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Annual Securities Report

For the 163rd Business Term

(April 1, 2023 - March 31, 2024)

SEIKO GROUP CORPORATION

Contents

Cover

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Part I. Company Information

I. Overview of Company

1. Summary of Business Results

(1) Business Results of the Group

Business term		159th	160th	161st	162nd	163rd
Fiscal year end		March 2020 (FY2019)	March 2021 (FY2020)	March 2022 (FY2021)	March 2023 (FY2022)	March 2024 (FY2023)
Net sales	Millions of yen	239,150	202,671	237,382	260,504	276,807
Ordinary profit	Millions of yen	7,004	633	9,939	11,167	15,894
Profit attributable to owners of parent	Millions of yen	3,394	3,475	6,415	5,028	10,051
Comprehensive income	Millions of yen	(3,007)	10,855	11,870	12,576	24,158
Net assets	Millions of yen	104,273	113,082	121,624	131,748	151,334
Total assets	Millions of yen	299,990	319,671	327,533	355,915	376,262
Net assets per share	Yen	2,499.97	2,709.17	2,911.17	3,144.81	3,657.61
Basic earnings per share	Yen	82.36	84.30	155.56	121.86	244.33
Diluted earnings per share	Yen	82.33	84.30	155.56	121.86	-
Equity capital ratio	%	34.4	34.9	36.7	36.5	39.6
Rate of return on equity	%	3.2	3.2	5.5	4.0	7.2
Price-earnings ratio	Times	21.2	22.3	14.7	23.8	17.1
Net cash provided by (used in) operating activities	Millions of yen	2,704	2,874	20,358	9,261	32,726
Net cash provided by (used in) investing activities	Millions of yen	(10,688)	(7,838)	(9,318)	(15,535)	(15,095)
Net cash provided by (used in) financing activities	Millions of yen	678	10,465	(13,909)	10,564	(23,017)
Cash and cash equivalents at the end of year	Millions of yen	26,111	32,340	30,738	36,209	32,683
Employees [Excluding average number of part-time employees]	Number of persons	11,947 [603]	12,092 [500]	11,984 [453]	11,843 [390]	11,740 [325]

(Note) 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first quarter of the fiscal year ended March 31, 2022 (the 161st business term).

2. The diluted earnings per share for the 163rd business term have not been provided, as there are no potential shares.

(2) Business Results of the Company

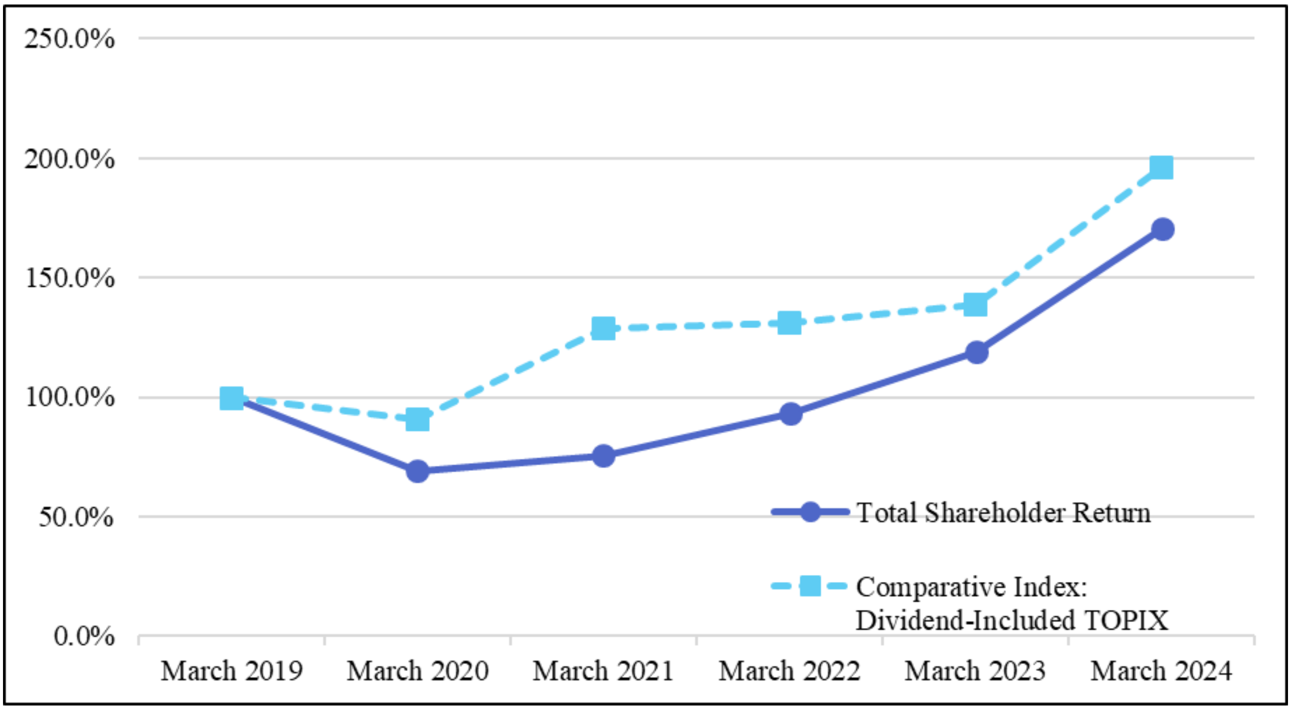
Business term		159th	160th	161st	162nd	163rd
Fiscal year end		March 2020 (FY2019)	March 2021 (FY2020)	March 2022 (FY2021)	March 2023 (FY2022)	March 2024 (FY2023)
Operating revenue	Millions of yen	12,031	11,301	12,043	15,312	15,220
Ordinary profit	Millions of yen	3,027	809	(473)	1,560	1,477
Profit	Millions of yen	3,124	1,560	3,257	2,562	3,601
Share capital	Millions of yen	10,000	10,000	10,000	10,000	10,000
Total number of shares issued and outstanding	Stock	41,404,261	41,404,261	41,404,261	41,404,261	41,404,261
Net assets	Millions of yen	50,681	55,495	57,120	57,534	63,068
Total assets	Millions of yen	176,961	192,853	187,644	201,299	202,287
Net assets per share	Yen	1,228.89	1,345.36	1,384.23	1,393.32	1,546.34
Dividend per share (Interim dividend per share included in the above amount)	Yen	75.00 (37.50)	37.50 (12.50)	50.00 (25.00)	75.00 (37.50)	80.00 (37.50)
Basic earnings per share	Yen	75.77	37.83	78.94	62.06	87.50
Diluted earnings per share	Yen	-	-	-	-	-
Equity capital ratio	%	28.6	28.8	30.4	28.6	31.2
Rate of return on equity (ROE)	%	5.9	2.9	5.8	4.5	6.0
Price-earnings ratio (PER)	Times	23.0	49.6	29.1	46.6	47.7
Dividend payout ratio	%	99.0	99.1	63.3	120.9	91.4
Employees	Number of persons	143	356	361	171	169
Total shareholder return (Comparative index: Dividend-included TOPIX)	%	69.0 (90.5)	75.5 (128.6)	93.2 (131.2)	118.9 (138.8)	170.3 (196.2)
Highest stock price	Yen	2,986	2,148	2,535	3,505	4,230
Lowest stock price	Yen	1,462	1,293	1,818	2,040	2,272

(Notes) 1. The diluted earnings per share have not been provided, as there are no potential shares.

2. The highest and lowest stock prices represent those recorded on the First Section of the Tokyo Stock Exchange until April 3, 2022, and those recorded on the Prime Market of the Tokyo Stock Exchange from April 4, 2022 onward.

3. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2022 (161st business term).

