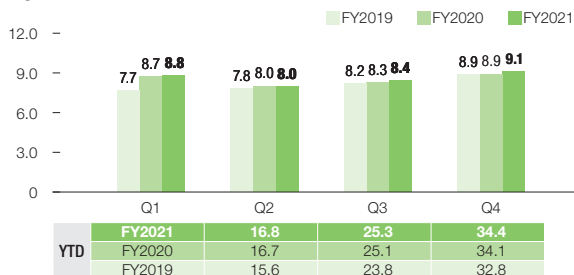
Devices Solutions Business



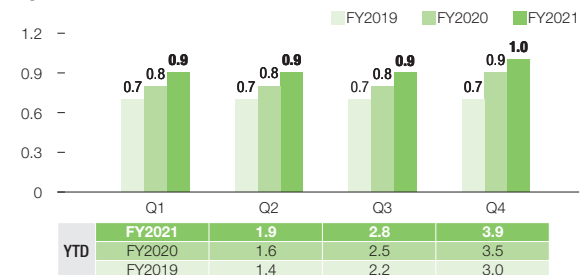
Devices Solutions Business



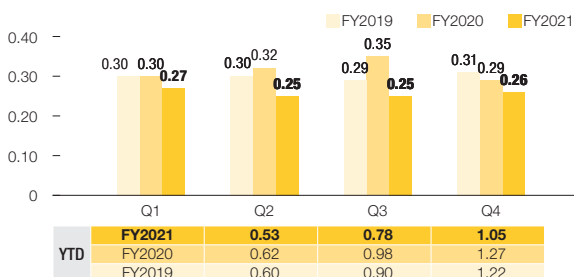
Systems Solutions Business



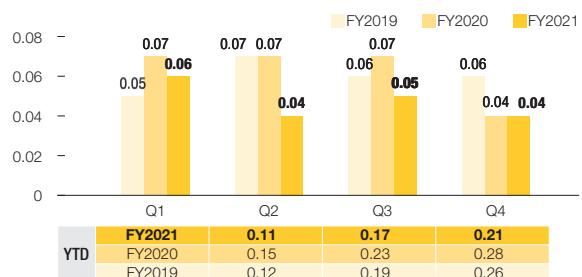
Systems Solutions Business



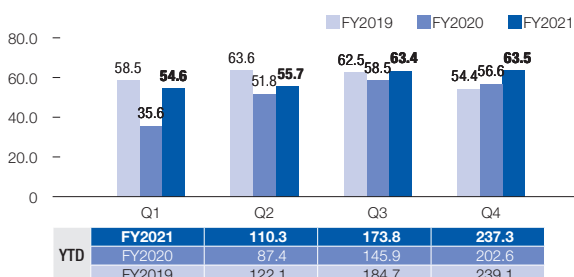
Others



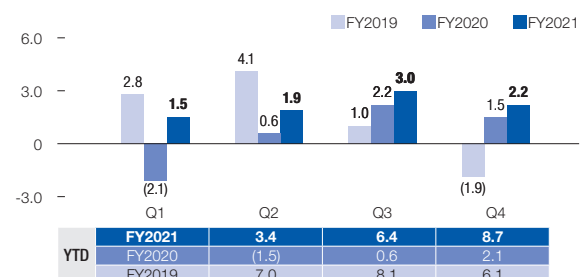
Others



Consolidated Total



Consolidated Total



* Reported segments have been changed from FY2022. Accordingly, the actual results from FY2019 through FY2021 have been reclassified to reflect the new disclosure segments, and they are unaudited and provided for reference.

