



Consolidated Financial Results for the Six Months Ended SEPTEMBER 30, 2023 (Under Japanese GAAP)

November 14, 2023

Listing: Tokyo

Company name: SEIKO GROUP CORPORATION
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 Scheduled date to file quarterly securities report: November 14, 2023 (in Japanese)
 Scheduled date to commence dividend payments: December 5, 2023
 Preparation of supplementary material on quarterly financial results: Available
 Holding of quarterly financial results briefing: Scheduled (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	131,295	1.1	8,160	(7.8)	9,247	(3.3)	6,281	18.7
September 30, 2022	129,921	17.7	8,847	156.2	9,567	168.7	5,292	343.5

Note: Comprehensive income For the six months ended September 30, 2023: ¥ 16,062 million [22.1%]
 For the six months ended September 30, 2022: ¥ 13,152 million [136.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	152.13	-
September 30, 2022	128.29	128.29

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	373,307	146,268	38.6
March 31, 2023	355,915	131,748	36.5

Reference: Equity As of September 30, 2023: ¥ 144,028 million
 As of March 31, 2023: ¥ 129,792 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2023	Yen -	Yen 37.50	Yen -	Yen 37.50	Yen 75.00
Fiscal year ending March 31, 2024	-	37.50			
Fiscal year ending March 31, 2024 (Forecast)			-	37.50	75.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial forecast for the fiscal year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	268,000	2.9	12,000	6.8	12,000	7.5	8,000	59.1	193.72

Note: Revision to the financial forecast most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Not applicable

Newly included: Not applicable Excluded: Not applicable

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting policies, changes in accounting estimates, and restatement

i) Changes in accounting policies due to revisions to accounting standards and other regulations	: Not applicable
ii) Changes in accounting policies due to other reasons	: Not applicable
iii) Changes in accounting estimates	: Not applicable
iv) Restatement	: Not applicable

(4) Number of issued shares (common shares)

i) Total number of issued shares at the end of the period (including treasury shares)			
As of September 30, 2023	41,404,261 shares /	As of March 31, 2023	41,404,261 shares
ii) Number of treasury shares at the end of period			
As of September 30, 2023	99,683 shares /	As of March 31, 2023	132,337 shares
iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)			
Six months ended September 30, 2023		41,288,186 shares	
Six months ended September 30, 2022		41,252,302 shares	

(Note) For the purpose of calculating the number of treasury shares at the end of period and the average numbers of shares outstanding during the period, treasury shares held in the Board Benefit Trust (BBT) are included in the treasury shares deducted in the calculation.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Cautionary statements with respect to financial forecast)

The financial forecasts which appear in this report have been prepared based solely on the information which was available to the Company as of the date on which the report was released and the Company does not in any way guarantee the achievement of the forecasts. Actual results may differ significantly from the forecasted figures due to a number of factors. For assumptions used in the financial forecasts and instructions to use the financial forecasts, refer to (3) Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2024 (FY2023), 1. Business Results, for detail.

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1. Business Results

(1) Overview

During the six-month period ended September 30, 2023, a slowdown in the European economy became more apparent due to continuation of monetary tightening caused by continuous high inflation, especially in Europe and the U.S. In China, adjustments continue to be made in the real estate market, and there are concerns about a prolonged economic slump.

In Japan, personal consumption is resuming even amid an inflationary trend, and demand from inbound tourists continues to recover.

(Millions of yen)

	6M FY2021 (a)	6M FY2022 (b)	6M FY2023 ①	Variance ① - (a)	Variance ① - (b)
Net sales	110,395	129,921	131,295	20,899	1,373
Operating profit	3,453	8,847	8,160	4,706	(687)
%	3.1%	6.8%	6.2%	3.1pt	(0.6)pt
Ordinary profit	3,561	9,567	9,247	5,686	(320)
%	3.2%	7.4%	7.0%	3.8pt	(0.4)pt
Profit attributable to owners of parent	1,193	5,292	6,281	5,088	989
%	1.1%	4.1%	4.8%	3.7pt	0.7pt
Exchange rate (v. JPY)					
USD	109.8	134.0	141.1	31.3	7.1
EUR	130.9	138.8	153.5	22.6	14.7