4. Total shareholder return and comparative indicators for the last five years are as follows.



2. Company History

December 1881	Established K. Hattori, which later became SEIKO GROUP CORPORATION.
March 1892	Founded Seikosha clock factory; started manufacturing wall clocks.
October 1917	Established K. Hattori & Co., Ltd. with a capital stock of 5 million yen, reorganizing as a company organization.
June 1932	Constructed The Wako Clock Tower, the familiar face of Ginza, Tokyo.
September 1937	Spun off the Watch Division of Seikosha clock factory and established an independent organization as Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)
April 1947	Spun off the Retail Division and established Wako Co., Ltd.
May 1949	Listed on the Tokyo Stock Exchange.
May 1959	Spun off the Suwa plant of Daini Seikosha Co., Ltd. and established an independent organization as Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation).
October 1964	Served as Official Timer of the Tokyo Olympic Games.
November 1968	Established HATTORI (H.K.) LTD. (currently SEIKO Hong Kong Ltd.) in Hong Kong.
December 1969	Introduced Seiko Quartz Astron, the world's first quartz watch.
May 1970	Established SEIKO TIME CORPORATION (currently Grand Seiko Corporation of America and Seiko Watch of America LLC) in the United States.
November 1970	Established Seikosha Co., Ltd. by splitting off the Seikosha clock factory.
November 1971	Established SEIKO TIME (U.K.) LTD. (currently SEIKO U.K. Limited) in the United Kingdom.
February 1972	Served as Official Timer of the Sapporo Winter Olympic Games.
August 1983	Changes the name to Hattori Seiko Co., Ltd.
April 1988	Introduced the world's first A.G.S. (Automatic Generating System, later renamed as Kinetic) watch.
June 1988	Established SEIKOSHA (THAILAND) CO., LTD. (currently SEIKO Precision (Thailand) Co., Ltd.) in Thailand.
July 1992	Served as Official Timer of the Barcelona Olympic Games.
February 1994	Served as Official Timer of the Lillehammer Winter Olympic Games.
January 1996	Established SEIKO Clock Inc. (currently SEIKO Time Creation Inc.) and SEIKO Precision Inc. Each of them succeeded businesses from Seikosha Co., Ltd in March 1996.
	Established Seiko Optical Products Co., Ltd. to spin off the Eyeglasses Business.
July 1997	Changed the name to Seiko Corporation.
February 1998	Served as Official Timer of the Nagano Winter Olympic Games.
November 1999	A replica of the movement of the world's first quartz wristwatch, Seiko Quartz Astron, was exhibited at the Smithsonian Museum in Washington, D.C., U.S.
December 1999	Introduced the world's first Spring Drive wristwatch, realizing a fusion of mechanical and quartz.
July 2001	Established SEIKO WATCH CORPORATION to spin off the Watches Business and the Company became a holding company.
February 2002	Served as Official Timer of the Salt Lake City Winter Olympic Games.
November 2004	Seiko Quartz Astron, the world's first quartz watch, recognized as an IEEE Milestone by the Institute of Electrical and Electronics Engineers.
July 2007	Changed the name to SEIKO HOLDINGS CORPORATION.
October 2009	Integrated Seiko Instruments Inc.
September 2012	Launched the world's first GPS solar watch, Seiko Astron.

November 2014	Grand Seiko Mechanical Hi-Beat 36000 GMT Limited Edition won the Petite Aiguille prize at the 2014 Grand Prix d'Horlogerie de Genève.
November 2018	Seiko Prospex 1968 Diver's Re-creation won the Sports Watch Prize at the 2018 Grand Prix d'Horlogerie de Genève.
November 2019	Seiko Prospex LX Line Diver's won the Diver's Watch Prize at the 2019 Grand Prix d'Horlogerie de Genève.
July 2020	Newly established Grand Seiko Studio Shizukuishi in a manufacturing site of Morioka Seiko Instruments Inc.
April 2021	SEIKO Clock, Inc. and SEIKO Time Systems, Inc. merged to form a new company, SEIKO Time Creation Inc.
November 2021	Grand Seiko Hi-Beat 36000 80 Hours powered by Caliber 9SA5, SLGH005, won the Men's Watch Prize at the 2021 Grand Prix d'Horlogerie de Genève.
April 2022	Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange due to the restructuring of its market segments.
June 2022	Changed the name of WAKO Main Building to SEIKO HOUSE GINZA.
October 2022	Changed the name to SEIKO GROUP CORPORATION.
November 2022	Grand Seiko Kodo Constant-force Tourbillon SLGT003 won the Chronometry Prize at the 2022 Grand Prix d'Horlogerie de Genève.

3. Description of Business

The Group, including the Company and its affiliated companies, has established three strategic domains: the Emotional Value Solutions Domain, the Devices Solutions Domain, and the Systems Solutions Domain. And as a holding company, the Company has a business structure for consolidating and managing each operating subsidiary.

Details of each business and the positioning of subsidiaries and associates involved with such businesses are as follows. The following classification is the same as the classification of the reported segments presented in “V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes (Segment Information, etc.)”

The Company falls under the category of a specified listed company, etc., as stipulated in Article 49, Paragraph 2 of the *Cabinet Office Ordinance on Restrictions on Securities Transactions, etc.* Accordingly, criteria for regarding a material fact under the regulation on insider trading shall be judged based on consolidated figures.

[Emotional Value Solutions Business]
In Japan, SEIKO WATCH CORPORATION mainly engages in the wholesale of watches, while CRONOS Inc. primarily focuses on the retail of watches. Morioka Seiko Instruments Inc. is mainly involved in the manufacture of watches. SEIKO TIME LABS CO., LTD. specializes in repairs and after-sales services of watches. SEIKO Time Creation Inc. is engaged in product development, manufacture, sales, repairs, and after-sales services of clocks, as well as the sales of system clocks and sports timing devices. WAKO Co., Ltd. engages in retail of high-end jewelry, apparel and fashion accessories, and household goods, etc.

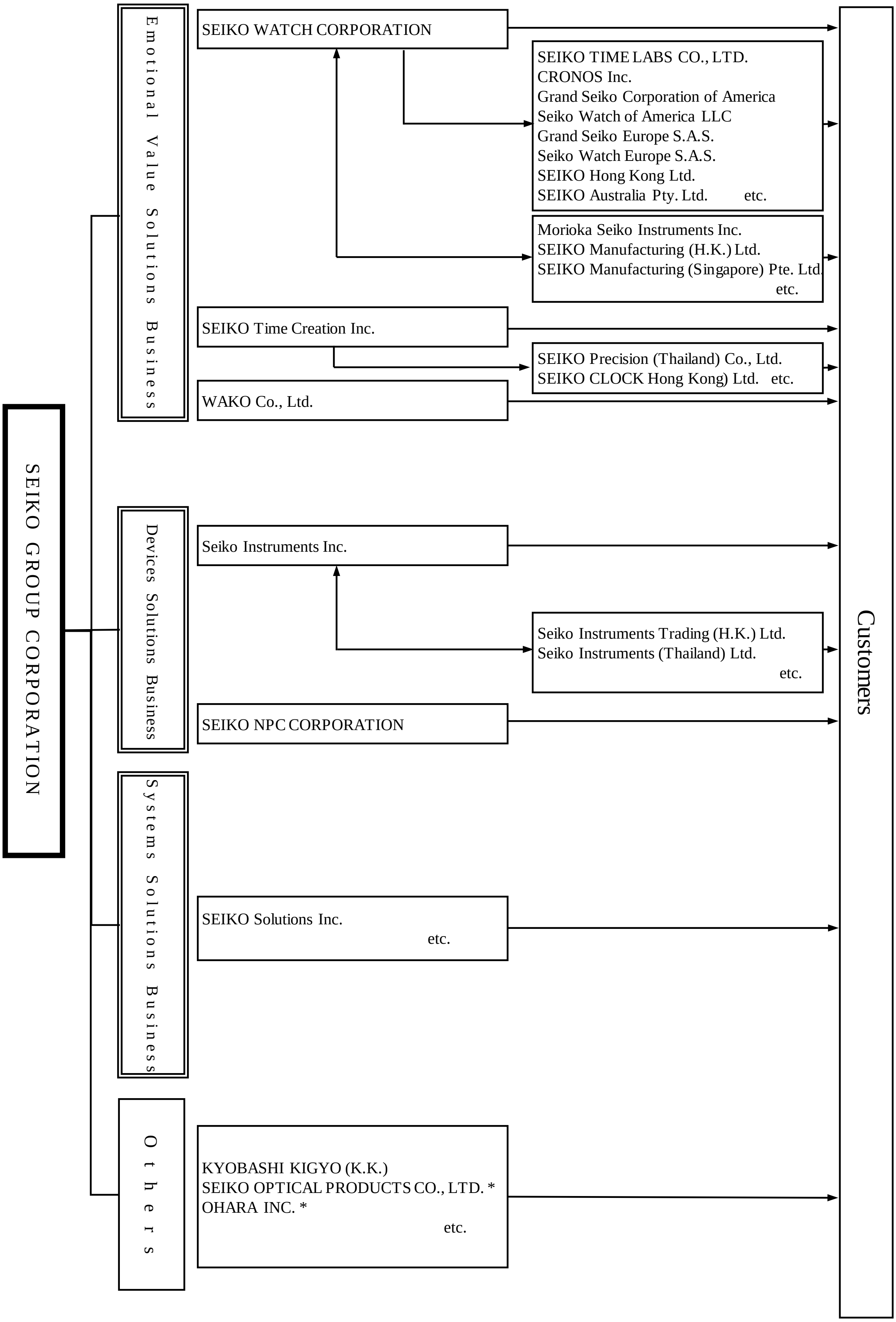
Overseas, Grand Seiko Corporation of America, Seiko Watches of America LLC, Seiko Watch Europe S.A.S. and other companies are engaged in the wholesale of watches. Seiko Manufacturing (H.K.) Ltd., Seiko Manufacturing (Singapore) Pte. Ltd., and other companies are engaged in the manufacture of watches. SEIKO CLOCK (Hong Kong) Ltd. and other companies are involved in the manufacture and sales of clocks, among other products.