Company Overview / Information about Shares

Company Overview

Company Name	SEIKO GROUP CORPORATION
Year of Establishment	1881
Capital	10 billion yen
Number of Employees*	361 11,984 (consolidated)

Operating Revenue*	12.0 billion yen
Consolidated Net Sales*	237.3 billion yen
Head Office Address	26-1, Ginza 1-chome, Chuo-ku, Tokyo Tel: +81-3-3563-2111

* as of March 31, 2022

Consolidated Subsidiaries (as of October 1, 2022)

Description of major businesses	Name	Address
Emotional Value Solutions	SEIKO WATCH CORPORATION	Chuo-ku, Tokyo
	SEIKO TIME LABS CO., LTD.	Koto-ku, Tokyo
	CRONOS Inc.	Chiyoda-ku, Tokyo
	SEIKO Retail Marketing Corporation	Chuo-ku, Tokyo
	Morioka Seiko Instruments Inc.	Shizukuishi-cho, Iwate
	Ninohe Tokei Kogyo Co., Ltd.	Ninohe-shi, Iwate
	Tono Seiki Co., Ltd.	Tono-shi, Iwate
	Michinoku Service Co., Ltd.	Shizukuishi-cho, Iwate
	Grand Seiko Corporation of America	New York U.S.A.
	Seiko Watch of America LLC	New York U.S.A.
	SEIKO Time Corporation	New York U.S.A.
	SEIKO Panama, S.A.	Panama City Panama
	SEIKO U.K. Limited	Maidenhead U.K.
	Seiko Watch Europe S.A.S.	Neuilly-sur-Seine France
	Grand Seiko Europe S.A.S.	Paris France
	SEIKO RUS Limited Liability Company	Moscow Russia
	SEIKO Hong Kong Ltd.	Kowloon Hong Kong
	SEIKO Manufacturing (H.K.) Ltd.	Kowloon Hong Kong
	Time Module Ltd.	Kwai Fong Hong Kong
	SEIKO Watch (Shanghai) Co., Ltd.	Shanghai P.R. China
	Guangzhou SII Watch Co., Ltd.	Guangzhou P.R. China
	SEIKO Taiwan Co., Ltd.	Taipei Taiwan
	SEIKO (Thailand) Co., Ltd.	Bangkok Thailand
	SEIKO Watch India Pvt. Ltd.	Bangalore India
	Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia
	Grand Seiko Asia-Pacific Pte. Ltd.	Singapore Singapore
	SEIKO Manufacturing (Singapore) Pte. Ltd.	Singapore Singapore
	SEIKO Australia Pty. Ltd.	Macquarie Park Australia
	SEIKO Time Creation Inc.	Koto-ku, Tokyo
	SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong
	SEIKO CLOCK (Shenzhen) Co., Ltd.	Shenzhen P.R. China
SEIKO Precision (Thailand) Co., Ltd.	Pathumthani Thailand	
WAKO Co., Ltd.	Chuo-ku, Tokyo	
Devices Solutions	Seiko Instruments Inc.	Mihama-ku, Chiba
	SII Printek Inc.	Mihama-ku, Chiba
	Seiko EG&G Co., Ltd.	Mihama-ku, Chiba
	Seshika Inc.	Mihama-ku, Chiba
	Seiko Future Creation Inc.	Mihama-ku, Chiba
	SII Crystal Technology Inc.	Mihama-ku, Chiba
	Seiko Instruments U.S.A., Inc.*	Torrance U.S.A.
	Seiko Instruments GmbH	Neu-Isenburg Germany

