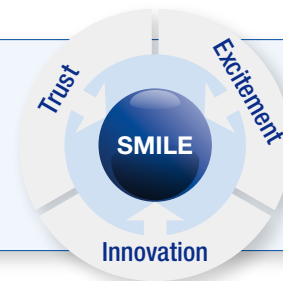


# Value Creation Story

## 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	<b>Global and diverse human resources</b>
	Ratio of consolidated employees/ overseas employees ..... <b>11,843</b> people / <b>52%</b>
	<b>Highly skilled personnel with specialized knowledge and skills</b>
	Contemporary Master Craftsmen *1 ..... <b>7</b> people IW Meister *2 ..... <b>5</b> people
Human resources who embody the Purpose and generate innovation	
Intellectual Capital	<b>Intellectual property rights owned</b> ..... <b>9,577</b>
	Technological capabilities and sensibilities that have led the times
Social and Relationship Capital	<b>Global sales and after-sales service network</b> ..... About <b>130</b> countries
	<b>Relationship of trust with business partners</b> SEIKO HOUSE GINZA
Manufacturing Capital	<b>Amount of capital investment</b> ..... <b>9.0</b> billion yen
	<b>Manufacturing sites in Japan and four overseas countries</b>
	<b>Advanced design and development capabilities</b>
Financial Capital	<b>Invested capital</b> Interest bearing debt ..... <b>138.8</b> Billion yen Net assets ..... <b>131.7</b> Billion yen
	<b>Fundraising ability based on reliability</b>
Natural Capital	<b>Effective use of resources</b>
	Energy consumption ..... <b>243,573</b> Mwh Water consumption ..... <b>761</b> thousand m <sup>3</sup>

Note: The above quantitative information is for the fiscal year ended March 31, 2023.  
\*1 A system under which the Minister of Health, Labour and Welfare annually awards craftsmen with exceptional skills who are considered leaders in their field.  
\*2 Iwate Watch Meister is an annual mechanical watchmaker skills evaluation program that aims to revitalize Japanese mechanical watchmaking by disseminating and improving skills and passing them on to younger generations.

### Environment Recognition

(Opportunities & Risks)

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

### 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.

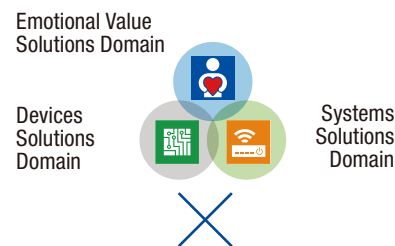
**W**: Well-being (A Better Life) / **I**: Inclusion (For All People) / **T**: Trust (Certainty and Trust) / **H**: Harmony (Harmony with the Earth)

### Growth Strategies

#### MVP Strategy

- M**oving: excitement
- V**aluable: high-added-value
- P**rofitable: substantial profits

#### Three Strategic Domains



#### Four Business Opportunities



#### Five Group Core Strategies



\*3 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."

### Values created by business activities

- **Superior functionality, quality, and technology**  
- Precision, strength, texture, durability, water resistance, long-term after-sales service, etc.
- **Values unique to Seiko**  
- History, design, cutting-edge technology, elegance, reliability, luxury, hospitality, product proposal capabilities, etc.
- **Products that provide safety and security as well as miniaturization, low power consumption, and multi-functionality**
- **Manufacturing and inspection efficiency and accuracy improvements utilizing cutting-edge technologies such as AI**
- **Expansion of production, sales, and after-sales service network and deepening of trust relationships**
- **Branding activities to share excitement with a wide range of people**
- **Ongoing support for reconstruction in the Tohoku region where manufacturing sites are located**  
- Biodiversity conservation, forest protection activities, reduction of greenhouse gas emissions  
- Efforts to respect human rights with business partners and suppliers

### Values stakeholders gain

#### To our customers and users

Supporting the lives of customers by providing satisfaction and peace of mind like the joy of owning and giving, and shared emotions that can be empathized with