[Devices Solutions Business]
In Japan, Seiko Instruments Inc. mainly engages in the manufacture and sales of electronic devices, etc. Overseas, Seiko Instruments Trading (H.K.) Ltd. and other companies engage in the sales of electronic devices, etc., while Seiko Instruments (Thailand) Ltd. and other companies are involved in the manufacture and sales of electronic devices, among other products.

[Systems Solutions Business]
SEIKO Solutions Inc. and other companies engage in the development and sales of products for businesses related to systems (including IT performance management), IoT, and payment solutions. They also provide maintenance services for sold products and custom software services.

[Others]
KYOBASHI KIGYO (K.K.) primarily engages in real estate leasing.

An overview of the aforementioned status of the Group is presented in the organizational chart below.



*Companies accounted for by the equity method.

4. Overview of Affiliated Entities

Name of company	Location	Share capital	Segment(s)	Ratio of voting rights held (%)	Relationship
Consolidated Subsidiaries:					
SEIKO WATCH CORPORATION *1, *3	Chuo-ku Tokyo	Thousands of yen 5,000,000	Emotional Value Solutions (EVS)	100.0	Interlocking directorates Providing loans
SEIKO TIME LABS CO., LTD.	Koto-ku Tokyo	Thousands of yen 60,000	EVS	100.0 (100.0)	Interlocking directorates
CRONOS Inc.	Chiyoda-ku Tokyo	Thousands of yen 200,000	EVS	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO Retail Marketing Corporation	Chuo-ku Tokyo	Thousands of yen 100,000	EVS	100.0 (100.0)	Interlocking directorates
Morioka Seiko Instruments Inc. *1	Iwate-gun Iwate	Thousands of yen 2,000,000	EVS	100.0 (100.0)	Interlocking directorates Providing loans
Ninohe Tokei Kogyo Co., Ltd.	Ninohe-shi Iwate	Thousands of yen 20,000	EVS	100.0 (100.0)	Interlocking directorates
Tono Seiki Co., Ltd.	Tono-shi Iwate	Thousands of yen 5,000	EVS	100.0 (100.0)	-
Michinoku Service Co., Ltd.	Iwate-gun Iwate	Thousands of yen 90,000	EVS	100.0 (100.0)	-
WAKO Co., Ltd. *1	Chuo-ku Tokyo	Thousands of yen 2,500,000	EVS	100.0	Interlocking directorates Providing loans
SEIKO Time Creation Inc.	Koto-ku Tokyo	Thousands of yen 500,000	EVS	100.0	Interlocking directorates Providing loans
Grand Seiko Corporation of America	New York U.S.A.	USD 2,000	EVS	100.0 (100.0)	Interlocking directorates
Seiko Watch of America LLC	New York U.S.A.	USD 112,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO Time Corporation	New York U.S.A.	USD 1,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO Panama, S.A.	Panama City Panama	USD 1,000,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO U.K. Limited	Maidenhead U.K.	GBP 5,500,000	EVS	100.0 (100.0)	Interlocking directorates
Grand Seiko Europe S.A.S.	Paris France	EUR 3,000,000	EVS	100.0 (100.0)	Interlocking directorates
Seiko Watch Europe S.A.S.	Neuilly-sur-Seine France	EUR 6,000,000	EVS	100.0 (100.0)	Interlocking directorates

Name of company	Location	Share capital	Segment(s)	Ratio of voting rights held (%)	Relationship
SEIKO Hong Kong Ltd. *1	Kowloon Hong Kong	HKD 266,808,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO Manufacturing (H.K.) Ltd. *1	Kowloon Hong Kong	HKD 128,700,000	EVS	100.0 (100.0)	Interlocking directorates
Time Module Ltd.	Kowloon Hong Kong	HKD 5,001,000	EVS	100.0 (100.0)	Interlocking directorates
Guangzhou SII Watch Co., Ltd.	Guangzhou P. R. China	USD 5,100,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO Watch (Shanghai) Co., Ltd. *1	Shanghai P. R. China	USD 12,000,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO Taiwan Co., Ltd.	Taipei Taiwan	TWD 44,000,000	EVS	69.9 (69.9)	Interlocking directorates
SEIKO (Thailand) Co., Ltd.	Bangkok Thailand	THB 112,550,000	EVS	82.5 (82.5)	Interlocking directorates
Grand Seiko Asia-Pacific Pte. Ltd.	Singapore Singapore	SGD 8,000,000	EVS	75.0 (75.0)	Interlocking directorates
SEIKO Watch India Pvt. Ltd.	Bangalore India	INR 85,000,000	EVS	100.0 (100.0)	Interlocking directorates
Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia	MYR 8,500,000	EVS	100.0 (100.0)	-
SEIKO Manufacturing (Singapore) Pte. Ltd. *1	Singapore Singapore	SGD 32,288,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO Australia Pty. Ltd.	Macquarie Park Australia	AUD 8,000,000	EVS	100.0 (100.0)	Interlocking directorates
SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong	HKD 1,500,000	EVS	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO CLOCK (Shenzhen) Co., Ltd.	Shenzhen P. R. China	CNY 12,500,000	EVS	100.0 (100.0)	-
SEIKO Precision (Thailand) Co., Ltd. *1	Pathumthani Thailand	THB 603,000,000	EVS	100.0	Interlocking directorates
Seiko Instruments Inc. *1	Mihama-ku Chiba	Thousands of yen 9,756,000	Devices Solutions (DS)	100.0	Interlocking directorates Providing loans
SII Printek Inc.	Mihama-ku Chiba	Thousands of yen 90,000	DS	100.0 (100.0)	-
Seiko EG&G Co., Ltd.	Mihama-ku Chiba	Thousands of yen 95,000	DS	51.0 (51.0)	Interlocking directorates
Seshika Inc.	Mihama-ku Chiba	Thousands of yen 90,000	DS	100.0 (100.0)	-
Seiko Future Creation Inc.	Mihama-ku Chiba	Thousands of yen 100,000	DS	100.0 (60.0)	Interlocking directorates Providing loans

Name of company	Location	Share capital		Segment(s)	Ratio of voting rights held (%)	Relationship
SII Crystal Technology Inc.	Mihama-ku Chiba		Thousands of yen 100,000	DS	100.0 (100.0)	Providing loans
SEIKO NPC CORPORATION *1	Taito-ku Tokyo		Thousands of yen 1,000,000	DS	100.0	Interlocking directorates Providing loans
Seiko Instruments U.S.A., Inc.	Torrance U.S.A.	USD	1,000	EVS / DS	100.0 (100.0)	Interlocking directorates
Seiko Instruments GmbH	Neu-Isenburg Germany	EUR	3,988,076	DS	100.0 (100.0)	Interlocking directorates
Seiko Instruments Trading (H.K) Ltd.	Kowloon Hong Kong	HKD	2,340,000	DS	100.0 (100.0)	Interlocking directorates
Dalian Seiko Instruments Inc. *1	Dalian P. R. China	USD	38,919,985	DS	100.0 (100.0)	Interlocking directorates
Seiko Instruments (Shanghai) Inc.	Shanghai P. R. China	USD	1,220,000	DS	100.0 (100.0)	-
Seiko Instruments Technology (Shanghai) Inc.	Shanghai P. R. China	USD	2,400,000	DS	100.0 (100.0)	-
Seiko Instruments Taiwan Inc.	Taipei Taiwan	TWD	25,000,000	DS	100.0 (100.0)	-
Seiko Instruments (Thailand) Ltd. *1	Pathumthani Thailand	THB	1,712,000,000	DS	100.0 (100.0)	-
Asian Electronic Technology Pte. Ltd.	Singapore Singapore	SGD	15,000,000	DS	100.0 (100.0)	-
Seiko Instruments Singapore Pte. Ltd.	Singapore Singapore	USD	4,300,000	DS	100.0 (100.0)	-
SEIKO Solutions Inc. *1	Mihama-ku Chiba		Thousands of yen 500,000	Systems Solutions (SS)	100.0	Interlocking directorates Providing loans
IIM Corporation	Chuo-ku Tokyo		Thousands of yen 390,000	SS	100.0 (100.0)	Interlocking directorates
CSM SOLUTION CO., LTD.	Koto-ku Tokyo		Thousands of yen 80,000	SS	100.0 (100.0)	Interlocking directorates
GCC CO., LTD.	Koto-ku Tokyo		Thousands of yen 20,000	SS	100.0 (100.0)	Interlocking directorates
Total System Engineering Co., Ltd.	Osaka-shi Osaka		Thousands of yen 30,000	SS	100.0 (100.0)	Interlocking directorates
Instruction Co., Ltd.	Chuo-ku Tokyo		Thousands of yen 50,000	SS	100.0 (100.0)	Interlocking directorates
BackStore Co., Ltd.	Chuo-ku Tokyo		Thousands of yen 1,000	SS	100.0 (100.0)	Interlocking directorates
Prestige Co., Ltd.	Chuo-ku Tokyo		Thousands of yen 10,000	SS	100.0 (100.0)	Interlocking directorates
Computer Science Corporation	Shinagawa-ku Tokyo		Thousands of yen 70,000	SS	100.0 (100.0)	Interlocking directorates