Amid these circumstances, in the “Emotional Value Solutions Business,” the Watches Business and WAKO Business for the Japanese market recorded significant net sales growth against the backdrop of a recovery in personal consumption and demand from inbound tourists. The Watches Business for overseas markets also grew, mainly in Europe and Asia, and net sales were higher year on year. In the “Devices Solutions Business,” net sales were significantly lower year on year amid an uncertain recovery of the business environment, which had deteriorated since the third quarter of the previous fiscal year due to factors such as prolonged stagnation of the Chinese economy and inventory adjustments in the electronic devices market. In the “Systems Solutions Business,” net sales were higher year on year, thanks to ongoing successful efforts to diversify business and expand the stock business. As a result, for the sixth-month period ended September 30, 2023, the Group reported consolidated net sales of 131.2 billion yen, a year-on-year increase of 1.1%.

On an overall consolidated basis, domestic net sales came to 67.2 billion yen (a year-on-year increase of 5.9%), and overseas net sales were 64.0 billion yen (a year-on-year decrease of 3.6%). Net sales in overseas comprised 48.8% of net sales overall.

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Advertising and promotion expenses for the six-month period ended September 30, 2023 increased by approximately 10% from the same period of previous fiscal year, resulting in a year-on-year increase of 3.5 billion yen in selling, general and administrative expenses. Operating profit was 8.1 billion yen (a year-on-year decrease of 7.8%), a deterioration of 0.6 billion yen year on year, due to deceleration of the Devices Solutions Business. Although non-operating income and expenses improved year on year due to factors including increases in interest income and dividend income, ordinary profit decreased by 0.3 billion yen year on year to 9.2 billion yen (a year-on-year decrease of 3.3%). Information security expenses of 0.2 billion yen were posted as extraordinary losses in response to unauthorized access to the Company's servers. However, profit attributable to owners of parent increased by 0.9 billion yen year on year to 6.2 billion yen (a year-on-year increase of 18.7%), mainly due to a decrease in income taxes - deferred in conjunction with the improvement of revenue in domestic operating companies.

The average exchange rates for the six-month period ended September 30, 2023 were 141.1 yen to 1 US dollar and 153.5 yen to 1 euro.

Results by Segment

Results for each segment are as follows:

a. Emotional Value Solutions Business (EVS Business)

Net sales under the EVS Business came to 89.9 billion yen, a year-on-year increase of 6.8 billion yen, or 8.2%.

Net sales of completed watches in Japan grew year on year due to favorable performance of Global Brands such as Grand Seiko and Seiko Prospex against the background of personal consumption and demand from inbound tourists, which showed a recovery trend. Overseas, net sales increased year on year as Global Brands grew in the U.S., Europe, and Asia, especially for Seiko Presage and Seiko 5 Sports, despite a delayed recovery in China. In the watch movements business, net sales decreased year on year due to the sluggish Chinese economy.

Net sales in the WAKO Business grew significantly year on year against the backdrop of favorable demand from inbound tourists. However, net sales of the clocks business declined year on year due to the sluggish Chinese economy, which caused net sales in overseas markets to struggle.

Operating profit increased by 2.6 billion yen year on year, resulting in operating profit of 9.5 billion yen (a year-on-year increase of 37.4%).

b. Devices Solutions Business (DS Business)

Net sales under the DS Business came to 27.6 billion yen, a year-on-year decrease of 19.6%. Operating profit was 0.2 billion yen, a year-on-year decrease of 93.9%.

Net sales and operating profit decreased significantly year on year due to the prolonged stagnation of the Chinese economy and continued inventory adjustments in the electronic devices market, resulting

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in weak performance for thermal printers, quartz crystals, high-performance metals for semiconductor production equipment, and precision components.

c. Systems Solutions Business (SS Business)

Net sales under the SS Business came to 18.9 billion yen, a year-on-year increase of 4.9%. Operating profit was 2.2 billion yen, a year-on-year increase of 10.9%.

There was growth in businesses related to digital contracts that captured digitalization and legal reforms. In addition, businesses supporting digital infrastructure, such as performance management and businesses including those related to security, expanded, resulting in continued year-on-year growth both in net sales and operating profit for 30 consecutive quarters.

