

SEIKO GROUP PURPOSE

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

Cover Inspiration

The cover features the birds envisioned as the hands of timepieces continue soaring toward a destination. The birds represent the three strategic business domains and Seiko Group's aspiration and the destination is a solutions company that we aim to be under the 8th Mid-Term Management Plan "SMILE145". That means that we continue going toward the achievement of "SMILE145" guided by the Group's Statement of Purpose as a compass. In addition, we changed the background to blue that is the domain color for Emotional Value Solutions (EVS) in this fiscal year that marks the second year of "SMILE145".

A Company that is Trusted by Society

Corporate
PHILOSOPHY

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CEO Message



Shinji Hattori

Chairman, Group CEO,
and Group CCO

We are working to transform into a solutions business that responds to the needs of the times.

To our stakeholders

When Japan changed from keeping time using flexible hour divisions that varied throughout the year to fixed hour divisions, our founder, Kintaro Hattori, understood that a business that could accurately tell the exact time was an essential part of the new social infrastructure. Accordingly, he established the K. Hattori Clock Store in 1881. Over 140 years have passed since then, and the environment in which we find ourselves today is continuing to change at ever-increasing scale and speed. In this unstable VUCA era, the Group aims to become a solutions provider, one that is capable of responding to new, continuously emerging social issues. For the Seiko Group, the aim of becoming a solutions company is both a return to basics and a challenge for our transformation.

Our initiatives to effect this transformation are set forth in our 8th Mid-Term Management Plan, called “SMILE145 (Seiko Milestone 145),” which began in April 2022.

As a first step, SMILE145 did away with our old structure in which our business segments were classified by products and services. Instead, we defined three new domains — the Emotional Value Solutions (EVS), Devices Solutions (DS), and Systems Solutions (SS) domains — differentiated by the kind of value that each business creates. We appointed executives to be responsible for each domain and established a system to create effective solutions. The Group’s Statement of Purpose (“As a company trusted by society, we will constantly

pursue innovation, inspiring people everywhere, and creating a future full of smiles”) will serve as the foundation for our ongoing solutions-creation endeavors.

The Group’s history is one of constant innovation, from our groundbreaking quartz timepieces to the GPS solar watch, Astron, and the revolutionary Constant-force Tourbillon, Kodo. We have created many products that already form a part of the modern social infrastructure, including high-precision time synchronization that supports 5G and other products for medical and automotive use. We have consistently inspired our stakeholders with accurate sports timing equipment and other products and services that go far beyond customer expectations. Going forward, we will create solutions in all three domains that brighten the lives of people everywhere.

Promotion of SMILE145

In fiscal year 2022 (ended March 31, 2023), the first year of SMILE145, we saw the business environment change even faster than expected. The device industry was hit by rapid market changes,



and business performance in the Devices Solutions Domain deteriorated from the second half of the fiscal year. On the positive side, as the pandemic subsided our B2C business recovered steadily, mainly in the Watches Business. In addition, the widespread social trend towards digitalization, which was accelerated by the pandemic, continued to evolve and is continuing today. In line with this trend, the Systems Solutions Domain is striving to boost growth by contributing to our customers’ digital transformation and meeting other social needs.

In the Emotional Value Solutions Domain, we must respond to increasingly diverse customer desires. Some customers want watches and clocks that represent who they are, while others want keepsake products that take on special meaning over many years of use. By developing products that exceed our customers’ expectations, we can inspire them and build strong, long-term relationships with them. To achieve this, we must always remain one step ahead of what our customers want today. In order to provide true value that goes beyond mere convenience, we must continuously pursue innovation rather than simply following trends. In 2022 we launched the landmark Kodo, a revolutionary watch equipped with a Constant-force Tourbillon complication mechanism that was the first of its kind in the world, and then in 2023 we released Tentagraph, Grand Seiko’s long-awaited first mechanical chronograph. We will continue to pursue innovation in order to provide unique products and services that both inspire and satisfy our customers.

The Devices Solutions Domain experienced the most severe market changes last year. While the first half of the fiscal year was favorable, conditions suddenly deteriorated in the second half, and we were late in responding to these changes. There are several businesses in the Devices Solutions Domain, and there are different reasons behind the decline in each business. Going forward, we will strive to grasp information faster and improve decision-making for each business. In addition, the scale of each business in the DS Domain is relatively small, while their rivals are huge. In order for these smaller businesses to grow when going toe-to-toe with giant firms, we must emphasize our unique strengths and shift to products that provide even higher added value. We will work hard

to improve profitability and stabilize this domain by further refining the MVP Strategy set forth in SMILE145.