Name of company	Location	Share capital	Segment(s)	Ratio of voting rights held (%)	Relationship
Human Capital Co., LTD.	Mihama-ku Chiba	Thousands of yen 100,000	Others	100.0	Interlocking directorates
KYOBASHI KIGYO (K.K.)	Chuo-ku Tokyo	Thousands of yen 10,000	Others	100.0	Interlocking directorates Providing loans
Shirakawa Estate Co., Ltd.	Chuo-ku Tokyo	Thousands of yen 100,000	Others	100.0	Interlocking directorates Providing loans

Name of company	Location	Share capital	Segment(s)	Ratio of voting rights held (%)	Relationship
Affiliates accounted for by the equity method: CLOCKWORK HOLDINGS INC.	Chuo-ku Tokyo	Thousands of yen 50,000	EVS	39.9 (39.9)	Interlocking directorates
Jedat Inc. *2	Chuo-ku Tokyo	Thousands of yen 762,524	DS	21.2 (21.2)	Interlocking directorates
SII Logistics Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Others	40.0	Interlocking directorates
SEIKO OPTICAL PRODUCTS CO., LTD.	Chuo-ku Tokyo	Thousands of yen 100,000	Others	50.0	Interlocking directorates Providing loans
OHARA INC. *2	Sagamihara-shi Kanagawa	Thousands of yen 5,855,000	Others	41.0 (21.7)	Interlocking directorates

(Notes) 1. "Interlocking directorates" shown in the "Relationship" column describe concurrent positions held by officers or employees of the Company in the respective companies (including work transfers.)

2. Figures in parentheses for Ratio of voting rights held represent indirect ownership ratio included in the total.

3. *1 These companies are classified as "Specified companies."

4. *2 These companies are obliged to file Annual Securities Report.

5. *3 The company that posts net sales (excluding intra-group transactions) accounting for over 10% of consolidated net sales:

[Key financial data]

(Fiscal year ended March 31, 2024) (Millions of yen)

	SEIKO WATCH CORPORATION
(1) Net sales	88,990
(2) Ordinary profit	10,572
(3) Profit	6,484
(4) Net assets	14,089
(5) Total assets	62,430

5. Information about Employees

(1) The Group

As of March 31, 2024

Segment	Number of employees	
Emotional Value Solutions Business	6,734	[232]
Devices Solutions Business	3,212	[65]
Systems Solutions Business	1,597	[18]
Others	28	[11]
Corporate *3	169	[0]
Total	11,740	[325]

(Notes) 1. The number of employees refers to the number of active employees (excluding individuals seconded from the Group, the Company, and its consolidated subsidiaries to outside the Group, and including individuals seconded to the Group from outside the Group). The number of temporary employees is shown in square brackets as the annual average number, excluding the aforementioned number of employees.

2. Temporary employees include part-timers but do not include temporary staff.

3. The number of employees in “Corporate” represents those belonging to the Company (holding company).

4. The main reason for the increase in the number of employees in Systems Solutions Business compared to the previous fiscal year is the acquisition of a consolidated subsidiary.

(2) The Company

As of March 31, 2024

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
169	44.3	18.3	8,355,535

(Notes) 1. The number of employees excludes 13 employees seconded from the Company to outside parties and includes 53 employees seconded from outside parties to the Company.

2. The average years of service is calculated based on the total of years of service, including the period of transfer to the Company’s group companies.

3. The average annual salary includes bonuses and extra wages.

(3) Trade union

There are no special notes regarding labor-management relations.

(4) The ratio of female employees in managerial positions, the ratio of male employees taking childcare leave, and the wage gap between male and female employees

1) The Company

Current fiscal year						
Ratio of female employees in managerial positions (%) (Note 1)	**Ratio of male employees taking childcare leave (%) (Note 1)**			**Wage gap between male and female employees (%) (Note 1)**		
	All employees	Full-time employees	Part-time/fixed-term employees	All employees	Full-time employees	Part-time/fixed-term employees
25.0	-	100.0	*	81.8	78.2	63.9

(Notes) 1. Figures are calculated based on the provisions of the *Act on Promotion of Women's Participation and Advancement in the Workplace* (Act No. 64 of 2015).

2. "*" indicates that no male employees are eligible for childcare leave.

2) Consolidated subsidiaries

Current fiscal year								
Name	**Ratio of female employees in managerial positions (%) (Note 1)**	**Ratio of male employees taking childcare leave (%)**				**Wage gap between male and female employees (%) (Note 1)**		
		All employees	Full-time employees	Part-time/fixed-term employees		All employees	Full-time employees	Part-time/fixed-term employees
SEIKO WATCH CORPORATION	16.8	-	87.5	*	(Note 1)	74.7	75.3	66.3
SEIKO TIME LABS CO., LTD.	20.0	-	-	-	(Note 1)	-	-	-
CRONOS Inc.	16.2	-	0.0	*	(Note 1)	84.9	86.1	72.3
SEIKO Retail Marketing Corporation	26.2	-	-	-	(Note 1)	-	-	-
Morioka Seiko Instruments Inc.	-	-	100.0	*	(Note 1)	76.6	81.8	90.8
Ninohe Tokei Kogyo Co., Ltd.	-	-	-	-	(Note 1)	62.6	76.4	89.9
WAKO Co., Ltd.	51.3	-	100.0	*	(Note 1)	-	-	-
SEIKO Time Creation Inc.	-	-	75.0	*	(Note 1)	73.4	74.0	72.2
Seiko Instruments Inc.	10.5	-	81.8	*	(Note 1)	73.5	78.5	62.3
SEIKO NPC CORPORATION	-	-	100.0	*	(Note 1)	-	-	-
SEIKO Solutions Inc.	9.5	-	100.0	*	(Note 1)	68.7	71.1	56.7
IIM Corporation	31.7	-	-	-	(Note 1)	-	-	-
CSM SOLUTION CO., LTD.	4.3	-	-	-	(Note 1)	-	-	-
Computer Science Corporation	9.4	-	-	-	(Note 1)	71.0	68.0	87.0

(Notes) 1. Figures are calculated based on the provisions of the *Act on Promotion of Women's Participation and Advancement in the Workplace* (Act No. 64 of 2015).

2. "*" indicates that no male employees are eligible for childcare leave.

II. Overview of Business

1. Business Policy, Business Environment, and Issues to Address, etc.

Any future forecasts included in the following descriptions are based on the Group’s best estimates or judgment as of March 31, 2024. For information on the business environment, refer to 4. Management’s Analysis of Financial Position, Operating Results and Cash Flows.

(1) Corporate philosophy

In 2021, when the Company celebrated the 140th Anniversary of its foundation, it has clarified its purpose: “As a company trusted by society, we will constantly pursue innovation, inspiring people everywhere, and creating a future full of smiles.” This purpose serves as the starting point for all of the Company’s activities, which are based on its corporate philosophy of being “A Company that is Trusted by Society.”

The Company has also defined the following Group 10-year vision leading up to its 150th Anniversary in 2031.

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

In order to realize the Group 10-year vision, the Company has formulated the Eighth Mid-Term Management Plan (Seiko Milestone 145 = SMILE145), which concludes in FY2026, and will promote its businesses.

(2) Business strategies and issues that need to be addressed

1) Positioning of SMILE145

The Eighth Mid-Term Management Plan, SMILE145, is a five-year plan formulated by backcasting from the Group 10-year vision and aimed at FY2026, the 145th Anniversary of the Company’s founding and the midpoint of the vision, in order to realize the Group 10-year vision, which represents what it aims to be for the 150th Anniversary.

2) Ideals of SMILE145

By 2026, the Company aims to become “A solutions company that offers high-added-value products and services that create excitement and generate substantial profits.” The basic policy to achieve this is the “MVP Strategy = Moving, Valuable, Profitable,” focusing on high-added-value, highly profitable products that move people.

3) The value creation story for the years leading up to 2031

Based on an analysis of the environment surrounding the Company Group, considering both opportunities and risks, the Company is engaging in business activities that help solve social issues, starting from the Group purpose. This contributes to the Group’s steady growth and the development of a sustainable society. As the growth strategy, the Company promotes the Group core strategies in SDGs, human resource, branding, DX (digital transformation), and R&D. Additionally, the Company has established three strategic domains. Emotional Value Solutions, Devices Solutions, and Systems Solutions, leveraging the Group’s strengths. These strategies aim to capture business opportunities in four areas: Emotional Consumption, Society 5.0, Wellness, and Society/Environment. By generating Group synergies, the Company aims to create social value and achieve growth.

To accomplish this, the Company promotes the “MVP Strategy” to achieve what it aims to be in 2026, defined by backcasting from the Group 10-year vision.