Description of major businesses	Name	Address
Devices Solutions	Seiko Instruments Trading (H.K.) Ltd.	N.T. Hong Kong
	Dalian Seiko Instruments Inc.	Dalian P.R. China
	Seiko Instruments (Shanghai) Inc.	Shanghai P.R. China
	Seiko Instruments Technology (Shanghai) Inc.	Shanghai P.R. China
	Seiko Instruments Taiwan Inc.	Taipei Taiwan
	Seiko Instruments (Thailand) Ltd.	Pathumthani Thailand
	Asian Electronic Technology Pte. Ltd.	Singapore Singapore
	Seiko Instruments Singapore Pte. Ltd.	Singapore Singapore
	SEIKO NPC CORPORATION	Taito-ku, Tokyo
	SEIKO Solutions Inc.	Mihama-ku, Chiba
Systems Solutions	IIM Corporation	Chuo-ku, Tokyo
	CSM SOLUTION CO., LTD.	Koto-ku, Tokyo
	GCC CO., LTD.	Koto-ku, Tokyo
	TOTAL SYSTEM ENGINEERING Co., Ltd.	Chuo-ku, Osaka
	Instruction Co., Ltd.	Chuo-ku, Tokyo
	BackStore Co., Ltd.	Chuo-ku, Tokyo
	Prestige Co., Ltd.	Minato-ku, Tokyo
Others	Human Capital Co., LTD.	Mihama-ku, Chiba
	KYOBASHI KIGYO (K.K.)	Chuo-ku, Tokyo
	Shirakawa Estate Co., Ltd.	Chuo-ku, Tokyo

And one other company

* Seiko Instruments U.S.A., Inc. is also in the business of "Emotional Value Solutions."

Affiliates accounted for by the equity method (as of October 1, 2022)

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

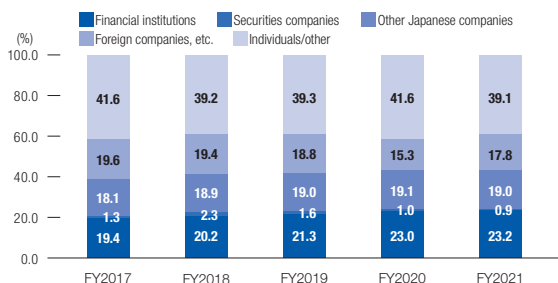
Information about Shares (as of March 31, 2022)

Total number of shares authorized to be issued: 149,200,000
 Total number of shares issued and outstanding: 41,404,261
 Number of shareholders: 12,934

Status of Major Shareholders (as of March 31, 2022)

Name	Number of shares (x 1,000)	Ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,752	11.5%
Sanko Kigyo K.K.	4,436	10.7%
Etsuko Hattori	3,613	8.7%
Shinji Hattori	2,279	5.5%
The Dai-ichi Life Insurance Company, Limited	1,800	4.4%
Hideo Hattori	1,622	3.9%
Custody Bank of Japan, Ltd. (Trust Account)	1,598	3.9%
GIC PRIVATE LIMITED-C (Standing proxy: The Bank of Mitsubishi UFJ, Ltd.)	1,369	3.3%
SHIMIZU CORPORATION	744	1.8%
FUJI BUILDING Co., Ltd.	671	1.6%

Distribution of Shares (as of March 31, 2022)



Share Price Transition

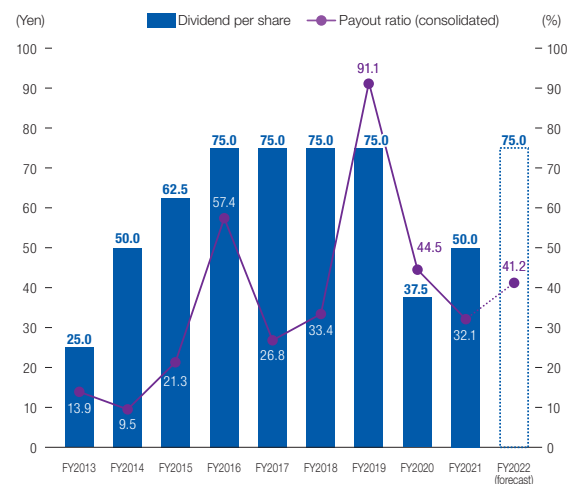


* Share consolidation performed on October 1, 2017 at a ratio of 5 ordinary shares to 1. The above annual dividend is when consolidation of shares is considered.

Dividend Policy

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

Dividend payout ratio



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

SEIKO GROUP CORPORATION