I also believe that the digitalization of society, which advanced significantly during the pandemic, will continue for years to come. We see this in our Systems Solutions Domain, where we must solve new issues that our customers face in the social infrastructure and financial industries. Our approach is to view our customers’ issues as our own, consider these problems together with customers, and then constantly support them in finding solutions. As a result of this custom-response approach, we have steadily expanded the scope of our business and realized sustainable growth.

Creating human resources that support growth

People are the most important factor in promoting SMILE145 and bringing about our transformation into a solutions company. Nothing can be achieved unless each and every employee incorporates our Statement of Purpose in their daily work. As our Group’s Chief Culture Officer (CCO), it is my responsibility to spread the Statement of Purpose to every corner of the Group and to align employee growth with company growth. Only then can we become an organization that grows steadily as a solutions company.

Last year, we implemented engagement surveys for the first time, which revealed some of our unseen strengths and weaknesses. For example, these surveys showed that employees had high expectations regarding relationships between superiors and subordinates, as well as among colleagues in the same workplace, and that their overall level of satisfaction in this area was quite high. We also noted a tendency for middle-level employees to have low scores, which is said to be a common issue at large firms. As a result, we began engaging in dialogue with middle managers last year, because this group of employees will play a central role in our Group in five to ten years. We generally have lunch with four or five employees from Group companies whenever possible, and freely hold discussions about areas that overlap between their personal goals and the Group’s



Statement of Purpose. These discussions allow employees who play central roles in their respective workplaces, but who do not usually have a chance to speak to one another, to share their opinions and the sense of value that they have gained through their work. I hope that all employees will deepen their understanding of and empathy for our Statement of Purpose, share the Group’s goals, and apply what they have learned through these dialogues in their daily work.

In Japan, baseball has been seen as a modern extension of the samurai mentality. Especially to older Japanese, the sport represents the ideals of self-sacrifice, obedience to authority, physical training, and mental discipline that are seen as necessary to the process of growing into adulthood. From a very early age, young players are subjected to military-like discipline and must make significant personal sacrifices in order to become members of a school team. The ultimate goal is to appear in the National High School Baseball Championship, which is a major televised event with widespread appeal. Needless to say, winning the National Championship is a great honor, and as a culture we traditionally idolize winners, while the losing team is invariably portrayed on national TV crying uncontrollably, the players devastated because they have let down their managers and coaches, their

teammates, their school, their relatives, friends, etc. Losing is not strictly seen as a disgrace, but it is still something shameful and devoid of redeeming qualities.

This year things changed. The manager of the team that ultimately lost the Championship was known for promoting an attitude called "Enjoy Baseball," urging his players all through the season to enjoy themselves, not merely to sacrifice and suffer in order to win. Of course, athletes always aim to win, but sometimes losing is inevitable, he said, and yet you must enjoy playing regardless of the outcome. This is a very rare attitude in Japanese sports. I was deeply moved by this manager's words when his team narrowly lost in the finals.

"Life is about comebacks," he said. "We can learn from this experience and make use of it next time." He continued, "A person's value is revealed when they lose. Be a good loser."

This struck me not only as good advice for sports, but as a principle of good management. We must understand that failure to achieve something that you have tried your utmost to accomplish is not really failure. Quitting is failure. People who do not give up on their goals, but instead learn from their interim failures, have gained valuable experience. They are positioned to win even greater victories down the road. If we can see things from this perspective, it becomes possible to use our past experience as a springboard for our next moves, and to use the realizations we have made along the way to achieve results that even exceed our initial goals.

In SMILE145, we aim to support employees who are prepared to take on new challenges, and we will build a corporate culture that not only capitalizes on success, but also turns failure into value. To support this transformation in culture, we have



established the "Big Challenge Awards" as part of our internal awards system.

This award is offered through self-nomination in two categories: "initiatives that pursue high goals with unconventional ideas and create knowledge that leads to organizational growth" and "initiatives that help to foster a culture of challenge within the organization," regardless of success or failure. Company officers examine each selection in great detail and hold extensive discussions in order to present these awards.