4) Group core strategies

The Group promotes growth strategies by implementing five core strategies across the entire Group.

a) SDGs strategy

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

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

b) Human resource strategy

The Group will foster an organizational culture and systems that turn failure into value, with human resource development as a cornerstone of its growth strategy, by enhancing engagement and promoting diversity.

c) DX (digital transformation) strategy

The Company Group will 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.

d) R&D strategy

The Company Group will further evolve its technology and create new value by combining its long-cultivated technological philosophy of "Craftsmanship, Miniaturization, and Efficiency" with digital technology.

e) Branding strategy

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 its social, technological, and emotional value.

5) Domain-specific ideals

a) Emotional Value Solutions (EVS) Domain

- Create products and services with high functional, emotional, and social value that are filled with a sense of beauty and meticulous attention to detail that excite customers

- Improve its brand and corporate value by selling products that become lifelong partners, enjoyed together in times of joy and by providing superior customer experience

b) Devices Solutions (DS) Domain

- Provide the high functionality and quality demanded by society, through devices solutions via technological innovation

- Contribute to the realization of Society 5.0 by resolving social issues through the integration of cyberspace and physical space)

c) Systems Solutions (SS) Domain

- Achieve sustainable growth by offering social innovation through one-stop ICT solutions

- Increase the value for customers, society, and the Group by continuously offering value in line with customer needs

6) Financial policy and cash allocation

Under SMILE145, the Company Group aims to increase its growth investment capabilities by improving the gross profit margin, and makes investments to establish sustainability. Additionally, it seeks to improve its financial constitution based on capital costs and reliably provide returns to shareholders. The investment policy for sustainability consists of three elements: active investment based on sales growth potential and ROIC, the establishment of a stable revenue base, and taking on the challenges of new business domains. Guided by this policy, the Company will engage in investments in branding, R&D, manufacturing facilities, M&As, DX, human resources, and more to achieve the Group's growth.

7) Group-wide management targets

SMILE145 focuses on medium- and long-term profitability and growth. Its objective is to ensure the ongoing sustainability of the Company Group. Financial targets for FY2026 include: Consolidated operating profit of 18.0 to 20.0 billion yen, increase in the consolidated gross profit margin by 5.0 percentage points (compared to FY2021), and consolidated ROIC of over 6.5%.

Regarding ESG indicators, the Company aims to: Reduce CO_2 emissions under SCOPE 1 and 2 by 25% (compared to FY2020) in FY2026, utilizes employee engagement surveys conducted since FY2022 to prioritize issues, and improve engagement scores by addressing these issues.

8) The environment surrounding our business and initiatives for solving issues

a) Group core strategies

SDGs strategy: The Company has obtained certification from the Science Based Targets initiative (STBi) for its Group-wide greenhouse gas emission reduction target for FY2030, which aligns with the 1.5°C target set out in the Paris Agreement, as part of its efforts to address decarbonization and climate change. The Company will continue to promote various measures for the reduction of greenhouse gas emissions, aiming to achieve 100% renewable electricity at all domestic sites by the end of FY2024. Additionally, as part of its responsible procurement efforts, the Company will strengthen supplier engagement and work to mitigate risks in the supply chain across the Group. The Company will also actively promote initiatives to reduce human rights risks and address water resource issues.

Human resources strategy: The Company has set key themes such as “talent development” to create new value amidst complex social issues, “promotion of diversity and inclusion” to build a resilient organization, and “creating an organizational culture” necessary for fostering new innovations, aiming to enhance engagement. Furthermore, the Company will position “health management” and “respect for human rights,” which it has actively pursued, as foundational activities of its human resources strategy and strengthen these efforts.

DX strategy: The Company aims to enhance customer experience and promote CRM by utilizing marketing DX at customer touchpoints, and it is actively working on DX to improve productivity in manufacturing and logistics operations.

In its R&D strategy, Seiko Future Creation Inc., which is responsible for the Group’s research and development and production technology, will play a central role in strengthening the Group’s overall R&D strategy and promoting the development of new technologies. Through these activities, the Company will work across the Group to create new business areas.

Branding strategy: The Company will address social issues and promote branding activities to enrich people’s hearts and create a future filled with smiles through its social, technological, and emotional values. In the EVS business, the Company will strengthen efforts to convey emotional value that resonates with Japanese culture. In the SS business, the Company will develop activities to communicate the social and technological values generated by solutions that address social issues.

b) Strategic domains

SMILE145 has completed its first two years, and the second three-year plan will commence from FY2024. In the latter three years, the Company will focus on the Watches and SS Businesses as the core of Group growth, strengthening investments for further growth. For the DS Business, the Company will make balanced investments by assessing the growth potential of each product. Additionally, the Company will leverage synergies within the Group and explore new business opportunities.

The business strategy by strategic domain is as follows:

EVS Business: The most important task in the watches business is to accelerate overseas sales expansion in the luxury segment centered on GS. In the mid-price range segment, the Company aims to further enhance profitability by expanding the premium lines of “Seiko Prospex” and “Seiko Presage.” For external sales of watch movements, the Company will improve production efficiency and enhance profitability by reviewing the global manufacturing system. In the Clock Business, the Company will focus on high-value-added luxury clocks and mechanical clocks, while the Time System Business aims to grow by providing new services centered on large display boards and signage products. In the Wako Business, the Company aims to expand jewelry sales in addition to its mainstay watches and will review the external and in-store sales systems to attract new affluent customers.

DS Business: The Company aims to expand the market share of medical batteries with growth potential and quartz oscillators with strengths in miniaturization. Additionally, the Company will grow the business of encoders (sensors that detect position and movement distance) with top-class advanced technology in the industry.

SS Business: The Company will steadily expand services and customers through M&A and other means, and will grow the business by providing IoT and AI solutions that integrate hardware and software to solve social issues, as well as platform solutions that support the realization of DX for customer companies.

The progress of key KPIs in SMILE145 is as follows:

Consolidated Management Indicators (KPI) (Billions of yen)

	FY2021 Results	**FY2022 Results**	**FY2023 Results**	**FY2024 Forecasts**	**FY2026 SMILE145**
Operating profit (Cons.)	8.7	11.2	14.7	17.0	18.0 to 20.0
Gross profit margin (Cons.)	41.8%	42.9%	44.3%	45.3%	46.8%

Management Indicators by Domain (KPI) (Billions of yen)

	FY2021 Results	**FY2022 Results**	**FY2023 Results**	**FY2024 Forecasts**
Operating profit: EVS	8.2	11.5	17.2	19.0
DS	5.6	5.0	2.1	3.0
SS	3.9	4.3	4.7	5.8

2. Approach and Initiatives Related to Sustainability

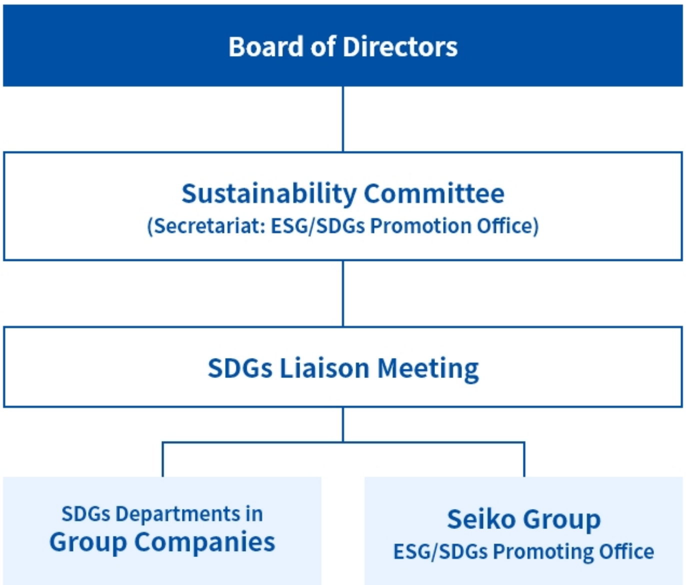
The Group's approach and initiatives related to sustainability are as follows. Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2024.

(1) Governance

Important matters related to sustainability are discussed and resolved by the Sustainability Committee, which was established to facilitate the formulation of the Group's ESG and SDGs policies and activities based on these policies, and are reported to the Board of Directors. The Board of Directors is responsible for overseeing the Sustainability Committee and regularly discusses important sustainability matters.

Additionally, the rate of CO2 emissions reduction is included as a "non-financial (ESG) assessment" in the performance evaluation index as a KPI for performance-linked executive compensation.

-Promotion structure



-Roles

(Board of Directors)

The Board of Directors will receive reports on the Sustainability Committee's resolutions at least once a year and will oversee activities and progress on related issues. Additionally, the Board of Directors will regularly discuss important sustainability issues.

(President)

The President chairs the Sustainability Committee, which is ultimately responsible for formulating the Group's ESG and SDGs policies, including important matters related to climate change, and for making management decisions regarding all activities based on these policies.