(2) Financial Condition

a. Status of Assets, Liabilities, and Net Assets

-Assets-

Total assets at the close of the six-month period ended September 30, 2023 amounted to 373.3 billion yen, an increase of 17.3 billion yen from the close of the previous fiscal year, including the effect of exchange rates. Total current assets came to 178.7 billion yen, an increase of 5.3 billion yen from the close of the previous fiscal year. This was due to factors such as an increase of 6.9 billion yen in inventories. Total non-current assets came to 194.5 billion yen, an increase of 12.0 billion yen from the close of the previous fiscal year. This was due to increases of 5.3 billion yen in total property, plant and equipment and 6.5 billion yen in total investments and other assets.

-Liabilities-

For liabilities, total borrowings came to 124.5 billion yen, due to decreases of 4.9 billion yen in short-term borrowings and 2.7 billion yen in long-term borrowings. In addition, accounts payable - other decreased by 1.9 billion yen, while notes and accounts payable - trade increased 4.1 billion yen, electronically recorded obligations - operating increased 3.0 billion yen, and deferred tax liabilities increased 1.0 billion yen. As a result, total liabilities amounted to 227.0 billion yen, an increase of 2.8 billion yen from the close of the previous fiscal year, including the effect of exchange rates.

-Net assets-

With regard to net assets, total net assets increased by 14.5 billion yen over the close of the previous fiscal year to become 146.2 billion yen, mainly owing to increases of 4.7 billion yen in shareholders' equity and 5.7 billion yen in foreign currency translation adjustment.

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b. Overview of Cash Flows

The balance of cash and cash equivalents at the end of the six-month period ended September 30, 2023 came to 35.9 billion yen, a decrease of 0.2 billion yen relative to the end of the previous fiscal year.

This is primarily due to the following factors:

-Cash flows from operating activities-

Net cash provided by operating activities came to positive 17.7 billion yen (compared to a positive cash flow of 3.2 billion yen for the same period of the previous fiscal year), an increase of 14.5 billion yen year on year. This was the result of the Company posting 9.1 billion yen in income before income taxes, factoring in depreciation amounting to 6.3 billion yen, as well as adjustments such as a 3.2 billion yen increase in inventories (posted as a decrease) and a 1.9 billion yen decrease in accounts payable - other (posted as a decrease).

-Cash flows from investing activities-

Net cash used in investing activities came to negative 7.8 billion yen (compared to a negative cash flow of 8.1 billion yen for the same period of the previous fiscal year) due to cash outflows consisting mainly of 6.4 billion yen in purchase of property, plant and equipment (posted as a decrease).

-Cash flows from financing activities-

Net cash used in financing activities came to negative 11.8 billion yen (compared to a positive cash flow of 7.1 billion yen for the same period of the previous fiscal year) due mainly to repayments of long- and short-term borrowings, as well as dividends paid.

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(3) Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2024 (FY2023)

During the six-month period ended September 30, 2023, both net sales and operating profit increased year on year in the EVS Business, while both net sales and operating profit declined year on year in the DS Business. From the third quarter onward, we expect the EVS Business to continue to perform steadily. Accordingly, the Company has not changed its consolidated financial forecast but has revised its forecasted results by segment as described below.

■ Forecast for the consolidated business results for the year ending March 31, 2024 (FY2023)

	Current forecast (Billions of yen)	Year-on-year change (%)
Net sales	268.0	2.9
Operating profit	12.0	6.8
Ordinary profit	12.0	7.5
Profit attributable to owners of parent	8.0	59.1
Earnings per share	193.72 yen	

■ Forecasted results by segment for the year ending March 31, 2024 (FY2023)

(Billions of yen)	Net Sales		Operating Profit	
	Current	Previous	Current	Previous
Emotional Value Solutions Business	180.0	177.0	15.0	14.0
Devices Solutions Business	60.0	63.0	2.3	3.6
Systems Solutions Business	39.0	39.0	5.0	5.0
Total for reported segments	279.0	279.0	22.3	22.6
Others	1.0	1.0	0.1	0.1
Consolidated total	268.0	268.0	12.0	12.0

Note: Consolidated total represents figures after consolidation adjustment such as the elimination of inter-segment sales.

The forecasted results which appear in this report have been prepared based solely on the information which was available to us as of the date on which the report was released. As a result, actual results may differ from the forecasted figures due to a number of factors, such as changes in the business environment in the future.