#### To our business partners

Contributing to solving social issues and further enhancing creation value, such as improving customer quality and technology, by realizing high-density mounting for our customers

#### To our shareholders and investors

Improving profitability  
Strengthening financial capital

#### Together with employees

Improving employee engagement  
Boosting employee competence and motivation  
Promotion of diversity

#### Together with society and local communities

Revitalizing communities and fostering the next generation through sports and music  
Reducing environmental impact  
Respecting human rights

### 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**."

# Social Value Created by the Seiko Group

At the Seiko Group, we are constantly innovating to create new technologies, products, and services. By solving social issues as we continue to innovate, we bring excitement to our stakeholders and earn their trust. With Seiko quality as a foundation, the Group is working to create value that will help bring about a sustainable society. We are committed to creating a future full of smiles.

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

- Precision machining technologies that support high quality
- Reliable quality recognized by society

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

- Precise and delicate repair services
- Proposals that align closely with customer needs

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

- Craftsmanship that realizes innovation
- Advanced solutions with a combination of soft and hard factors

In the watch business from which Seiko began, we have striven to improve accuracy since our founding. In order to manufacture watches, with their small precision components, we have continued refining our sophisticated technical capabilities.

Through our uncompromising pursuit of precision and technology, we have created high-quality products and services. That continuing commitment to quality extends not only to our products but also to our customer services we provide, as well as to each business and each division.

The result is the reliable quality that Seiko offers today.

Seiko's concept of quality is not written explicitly in the Group. Instead, we think of quality as the source of all the value provided by the Group, the foundation for our corporate philosophy of being a company that is trusted by society.

It is no exaggeration to say that Seiko quality symbolizes the Seiko brand.

Having begun with watches, the Group's business now goes beyond delivering accurate time. Our watches make people feel emotions and delighted by holding them. Our high-end retail businesses offer ranges of high-quality products, extending sincere hospitality to customers. We also provide home appliances, and even services such as electronic payments and security-related services as we expand our business to every aspect of society. That breadth of our business stands as proof of society's appreciation of Seiko quality.

## Seiko quality as a source of social value

As a recent example, in 2022, the Group developed the Grand Seiko Kodo Constant-force Tourbillon, the brand's first complication watch incorporating a new mechanism that is the first of its kind in the world. Even in the mature field of watch technology, we have kept a single-minded focus on driving innovation, backed by the advanced technological capabilities that have been so vital to our success. Our passion for always pursuing something better has created Seiko quality.

Rather than contenting ourselves with the current levels of Seiko quality, we continue striving in various ways to maintain and improve quality. We are working to carry on the technology and skills of our "Craftsmen," the technicians who support the manufacture of our high-end watches, and the engineers behind our devices solutions. We have, for example, introduced a system for certifying employees with advanced skills. In these and other ways, we are working to develop our next generation of talent. With Grand Seiko, we are constantly working to take our product quality to an even higher level. We have reviewed the manufacturing process from the ground up, enabling us to adopt materials that would otherwise be difficult to put into practical use in watches.

Seiko quality creates products and services with higher added value. It delivers value that appeals to the senses, bringing satisfaction to customers and inspiring people's emotions. Our commitment to Seiko quality also leads to the realization of our Group Purpose.

We have been carefully succeeding the trust of Seiko brand, which is the quality built up by our predecessors. As we do so, we look closely at what we must adapt to the changing times and what we must continue to protect. Aiming to provide reliable quality that is trusted in each era, we will continue to grow together with society as a solutions company with the added value of the Seiko brand.