(Sustainability Committee)

The Sustainability Committee is chaired by the President and consists of full-time officers, including the director in charge of ESG/SDGs, representative directors of each Group company. The committee meets twice a year in principle to discuss and pass resolutions on matters related to the Group's ESG and SDGs materiality, including important matters related to climate change, at extraordinary meetings held as necessary, and reports the resolutions to the Board of Directors. Based on the resolutions made by the Sustainability Committee, the directors in charge take the lead in promoting activities.

1) Board of Directors and Committee meetings held

Matters related to the Group's ESG and SDG materiality, including important matters related to climate change, are in principle discussed and resolved by the Sustainability Committee twice a year, and reported to the Board of Directors at least once a year. Since the establishment of the Sustainability Committee in September 2021, the Committee has been actively discussing issues, adopting resolutions, and reporting to the Board of Directors.

2) Performance-linked executive compensation

For information on performance-linked executive compensation, refer to IV. Information about Reporting Company, 4. Explanation about Corporate Governance, etc., (4) Compensation of Directors and Corporate Auditors.

(2) Risk management

In order to perform centralized management of risks that could greatly influence the Group's business, the Seiko Group is engaged in responses to risks that must be addressed in a cross-organizational manner, led by the Seiko Group Corporation Risk Management Committee, with the President as chairperson (hereinafter "the Company's Risk Management Committee"). The Group defines significant risks that must be addressed in a cross-organizational manner as Group Significant Risks, and the Company's Risk Management Committee evaluates the importance of various risks based on their likelihood of occurrence, impact, and other factors, and selects Group Significant Risks each year.

The Company's Risk Management Committee receives reports from risk owners at the Company and Group companies regarding Group Significant Risks, in terms of measures to address these risks and their progress, monitors responses to these risks, and reports to the Board of Directors. In addition, there is a system by which the Company's Risk Management Committee confirms and shares information regarding Group-wide risks with the Group Risk Management Committee, which consists of the Company's full-time officers and representative directors of Group companies.

For more detailed analysis of climate-related risks, the Sustainability Committee conducts scenario analysis to identify, assess, and resolve particularly impactful climate change risks for Group companies, and is implementing measures to address these risks with each Group company. The details of the resolutions are reported to the Board of Directors. Climate-related risks are included in Group Significant Risks. The Sustainability Committee reports on the climate-related risks to the Company's Risk Management Committee through officers in charge, regarding measures to address these risks, which were resolved by the Sustainability Committee, as well as their progress.

-Group Risk Management Promotion Structure

The roles of each of the above committees are as follows:

■ Seiko Group Corporation Risk Management Committee

The Seiko Group Corporation Risk Management Committee, chaired by the President, focuses on risks that need to be addressed across the Group. The Committee also receives reports from risk owners at the Company and Group companies and supports the promotion of risk management at each company.

■ Group Risk Management Committee

The Group Risk Management Committee, which consists of full-time officers and representative directors of Group companies, confirms and shares information regarding Group-wide risks. The Committee also monitors and shares information regarding responses to Group Significant Risks.

■ Risk Management Committee of each Group company

Each Group company promotes risk management independently, led by its own Risk Management Committee.

■ Sustainability Committee

The Sustainability Committee holds discussions and makes resolutions on matters related to the Group's ESG and SDGs materiality, including climate-related risks, and reports the details of the resolutions to the Board of Directors. For climate-related risks that have been selected as Group Significant Risks, the Committee reports to Seiko Group Corporation Risk Management Committee through officers in charge regarding measures to address these risks and their progress.

(3) 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

<Well-being: A Better Life>

Aiming for a society where all stakeholders embrace diverse values, and work and live with pride and a sense of purpose.

Materiality Overview	Key Actions	Major Initiatives	SDGs Goals
Contribute to greater job satisfaction and active participation by diverse individuals	- Develop human resources as a pillar of our growth strategy, and work to improve engagement and promote diversity	- Develop human resources (take measures to develop entrepreneurial and digital transformation resources, and environmental improvement initiatives, including systems) - Conduct engagement surveys - Emphasize diversity in hiring and set goals to promote active adoption - Promote health management	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Promote mental and physical health and achieve social welfare	- Develop products to enter medical and healthcare businesses	- Enter healthcare field through the development and sale of devices and materials for medical applications in cooperation with third parties	3 GOOD HEALTH AND WELL-BEING
Implement initiatives for respecting human rights	- Conduct thorough investigations regarding human rights	- Establish and continuously promote a due diligence system for human rights - Promote in-house education on human rights	10 REDUCED INEQUALITIES
Cultivate and support the next generation	- Support the growth and development of the next generation through hands-on events, classes, etc.	- Ongoing implementation of the *Seiko Exciting School* - Hold *Seiko Jazz Camp*	4 QUALITY EDUCATION

<Inclusion: For All People>

We aim to support a variety of diverse lifestyles in this new era by using our corporate strengths, such as manufacturing and digital technology, to help create the essential infrastructure, always working towards the realization of a safe and secure society.

Materiality Overview	Key Actions	Major Initiatives	SDGs Goals
Contribute to the creation of a safe, secure, and inclusive social infrastructure	- Create and provide digital solutions to help realize a new age of society, where all people and goods are connected	- Provide Cloud- / AI- / IoT-enabled platforms to improve social infrastructure - Provide products and services that bring about an inclusive world	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
Contribute to a prosperous society through support for culture and sports	- Promote sports, music, and cultural activities that enrich people's lives and enhance our corporate value	- Sharing the Seiko Museum Ginza's concept of Time Culture with the world - Continue sports timing activities, sponsorship of sporting events, and support for athletes - Host concerts to support the recovery of East Japan	4 QUALITY EDUCATION
Contribute to local communities	- Support activities in local communities that promote social revitalization at all our facilities, both inside and outside Japan	- Promote socially beneficial sports events and beautification activities in collaboration with local residents and communities	11 SUSTAINABLE CITIES AND COMMUNITIES

<Trust: Certainty and Trust>

Because our fundamental guiding principle says, "Be a company trusted by society," we consider legal compliance, transparency in management, and respect for social ethics as crucial management responsibilities.

Materiality Overview	Key Actions	Major Initiatives	SDGs Goals
Provide high-quality products and services that are trusted by society	- Develop high-quality, high-added-value products and services by leveraging the strengths of each business domain to increase sustainable business activities	- Provide highly reliable products and service infrastructure that generates digital trust (trust in security, privacy, safety, etc. of our services) - Enhance after-sales service system and expand quality improvement program globally - Strengthen quality assurance system - Pass down technical skills and techniques	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Promote responsible procurement and supply chains	- Establish and operate a sustainable supply chain management system that addresses social issues, including human rights and the environment	- Revise Procurement Policy - Establish and implement procurement guidelines	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Strengthen corporate governance and the compliance structure	- Maintain and improve corporate governance and compliance operations based on respect for all relevant laws and regulations	- Further strengthen the operations of the Corporate Governance Committee, Corporate Ethics Committee, Risk Management Committee, and other bodies	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

<Harmony: Harmony with the Earth>

We will contribute to the creation of a sustainable society by employing environmental technology to reduce greenhouse gas emissions and conserve biodiversity. Moreover, working closely with local communities, we will strive to foster sustainable symbiosis with the global environment.

Materiality Overview	Key Actions	Major Initiatives	SDGs Goals
Implement initiatives for climate change and decarbonization	- Plan and promotion of reduction measures in line with the Seiko Group's long-term goal of reducing CO2 emissions - Provide products and services that contribute to realizing a decarbonized society	- Promote group-wide energy conservation and active introduction of renewable energy - Introduce environmental support systems	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Help to realize a recycling oriented society	- Create and expand lineup of environmentally friendly products and services - Promote 3Rs (Reduce, Reuse, Recycle)	- Create resource-saving and eco-friendly products - Simplify packaging materials and shift to using renewable materials - Reduce losses in raw materials and waste products - Increase use of reusable parts and recycled materials	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS

Coexist and harmonize with nature	- Aim for coexistence with nature by increasing activities to conserve biodiversity and natural capital in each of our business locations	- Working together with local residents and outside experts to promote nature conservation (e.g., tree planting and preservation of marine resources)	14 LIFE BELOW WATER 15 LIFE ON LAND

The Group has determined materialities through the following four steps:

STEP 1: Understanding and Identifying Social Issues

- Identify and list up social issues that impact the Group, our stakeholders, and our supply chain, both domestically and internationally, now and in the future. This process involves identifying social issues, with a focus on standards such as GRI, the SDGs, ISO 26000, and other metrics relevant to our business.
- In the identification process, the Company also takes into consideration the opinions of external experts to ensure an unbiased examination and narrow the focus of the inquiry.

STEP 2: Identifying Materiality Candidates

- The Company selected a diverse range of employees in Group companies and related departments, including people of different ages, genders, and positions, to be ESG and SDGs supervisors. The Company used a workshop format to discuss what form its initiatives should take, focusing on the social issues that the Group felt it should tackle and stakeholders' expectations regarding its response to these issues (a total of 5 workshop sessions were held).
- At the same time, within each company and department, the relevant groups held discussions and began listing up likely initiatives for the specified materiality candidates.