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2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	36,324	36,046
Notes and accounts receivable - trade, and contract assets	38,647	40,666
Inventories	83,776	90,688
Accounts receivable - other	6,577	3,587
Other	9,381	9,275
Allowance for doubtful accounts	(1,297)	(1,476)
Total current assets	173,410	178,787
Non-current assets		
Property, plant and equipment		
Buildings and structures	79,280	81,937
Machinery, equipment and vehicles	86,117	90,956
Tools, furniture and fixtures	39,233	41,335
Other	12,699	15,837
Accumulated depreciation	(163,232)	(170,713)
Land	54,182	54,404
Construction in progress	2,867	2,762
Total property, plant and equipment	111,149	116,520
Intangible assets		
Goodwill	6,901	6,302
Other	8,620	9,290
Total intangible assets	15,522	15,593
Investments and other assets		
Investment securities	45,490	51,377
Deferred tax assets	1,923	2,054
Other	8,572	9,129
Allowance for doubtful accounts	(153)	(155)
Total investments and other assets	55,833	62,406
Total non-current assets	182,505	194,520
Total assets	355,915	373,307

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(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,790	22,950
Electronically recorded obligations - operating	6,212	9,234
Short-term borrowings	72,598	67,643
Current portion of bonds payable	300	-
Current portion of long-term borrowings	22,117	22,115
Accounts payable - other	11,344	9,356
Income taxes payable	1,793	3,787
Provision for bonuses	4,879	4,992
Other provisions	1,452	1,290
Asset retirement obligations	9	22
Other	22,659	22,926
Total current liabilities	162,157	164,320
Non-current liabilities		
Long-term borrowings	37,525	34,802
Deferred tax liabilities	4,285	5,307
Deferred tax liabilities for land revaluation	3,614	3,614
Other provisions	742	732
Retirement benefit liability	6,894	6,849
Asset retirement obligations	1,079	1,075
Other	7,867	10,335
Total non-current liabilities	62,009	62,718
Total liabilities	224,166	227,039

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(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	81,520	86,246
Treasury shares	(248)	(197)
Total shareholders' equity	98,517	103,294
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,464	15,341
Deferred gains or losses on hedges	(9)	(36)
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	10,638	16,370
Remeasurements of defined benefit plans	992	868
Total accumulated other comprehensive income	31,275	40,733
Non-controlling interests	1,956	2,240
Total net assets	131,748	146,268
Total liabilities and net assets	355,915	373,307

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

a. Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	6M FY2022	6M FY2023
Net sales	129,921	131,295
Cost of sales	74,267	72,774
Gross profit	55,654	58,520
Selling, general and administrative expenses	46,806	50,359
Operating profit	8,847	8,160
Non-operating income		
Interest income	60	180
Dividend income	390	507
Share of profit of entities accounted for using equity method	604	626
Foreign exchange gains	646	607
Other	329	485
Total non-operating income	2,031	2,408
Non-operating expenses		
Interest expenses	515	629
Other	795	692
Total non-operating expenses	1,311	1,321
Ordinary profit	9,567	9,247
Extraordinary income		
Reversal of provision for business restructuring	-	96
Total extraordinary income	-	96
Extraordinary losses		
Information security expenses	-	216
Loss on the spread of infectious disease	90	-
Business restructuring expenses	26	-
Total extraordinary losses	117	216
Profit before income taxes	9,450	9,128
Income taxes	3,995	2,614
Profit	5,455	6,513
Profit attributable to non-controlling interests	162	232
Profit attributable to owners of parent	5,292	6,281

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b. Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	6M FY2022	6M FY2023
Profit	5,455	6,513
Other comprehensive income		
Valuation difference on available-for-sale securities	1,140	3,867
Deferred gains or losses on hedges	(345)	(26)
Foreign currency translation adjustment	5,979	6,129
Remeasurements of defined benefit plans, net of tax	(13)	(156)
Share of other comprehensive income of entities accounted for using equity method	936	(266)
Total other comprehensive income	7,697	9,548
Comprehensive income	13,152	16,062
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,922	15,739
Comprehensive income attributable to non-controlling interests	229	322