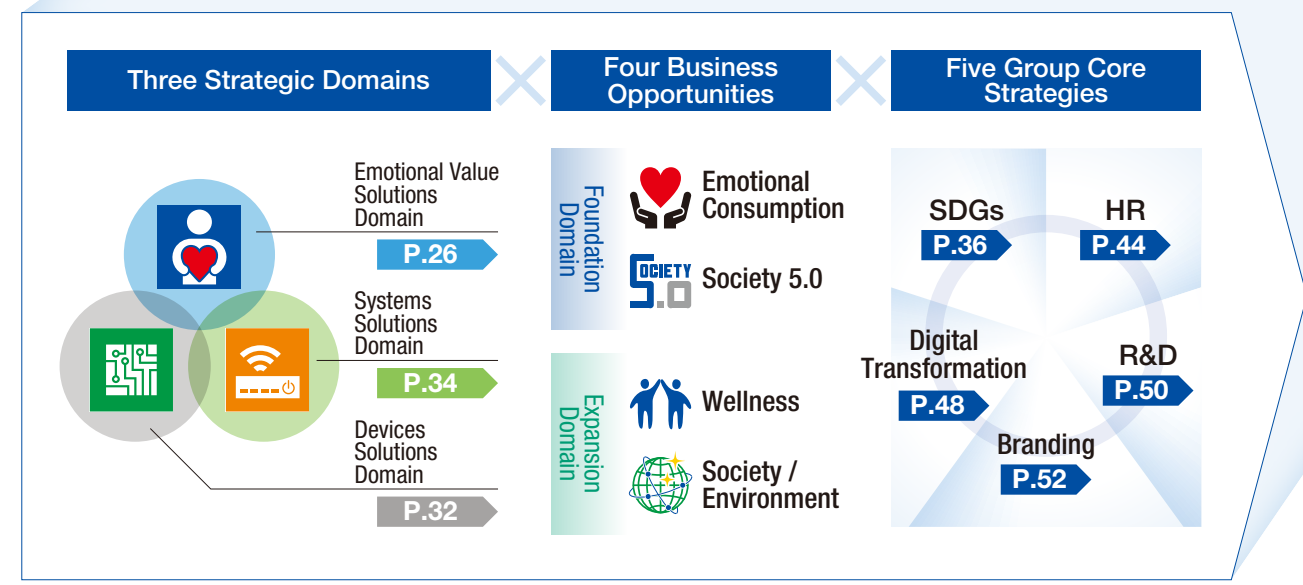
Learn more about everyday Seiko products and services here.  
<https://www.seiko.co.jp/en/products/aroundproducts.html>





# 8th Mid-Term Management Plan “SMILE145”

The Seiko Group is executing our Mid-Term Management Plan, SMILE145, with the aim of becoming a solutions company, the most important task for realizing what we aim to be in 2026. By implementing our MVP Strategy, the basic policy of SMILE145, we aim to provide high-value-added products and services that generate substantial profits, while also solving social issues and improving profitability.



**Environment Recognition in SMILE145**

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, impact from environmental degradation and climate change, which extends to the whole ecosystem, is an issue that must be tackled on a global scale in order to realize a recycling-oriented society. In addition, in Japan and other developed countries, aging populations and falling birth rates, among other factors, are making it difficult to secure labor force, which, in turn, has given rise to the need to improve work efficiency and save on labor. Furthermore, the acceleration of IoT and digitalization in recent years is expected to fuel the transition to a data-driven society, as well as further automation and robotization through digital transformation (DX). Along with these changes, consumer values and lifestyles are becoming increasingly diverse. Based on this environment recognition, the Group will execute SMILE145 as we work to contribute to solving social issues through our business activities.

**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**

# Message from the President



**Shuji Takahashi**  
President and Group COO

**Seiko aims to be a solutions company that grows together with society. We will leverage our strengths to further accelerate both our business growth and our efforts to help resolve social issues.**

## Review of the first year of SMILE145

At the beginning of fiscal year 2022, we began our 8th Mid-Term Management Plan, a five-year plan called SMILE145 (Seiko Milestone 145). In the formulating this plan, we created the Group's 10-year Vision, which extends to 2031, the 150th anniversary of Seiko's founding. Our overarching goal is for the Group to grow steadily and suffer as little negative influence as possible from the external forces of today's VUCA (volatile, uncertain, complex, and ambiguous) world.