STEP 3: Assessing the Importance of Candidates

- Following the above steps, the Company conducted a stakeholder survey* to gauge the expectations of stakeholders regarding the materiality candidates identified through this process, particularly those in which the Company is expected to contribute solutions.

  * An online monitoring survey, targeting customers (both B2C and B2B); suppliers; shareholders, bondholders, and securities analysts; NPOs; and people in regions where the Company conducts business, and also conducted interviews with specific stakeholders,

STEP 4: The Identification of Materiality

- A Materiality Identification Review Committee, consisting of full-time directors and auditors, as well as the presidents of each Group company, held six meetings to discuss and identify material issues.
- Based on expectations and feedback from external stakeholders, the Company conducted an internal reassessment and revised the relative importance of various materiality candidates.
- The Company then identified the specific issues that the Group should address, taking into account its corporate philosophy, the Statement of Purpose, and long-term vision. The Board of Directors then passed a resolution on this matter.

For further information, refer to the website of the Company;

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

1) Climate change and decarbonization initiatives

The Group positions "Addressing Climate Change and Decarbonization" as one of its material priorities. The Group has set long-term targets for reducing greenhouse gas emissions, and is intensifying efforts toward lowering its carbon footprint.

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), to which the Group pledged its support in October 2021, it is conducting scenario analysis for its business covering the risks and opportunities related to climate change. At the same time, the Group is enhancing its information disclosure regarding its initiatives for decarbonization.

a) Scenario analysis process

In order to address the financial and business impacts of climate-related risks and opportunities on it under different scenarios and to enhance its resilience, the Group conducts scenario analysis according to the following steps.

-Reference scenario

Classification	Scenario Overview	Main Reference Scenario
Less than 2°C Scenario	A scenario in which policies and regulations are implemented to achieve a decarbonized society and the global temperature increase from pre-industrial times is limited to less than 2°C. Transition risk is high, but physical risk is lower than in the 4°C scenario.	● IEA World Energy Outlook 2023. Announced Pledges Scenario ● IPCC RCP2.6/SSP1-2.6
4°C Scenario	A scenario in which no new policies or regulations are introduced and global energy-derived CO_2 emissions increase continuously; compared to the less than 2°C scenario, the transition risk is lower, but the physical risk is higher.	● IEA World Energy Outlook 2023. Stated Policy Scenario ● IPCC RCP8.5/SSP5-8.5

-Scenario analysis steps

STEP 1 Identification of significant climate-related risks/ opportunities and establishment of parameters	● Identify climate-related risks and opportunities ● Assess high significance risks/opportunities ● Set parameters related to highly significant risks/opportunities
STEP 2 Setting climate-related scenarios	● Based on the information in STEP 1, etc., identify scenarios that are closely related to the existing scenarios ● Establish climate-related scenarios (social vision)
STEP 3 Assessment of financial impact for each scenario	● Analyze the financial impact of each scenario based on the scenarios established in STEP 2 and the key climate-related risks/opportunities and related parameters identified in STEP 1
STEP 4 Assessment of the resilience of the strategy to climate-related risks and opportunities and further measures to address them	● Assess the resilience of our strategy to climate-related risks and opportunities ● Consider further response measures

b) Business impact associated with climate-related risks and opportunities and the Group’s response

The Company has conducted scenario analysis covering all Group businesses and assessed key risks and opportunities. Based on this review, the Company formulates and implements measures to address these risks.

(Climate-related risk)

<table>
<tr><th colspan="3" rowspan="2">Risk category</th><th rowspan="2">Risk description</th><th colspan="2">Business impact (2030)*1</th><th rowspan="2">The Group’s response</th></tr>
<tr><th>Less than 2°C scenario</th><th>4°C scenario</th></tr>
<tr><td rowspan="7">Risk</td><td rowspan="4">Transition risk</td><td>Policy & regulation</td><td>Increased costs due to introduction and strengthening of carbon tax</td><td>450 million yen *2
Medium</td><td>350 million yen *2
Medium</td><td rowspan="2">● Revised long-term targets for greenhouse gas (GHG) emissions reduction and decarbonization transition plans, with a strategic focus on accelerating the reduction of domestic GHG emissions
● Promote energy conservation
● Accelerated adoption of renewable energy, including self-generation and power purchase agreements (PPA)
● Promote reductions through modal shifts and more efficient transportation, focusing on businesses with high GHG emissions in the transportation of raw materials and finished products</td></tr>
<tr><td>Technology</td><td>Increased manufacturing and transportation costs due to higher energy prices</td><td>Medium</td><td>Medium</td></tr>
<tr><td rowspan="2">Market</td><td>Decreased sales due to inability to respond to requests from suppliers for climate-related measures</td><td>Medium</td><td>Medium</td><td>● Reduce GHG emissions in line with our decarbonization transition plan
● Promote development of products and services that contribute to solving climate-related issues for our business partners</td></tr>
<tr><td>Increased procurement costs due to higher raw material prices</td><td>Medium</td><td>Medium</td><td>● Strengthen cooperation with suppliers concerning purchasing terms and conditions, such as minimum order quantity adjustments and delivery dates</td></tr>
<tr><td rowspan="3">Physical risk</td><td rowspan="2">Urgent</td><td>Decreased sales due to supply chain disruptions and distribution delays caused by extreme weather conditions</td><td>Small</td><td>Medium</td><td rowspan="3">● We formulated a BCP to mitigate damage in the event of a major disaster due to climate change or an increase in casualty insurance premiums. We will review it in the future to further reduce risk
● Carried out multiple purchases and transactions with suppliers that have no history of flooding. We will further expand this program in the future
● For production sites where flooding is of particular concern, we adopted measures such setting up a second plant on higher ground. Further review of the operational structure and mid- to long-term facility relocation plans will be considered
● Avoid delays in deliveries to customers by securing safety stock, etc. In the event of flooding, promptly secure alternative parts and production sites to continue production
● Identify nonlife insurance premiums, gather information on locations where premiums are likely to increase significantly in the future, and review BCPs as necessary</td></tr>
<tr><td>Decreased sales due to interruption of factory and/or store operations and difficulty in securing personnel due to extreme weather conditions</td><td>Medium</td><td>Large</td></tr>
<tr><td>Chronic</td><td>Rising nonlife insurance premiums due to increase in extreme weather conditions</td><td>Medium</td><td>Medium</td></tr>
</table>

(Climate-related opportunities)

	Opportunity category	Opportunity description	Business impact (2030)*1		The Group's response
			Less than 2°C scenario	4°C scenario	
Opportunity	Energy source	Cost reduction by introducing renewable energy	Medium	Medium	● Accelerate the introduction of additional private power generation and on-site/off-site PPAs, which will also contribute to reducing electricity costs, based on the current decarbonization transition plan
	Products and services	Increased sales of low-power-consumption compatible products due to expansion of cyber-physical systems (CPS) / the Internet of Things (IoT) society	Medium	Medium	● In electronic devices such as quartz crystals and oscillators, promote sales by expanding the lineup of low-power-consumption goods ● In high-precision components that contribute to power saving in data centers, actively promote replacement of old products with new ones
		Increased sales of related parts to automobile sector due to ongoing shift to electric vehicles (EVs)	Medium	Medium	● In the electronic devices segment (e.g., quartz crystals and oscillators), promote sales activities in the key new automotive market (for EVs) ● In high-precision components, develop differentiated technologies for EVs and provide new high-precision, high-reliability products to both existing and new customers
		Increased sales of low-carbon products and services that can help customers reduce their environmental impact	Large	Large	● In printing devices (thermal/inkjet), expand the lineup of products that contribute to our clients' low-carbon initiatives, and enhance the production system for growth markets ● In sensor-related products, develop new low-power-consumption goods with efficient drive systems, and expand product lineups
		Increased sales of products that respond to consumers' growing environmental awareness	Small	Small	● In the retail business, expand the repair section and actively select and promote products with a low environmental impact ● Increase PR and sales promotion activities for environmentally friendly products with long lifecycles, such as solar clocks
	Market	Creation of new products & services related to the IoT, manufacturing, and distribution that will accompany the promotion of energy conservation	Medium	Medium	● In response to the growing demand for IoT-use semiconductors, promote energy-efficient ICs and create new markets ● In response to trends toward digitalization of manufacturing and distribution, propose solutions to our customers' problems and capture new markets
		Increased sales due to improved brand value through decarbonized management	Medium	Small	● Strengthen efforts toward a decarbonized society and actively disclose the Group's management stance toward decarbonization ● Disclose biodiversity initiatives that positively interact with climate change in a timely manner to enhance brand value

*1 Large business impact: Extremely significant impact on business, such as an impact on profits of 1 billion yen or more, withdrawal from a business, or an interruption of business for several months or more.