Even initiatives that did not succeed received generous applause at the awards ceremony, and I was able to sense the beginnings of a corporate culture that praises innovation and a willingness to accept challenges. I believe that only when this kind of culture takes root will we be able to foster employees who see the issues of customers and society as their own, and repeatedly take on these challenges to achieve growth for both the Company and for society in general.

Because our company is over 140 years old, we can't help but notice that, over time, employees tend to develop similar values, reflecting the corporate legacy that they see around them. In Japanese companies, this used to be seen as a positive thing, but now society is diversifying in many ways, and diversity is essential if we are to continue developing optimum solutions for both clients and society. As one way to inject new ideas, we are actively recruiting people who have experience at other companies. In particular, having people with specialized skills play active roles in our company has a positive impact on our current employees and helps them to grow. I hope that employees of all ages will gain significant insights from these influences and help to promote our Group transformation.

Seiko has long welcomed female employees and is proud to have so many on our staff. However, when we look at the percentage of women in management, we must admit that we still have lots of room for improvement. In order for women to work in managerial positions, they must of course make strong personal efforts to demonstrate leadership and responsibility. However, it is also necessary for them to obtain the understanding of people around them and to establish an appropriate working environment among their superiors and

their fellow employees.

While Japan boasts one of the highest global levels of equality between men and women in terms of education, we fall far behind other countries in terms of social advancement. This is partly due to the fact that the burden of housework and childcare is not equally distributed between men and women. In order to rectify this situation, Seiko is working to enhance our paid childcare leave system for male employees. However, simply putting a system in place, without ensuring that the people it is intended to serve understand it and are ready to take advantage of it, is pointless. In order to be sure that eligible employees, as well as others who support them, fully understand the purpose and meaning of this system, we conduct training for all employees, from senior management to new hires, to promote greater awareness of the value of childcare leave for both men and women. Going forward, we will continue to use this system while striving to make it even better.

In the future, the development of human resources — people who will take charge of the Company years hence — will become particularly important. Not only do we need a succession plan for top management, but also for senior staff who will become the next generation of management across our wide variety of businesses. Human resources cannot be developed overnight. Therefore, this is an issue that the entire Group must tackle from a medium- to long-term perspective. Moreover, we are working urgently to develop personnel with an entrepreneurial spirit in order to help us create new businesses. We must foster the kind of creative, visionary human resources that will allow us to continue to succeed as a solutions company for decades to come.

Becoming a solutions company

As I mentioned earlier, the first year of SMILE145 achieved steady results, while also shining a light on various issues. Financially, due to a lack of progress in reducing interest-bearing debt, we saw delays in the improvement of ROIC, which is an important KPI. In addition, although our market capitalization surpassed 100.0 billion yen, we have yet to achieve a PBR of 1. Improving profitability

while simultaneously shifting to businesses that contribute to society is not easy. However, this is essential if we are to become the kind of solutions company we aim to be, which in turn brings us back to the Group's Statement of Purpose.

In addition to deepening dialogue with our stakeholders, all of our employees are moving steadily towards this goal, never forgetting our aim to "create a future full of smiles" by "constantly pursuing innovation."

We are all excited about the Group's ongoing business transformation, and we look forward to your continued understanding and support as this process progresses.



History of Value Creation

The Seiko Group has inherited the DNA of contributing to solving social issues and has provided products and services that are in demand at any given time throughout its more than 140-year history. We will contribute to people around the world to lead better lives with a smile by returning to being a solutions company as our starting point and responding to the changing business environment.

Social background

Industrial modernization

- Technological evolution triggered by the industrial revolution in Europe and the U.S.
- Abolition of various old systems and policies to open the country by the Meiji Restoration

Recovery from disruptions after the World War

- Postwar reconstruction and rapid economic growth
- Changes in the structure of the global watch industry

Dawning of the new era and transformation

- VUCA era with turbulent changes such as the global financial crisis of 2008-9 and the worldwide pandemic
- Aiming for the realization of a sustainable and diverse society

Emotional Value Solutions Domain

Watches, Clocks, Systems clocks, Sports timing devices, Wako (luxury retail)

Development of precision technology through watch manufacturing

In response to the transition from using hour divisions that varied throughout the year to clearly defined hour divisions, the founder Kintaro Hattori believed that enabling people to know the accurate time would contribute to solving social issues, and thus he laid the foundation of the clock and watch market in Japan by selling and repairing imported watches, as well as manufacturing domestically produced watches.