SMILE145 was our first mid-term plan created by backcasting — envisioning a future for the Group, then working backwards to anticipate and respond to challenges in achieving that goal. Through this approach, we hope to ensure that, whatever changes occur in the external business environment, we will be able to cope with them and continue moving forward toward the goals of our 10-year Vision. SMILE145 states our aim to become “a solutions company that offers high-added-value products and services that create excitement and generate substantial profits” by FY2026, which is the midpoint of the Group's 10-year Vision. In order to achieve that vision, the most important task during the first five-year period (SMILE145) is to become a solutions company. We see this five-year period as one of transformation: we are working to become a corporate group that grows together with society by creating value, starting with our contributions to addressing various social issues.

The basic strategy of SMILE145 is our MVP Strategy, a name that derives from three key words: Moving, Valuable, and Profitable. We believe that we can create moving experiences by accurately addressing customer needs and solving problems in innovative ways that exceed customer expectations. To become a solutions company, we must offer competitive MVP products and services with high growth potential, both to support our business and to help address social issues. To help improve social issues and achieve sustainable growth, we have shifted from our former

structure, which was divided along simple business lines of products and services, to a system of domains, which reflect the value that we provide to customers.

The first of these is the Emotional Value Solutions (EVS) Domain, in which we pursue functional, emotional, and social value, supplying products and services that provide customers with moving experiences. The second is the Devices Solutions (DS) Domain, which leverages our ongoing technical innovations to offer the kinds of high functionality and high-quality products and services that society demands. The third domain is the Systems Solutions (SS) Domain, which is positioned to be a one-stop provider of ICT solutions that contribute to social innovation.

We aim to take full advantage of this new structure and our Group's management resources to become a solutions company that contributes to the development of a sustainable society. In addition to our structural change, the Group is promoting Five Core Strategies (SDGs, HR, Digital Transformation, R&D, and Branding).

The business environment in fiscal year 2022, the first year of SMILE145, had many positive effects on the Group, including the depreciation of the yen, the beginning of economic recovery following the pandemic, and a return of demand from foreign tourists. Regarding the device market for consumer products and general-purpose products, we saw that strong demand was not being met due to logistics disruptions and raw material shortages caused by the pandemic, price hikes, and soaring energy prices. However, in the second half of the fiscal year, the market environment changed suddenly, demand leveled off, and we entered a phase of inventory adjustment.

In the EVS Domain, the Watches Business and WAKO Business both recovered steadily, mainly due to demand for high-end products thanks to improvements in personal consumption following the pandemic. Furthermore, in the Watches Business, the value of overseas sales jumped due to the depreciation of the yen, and sales of our Global Brands expanded noticeably. This



significantly increased the sales ratio of MVP products and boosted profitability. In the DS Domain, each business performed favorably in the first half of the fiscal year due to investments in data centers and increased demand for mobile products. However, because we were slow to respond to sudden market changes in the second half, we saw a drop in performance, particularly in the fourth quarter. Our MVP products, which we had been aiming to develop in SMILE145, also experienced sluggish growth. In the SS Domain, digital trust business, such as digital contracts, and computer performance management systems both performed favorably, and businesses connected to the restaurant industry recovered as the pandemic subsided in Japan. As a result of continuously strengthening our MVP Strategy, expanding our stock business, and diversifying operations, performance

increased steadily, and we were able to achieve 28 consecutive quarters of year-on-year growth in both revenue and profit.