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(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	6M FY2022	6M FY2023
Cash flows from operating activities		
Profit before income taxes	9,450	9,128
Depreciation	6,149	6,393
Increase (decrease) in allowance for doubtful accounts	46	104
Increase (decrease) in retirement benefit liability	(94)	(85)
Interest and dividend income	(451)	(688)
Interest expenses	515	629
Foreign exchange losses (gains)	(236)	(163)
Share of loss (profit) of entities accounted for using equity method	(604)	(626)
Loss on retirement of non-current assets	113	184
Decrease (increase) in trade receivables	11	(995)
Decrease (increase) in inventories	(8,620)	(3,205)
Decrease (increase) in accounts receivable - other	1,117	3,072
Increase (decrease) in trade payables	947	7,062
Increase (decrease) in accounts payable - other	(3,461)	(1,906)
Other, net	64	220
Subtotal	4,949	19,122
Interest and dividends received	451	688
Dividends received from entities accounted for using equity method	32	41
Interest paid	(505)	(628)
Income taxes paid	(1,652)	(1,446)
Net cash provided by (used in) operating activities	3,274	17,777

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(Millions of yen)

	6M FY2022	6M FY2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,458)	(6,473)
Proceeds from sale of property, plant and equipment	757	24
Purchase of investment securities	(9)	(0)
Proceeds from sale of investment securities	18	33
Loan advances	(123)	(159)
Proceeds from collection of loans receivable	210	189
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,428)	-
Other, net	(1,085)	(1,437)
Net cash provided by (used in) investing activities	(8,117)	(7,823)
Cash flows from financing activities		
Proceeds from short-term borrowings	665,067	743,903
Repayments of short-term borrowings	(654,014)	(749,897)
Proceeds from long-term borrowings	10,000	9,391
Repayments of long-term borrowings	(11,923)	(12,124)
Dividends paid	(1,033)	(1,550)
Other, net	(956)	(1,525)
Net cash provided by (used in) financing activities	7,139	(11,802)
Effect of exchange rate change on cash and cash equivalents	2,862	1,572
Net increase (decrease) in cash and cash equivalents	5,158	(275)
Cash and cash equivalents at beginning of period	30,738	36,209
Cash and cash equivalents at end of period	35,897	35,933

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(4) Notes to Quarterly Consolidated Financial Statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholder's equity)

Not applicable.

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(Segment Information)

I. For the six months ended September 30, 2022

Disclosure of sales and profit (loss) for each reported segment

(Millions of yen)

	Reported segments				Others (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business	Total				
Sales								
Revenues from external customers	81,673	31,276	16,572	129,523	188	129,711	209	129,921
Transactions with other segments	1,466	3,063	1,451	5,982	350	6,332	(6,332)	-
Net sales	83,140	34,340	18,024	135,505	538	136,044	(6,122)	129,921
Segment profit	6,957	4,133	2,022	13,112	98	13,211	(4,363)	8,847

- Notes:
- The "Others" category denotes operating segments not included among reported segments, such as the Shared Services Business.
 - Adjustments are as follows:
 - Adjustment to revenues from external customers in the amount of 209 million yen is royalty income at headquarters, unallocated to operating segments.
 - Adjustments to segment profit in the amount of -4,363 million yen include -283 million yen in the amortization of goodwill, -265 million yen that mainly consists of the elimination of transactions with other segments, and -3,814 million yen in company-wide expenses not appropriated to each operating segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to operating segments.
 - Segment profit has been adjusted for alongside operating profit on the quarterly consolidated statements of income.

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II. For the six months ended September 30, 2023

Disclosure of sales and profit (loss) for each reported segment

(Millions of yen)

	Reported segments				Others (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business	Total				
Sales								
Revenues from external customers	88,562	25,076	17,235	130,874	200	131,074	220	131,295
Transactions with other segments	1,414	2,538	1,674	5,627	346	5,974	(5,974)	-
Net sales	89,976	27,614	18,910	136,502	546	137,049	(5,753)	131,295
Segment profit	9,558	250	2,242	12,051	114	12,165	(4,005)	8,160

- Notes:
1. The "Others" category denotes operating segments not included among reported segments, such as the Shared Services Business.
 2. Adjustments are as follows:
 - (1) Adjustment to revenues from external customers in the amount of 220 million yen is royalty income at headquarters, unallocated to operating segments.
 - (2) Adjustments to segment profit in the amount of -4,005 million yen include -283 million yen in the amortization of goodwill, -110 million yen that mainly consists of the elimination of transactions with other segments, and -3,611 million yen in company-wide expenses not appropriated to each operating segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to operating segments.
 3. Segment profit has been adjusted for alongside operating profit on the quarterly consolidated statements of income.