Building a foundation for global expansion

Seiko aimed to establish its own technology without relying on imitation of foreign products by analyzing all information related to watches and strengthening its R&D system. Seiko has gained credibility for its brand by offering products that deliver precise and accurate information, through roles such as being the official timer

for the Tokyo Olympics, dominating the top prizes in the Observatory Competition in Switzerland, and launching the world's first quartz watch.

Providing excitement to customers

In VUCA era, companies found it difficult to rely on mass production and mass consumption for growth. Seiko aimed for sustainable growth by combining established technologies and advanced technologies to promote the evolution of wristwatches (value creation). Seiko also delivers excitement to customers through synergies with businesses derived from watches.

1892
Started manufacturing wall clocks

1913
Japan's first wristwatch, the Laurel

1964
Official timer of the Tokyo Olympics

1969
World's first quartz watch, the Quartz Astron

1984
Japan's first large scale marionette clock, the Mullion Clock

1999
World's first Spring Drive watch

2014
World's first satellite radio wave clock

2022
Watch incorporating the world's first new mechanism, Grand Seiko Kodo

1894
First clock tower

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

1968
Dominated the top prizes in the Observatory Competition in Switzerland

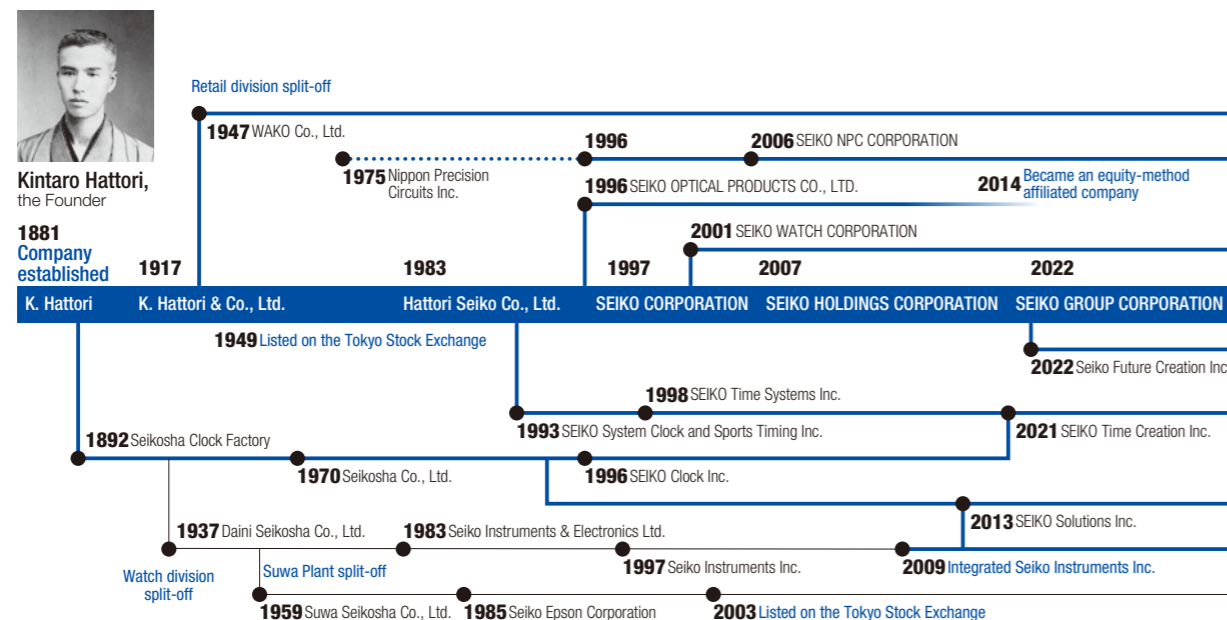
1987
Official timer of the World Athletics Championships (ongoing)

2012
World's first GPS solar watch, the Seiko Astron

2020
Opened Grand Seiko Studio Shizukuishi inside Shizuku-ishi Watch Studio

Solutions of the Seiko Group

Historical background of the Seiko Group's business



Devices Solutions Domain

Providing high-function, high-quality products using watch manufacturing technology

Seiko has employed Craftsmanship, Miniaturization, and Efficiency* technologies originating from watch manufacturing and development to offer various electronic and precision components. We will contribute to the realization of Society 5.0 by leveraging accumulated strengths such as miniaturization, low power consumption, high precision, and long product lifetimes.