The Group Core Strategies are the foundation for business development in all three strategic domains. Over the past year, we steadily promoted initiatives related to these five Core Strategies. Our SDGs strategy is a response to increasing societal demands for corporate responsibility and sustainability. We built systems within the Group that address decarbonization and climate change, promoted the disclosure of non-financial information, and also worked on initiatives related to human rights, such as disclosing our "Procurement Guidelines" for suppliers. As part of our human resources strategy, we implemented employee engagement surveys for the first time in fiscal year 2022. In addition to analyzing

the total Group-wide results, each company also analyzed its own results and launched initiatives to address the key issues revealed therein. We are also promoting the "SWING Project" to accelerate the development of personnel who will contribute to the realization of SMILE145, through organizational culture reforms and inter-Group exchanges that enable the free flow of ideas and opinions within the Group. Our digital transformation strategy includes data-driven business model transformations, such as improving customer experiences and promoting CRM. In addition to deepening digital sales marketing, we are working to create new businesses, such as e-commerce, that take advantage of metaverse channels. Our R&D strategy contributed to improved profitability when we increased the high-added-value of MVP products and services, mainly in the

Watches Business, and also through improving and rationalizing various manufacturing processes. In our branding strategy, we have been developing PR and branding initiatives that highlight the social, technical, and emotional value of our products, while also improving PR for our B2B business.

### Strategies and measures to achieve SMILE145

While we were pleased with accomplishments in our MVP Strategy during the first year of SMILE145, we also discovered some new challenges, issues that we will need to address if we are to achieve all of SMILE145's goals. The most important part of the SMILE145 vision is to transform our overall business into a solutions business. In order to do

#### Reflections on the First Year of SMILE145

#### Issues for the second year of SMILE145 and beyond



- Steady performance in Japan on the back of improved personal consumption due to the post-pandemic recovery, along with the recovery of the luxury goods market in the Watches business and Wako business
- Inbound demand has begun to return, supporting the recovery of the Watches business and Wako business
- Weakness in external sales of movements due to sluggishness in popular price range watches, affected by the economic slowdown in Europe, the U.S., and China



- Strong demand from the previous period continued in the first half of the year, resulting in strong sales
- Market environment is rapidly changing due to a sharp slowdown in demand in the device market for consumer and general-purpose products in the second half of the fiscal year and beyond

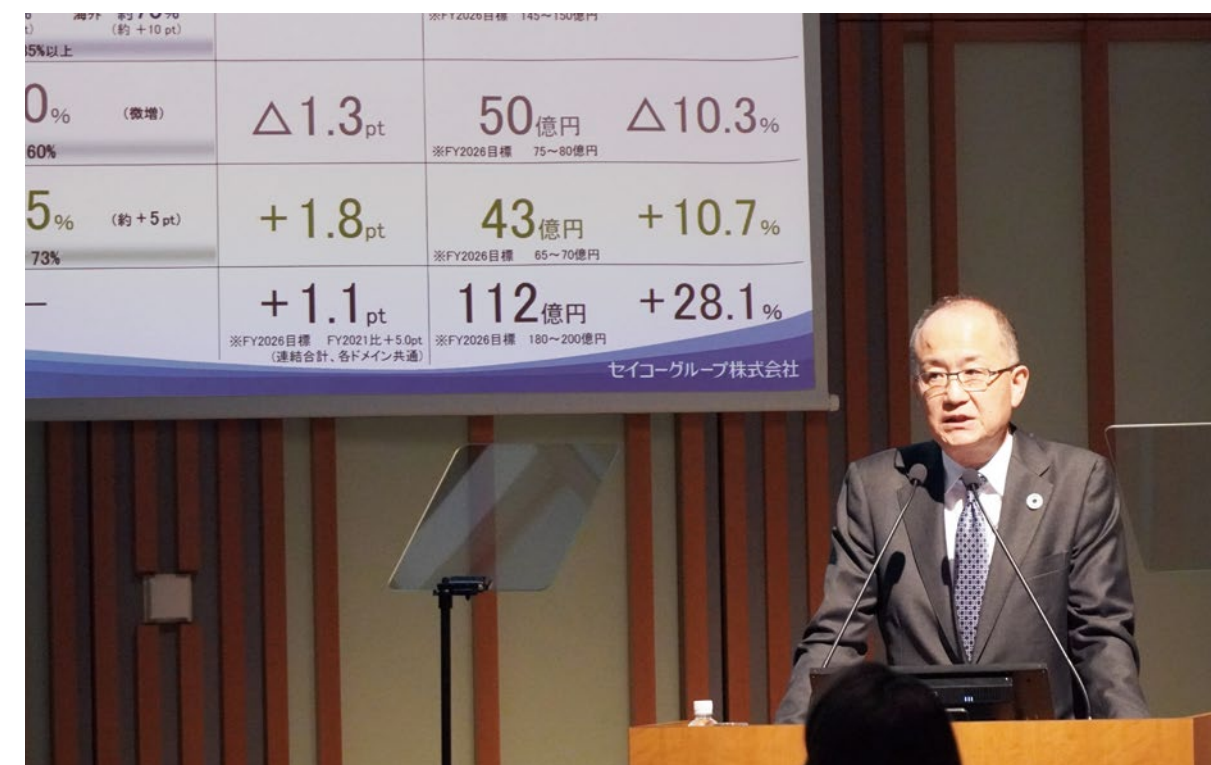


- Achieved 28th consecutive quarter of year-on-year revenue and profit growth
- Business for the food service industry recovered on the back of the pandemic recovery in Japan

- Accelerate measures to further expand luxury products
- Rebuild business structure and reestablish brand in China
- Strengthen the earnings structure of the external movements business

- Re-examine business strategy to respond to changes in the business environment
- Break away from dependence on specific regions and strengthen cross-organizational sales structure and operations

- Accelerate new business creation activities
- Accelerate M&A



that, we have examined the kinds of issues that appeared during the first year of the plan, and we are now actively addressing them. In the EVS Domain's Watches Business, the watch movements business continues to be sluggish due to the spread of smartphones and digital smart watches. We expect that this downward trend will continue in the future, and as a result, we have no choice but to transform our business model. We will boost profitability by accurately assessing market needs and building a production system that suits demand, including a full review of our manufacturing bases. In the Chinese market, finished watches continued to sell during the pandemic thanks to our growing e-commerce business. But now that the pandemic is behind us, we need to become a full-fledged, high-end watch business and shift our business model more towards engaging with

customers in physical retail stores. In the WAKO Business, we will make additional improvements in profitability by emphasizing the unique value of WAKO and further developing the WAKO brand. In the Time Creation Business, which continues to face a difficult environment due to the yen depreciation, among other factors, we need to reviewing existing strategies and reform that segment's business structure. In the DS Domain, we had been expecting to see increasing investments in cyber for 5G, IoT, etc., but the business environment changed drastically. This led us to review our basic strategies in accordance with both market and external business conditions. We see that it is time to move away from a dependence on China, and also to strengthen cross-organizational sales systems and operations. These and other steps will help us to

improve profitability. The Group understands that it is essential for each domain to have a business structure that is capable of generating stable revenue, regardless of changes in the business environment. With that in mind, we will build a stronger business structure while at the same time rapidly developing MVP products that are less susceptible to changes in the external environment. The SS Domain has played an important role in the growth of the Group as a whole. This domain has grown steadily, producing increases in both revenue and profit every quarter for more than seven years. Going forward, we will strengthen investments in the SS Domain as one of the key businesses (alongside Watches) that drives our Group's growth. Finally, we will continue working on the Group Core Strategies to support the growth of all our domains.



### Toward becoming a solutions company

SMILE145's MVP Strategy aims to both address social issues and improve profitability. If the products and services offered by the Group contribute to improving social issues, their added value will be widely accepted, which will lead to increased profitability. This, in turn, will contribute to our growth as a more sustainable company. It is essential that we continue to create new, profitable MVP products always with the added value to society in mind. To achieve these objectives, it is important that all employees understand and empathize with the concepts set forth in SMILE145, fully recognize their respective roles, and work together as one team to power growth. We will continue to share the concepts of SMILE145 with our employees, while explaining the need to become a solutions company to everyone in the Group. In addition, we will work together with society to ensure our continued sustainability. We sincerely look forward to your ongoing support.