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

1975
Quartz crystals, silver oxide batteries

2019
World's first reflowable MS Lithium Rechargeable Battery

* "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.

Systems Solutions Domain

Providing sustainable value aligned with customer needs

The business started with the provision of a real-time online system based on our in-house watch production management technology. In pursuit of becoming a solutions company, we provide optimal solutions for customer needs, ranging from consultation to system development and operation management.

1985
Automated ordering system for the restaurant industry

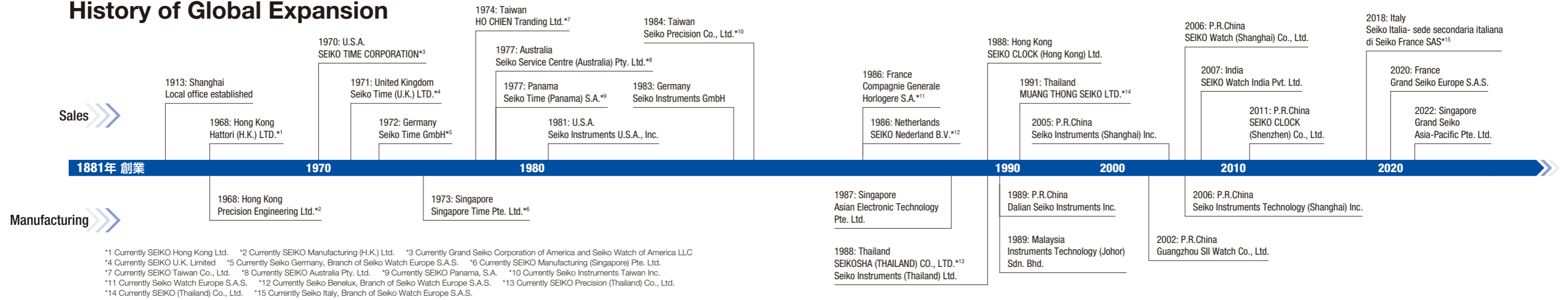
2002
Time stamp service

2019
AI learning for sign prediction services, LUiNa

Global Expansion

Seiko's network spans the world and leads the way to global expansion. It has been 111 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



A company rooted in countries and regions that grows with its community

In 1973, Singapore Time Pte. Ltd.*, a watch manufacturing company, was established as the first Japanese-origin company invited to Singapore. In the 50 years since then, it has built a foundation for what it is today by fostering a relationship of trust with the Singapore government. Recently, the company has been actively contributing to the community by implementing environmental activities under the slogan of "environmentally friendly manufacturing" and engaging in CSR activities companywide. In 2022, Grand Seiko Asia-Pacific Pte. Ltd., the third sales company for Grand Seiko worldwide, was established in Singapore to expand sales and marketing in the Asia-Pacific region. We aim for further growth as a company and brand that is needed and sought after by the community, while continuing to further contribute to the community.

* Currently SEIKO Manufacturing (Singapore) Pte.Ltd.

Chan Keng Mun
Assistant General Manager
MOVEMENT MANUFACTURING DIVISION
SEIKO Manufacturing (Singapore) Pte. Ltd.

Chong Hwa Heng
General Manager
MOVEMENT MANUFACTURING DIVISION
SEIKO Manufacturing (Singapore) Pte. Ltd.

Providing reliable quality and services, sharing precious moments with customers

Seiko's commitment to precision and reliability is highly valued in Australia. Seiko watches do more than simply provide information on the time, they are accepted as valuable partners that share the most important moments with customers. We want to protect the trust Seiko has built over the years by providing services that exceed customer expectations and creating an exceptional customer experience. We also aim to deepen ties with local communities and make Seiko Boutique a destination for many watch lovers. In addition, we aim to spread trust in Seiko among the people of Sydney, making Seiko Boutique a space where excellent watch manufacturing techniques that balance innovation and tradition come together. We believe that Seiko's watches make our customers' lives more special by delivering the quality of trust to our customers through watches and hospitality.

Dewesh Parmar
Manager
SEIKO Boutique Sydney