Medium business impact: Significant impact on business, such as a profit impact of between 100 million yen and 1 billion yen, negative impact on business plans, downsizing of a business, or a business interruption of one week to one month.

Small business impact: Minor or negligible impact on business, such as a profit impact of less than 100 million yen, little or no impact on business plans, or little or no interruption of business.

*2 The Company calculated the 2030 GHG emissions (Scope 1 and 2) based on growth forecasts and GHG reduction plans, then multiplied them by the IEA forecasted carbon prices for both the less-than 2°C and 4°C scenarios. The calculations are based on an exchange rate of 1 USD = 140 JPY.

2) Policy on human resource development and internal environment improvement

The policies and specific initiatives regarding human resource development, including ensuring diversity, and improving the internal environment within the Group are as follows.

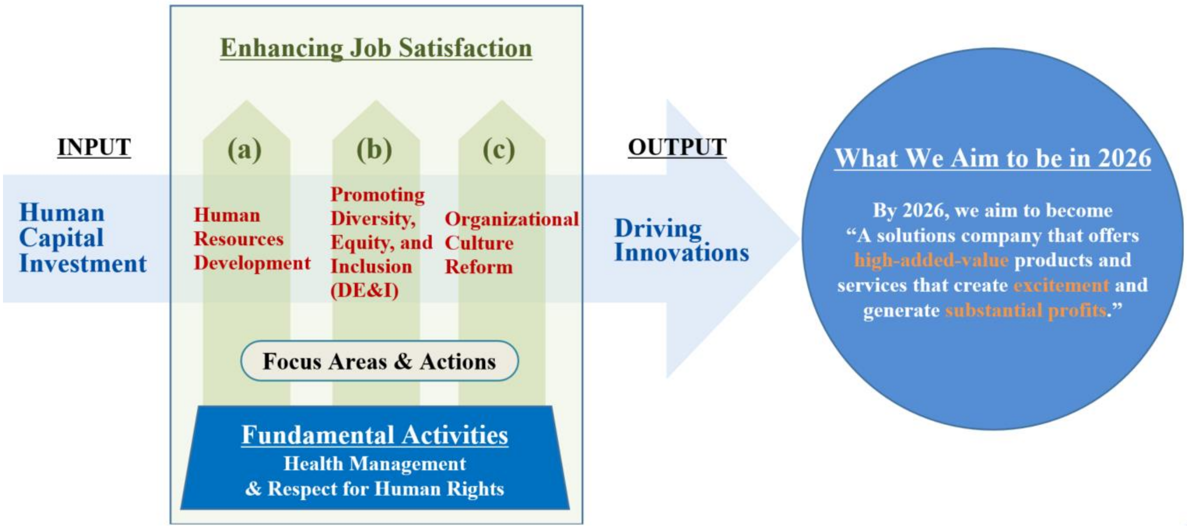
<Policies on human resource development and the internal environment improvement>

The Group has established the following fundamental policy for its human resources strategy under the current mid-term management plan, SMILE145, aiming to achieve its vision for 2026.

Adopt the goal of working together as a group to become a solutions company through proactive efforts to develop human resources, improve diversity, and build its organizational culture, thereby enhancing job satisfaction among employees and driving innovation.

Under these fundamental policies, the human resources strategy focuses on the following key themes: developing talent capable of creating new value amidst complex social issues, promoting diversity, equity, and inclusion to build a resilient organization, and fostering an organizational culture necessary for generating new innovations. The Group will continue to enhance engagement through these initiatives. Additionally, the Group will strengthen its ongoing efforts in ‘health management’ and ‘respect for human rights,’ positioning them as foundational activities in its human resources strategy.

<Overview of the human resource strategy>



<Initiatives for human resource development and internal environment improvement>

Based on the aforementioned fundamental policies, the Group implements the following key initiatives:

*The scope of these measures covers the Company and its eight domestic subsidiaries (SEIKO WATCH CORPORATION, Seiko Instruments Inc., SEIKO Solutions Inc., SEIKO Time Creation Inc., WAKO Co., Ltd., SEIKO NPC CORPORATION, Seiko Future Creation Inc., and Human Capital Co., LTD.).

a) Human Resource Development

In terms of human resource development, the Group recognizes the importance of nurturing next-generation management leaders who will enhance corporate value and drive sustainable growth, as well as strengthening employees’ DX (Digital Transformation) skills to realize its DX strategy and enhancing management capabilities to maximize team performance. To address these critical issues, the Group implements the following initiatives:

1. Development of Future Executive Candidates

The Group will implement programs to cultivate the necessary management literacy and transformative mindset required to navigate complex business environments. Additionally, the Group will establish a systematic approach to provide the essential experiences needed for future executives, thereby nurturing the next generation of executive candidates.

2. Enhancement of DX (Digital Transformation) Skills

To develop talent capable of practically applying DX in business, the Group will execute a series of programs starting with foundational skill enhancement and leading to practical application.

3. Strengthening Management Capabilities

The Group will support frontline managers in addressing the complex challenges posed by diverse member values and changing work styles. This will be achieved through educational programs and support initiatives aimed at enhancing management capabilities.

b) Promoting Diversity, Equity, and Inclusion (DE&I)

To become a resilient organization, the Group must embrace diversity in its workforce and ensure that all members can fully utilize their abilities and thrive. The Group will continue to promote diversity and inclusion through the following initiatives:

1. Initiatives to Support Women's Empowerment

The Group has been continuously working since fiscal year 2013 to create an environment through training sessions, lectures, information dissemination via a dedicated group website, and the introduction of various systems. The Group aims to increase the percentage of women in managerial positions within the group (note) to 20.0% by April 2027 and will continue to strive to promote women's participation

*The total number of managerial positions among the Company, eight domestic direct subsidiaries, four domestic subsidiaries of SEIKO WATCH CORPORATION, one domestic subsidiary of Seiko Instruments Inc., and seven domestic subsidiaries of Seiko Solutions Inc.

2. Efforts to Support "Work-Life Balance"

In response to the amendment of the *Act on the Welfare of Workers who Take Care of Children or other Family Members Including Child Care and Family Care Leave* effective October 1, 2022, the Group has introduced paternity leave for full-time male employees for up to four weeks within eight weeks of the child's birth. This leave is fully paid, exceeding legal requirements. To encourage male employees to take paternity leave, the Group is actively promoting understanding among supervisors and colleagues through top-down messages, seminars, and other initiatives aimed at the entire group.

*For the paternity leave uptake rate among male employees, refer to "5. Information about Employees (4) The ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and the difference in wages between male and female employees."

3. Establishing Systems for Flexible Work Arrangements

As values regarding work styles diversify, the Group believes that creating an environment and systems that allow employees to work productively, regardless of location or time, is crucial for their well-being. In addition to introducing a telecommuting system to enable remote work, the Group has implemented the use of shared offices for certain departments and job roles to facilitate efficient work styles. This also provides opportunities for cross-company personnel exchanges.

4. Recruitment of Experienced Professionals

To drive value creation by leveraging external expertise, the Group conducts fair and impartial recruitment and appointment of experienced professionals based on individual merit. The Group is also committed to creating an environment that enables new team members to thrive as key contributors, fostering organizational culture transformation and innovation. Efforts are made to ensure their early success and retention.

5. Promoting Employment of Individuals with Disabilities

As part of its commitment to diversity, the Company and its eight affiliated companies have received group certification under the *Special Subsidiary System* and are actively promoting the employment of individuals with disabilities.

*For the Company, SEIKO WATCH CORPORATION and its two domestic subsidiaries, SEIKO Time Creation Inc., WAKO Co., Ltd., Human Capital Co., LTD., and AOBA WATCH SERVICE Co., Ltd., which have been certified as group companies under the System.

6. Activating Senior Human Resources

The Group is creating an environment where senior employees can work more energetically by reviewing the compensation and treatment, contributing to the development of younger staff and the improvement of operations.

c) Creating Organizational Culture

To foster new innovations, it is essential to establish an organization and its culture that encourages open and lively discussions across different groups, teams, and positions, supports free thinking, rapid decision-making, and swift actions. To achieve this, the Group implements the following measures:

1. Organizational Culture Reform Project ("SWING Project")

The SWING Project stands for Seiko (Seiko Group), Will (having determination), Identity (being autonomous), Natural (being oneself), and Glory (having pride). The name SWING embodies the idea of shaking up and transforming the organizational culture.

As the first step, the Group has undertaken activities to remove physical barriers, such as:

-Allowing casual dress in the office
-Abolishing the use of titles and honorifics within the Group
-Creating new workplaces that enhance communication

2. Dialogue Activities between Employees and Executives

The Group is establishing opportunities for direct dialogue between employees and executives. This initiative aims to enhance employees' ownership of management and business strategies through direct interactions with senior management.

3. Implementation of Career Development Support Programs

The Group is implementing educational programs and providing career counseling opportunities to support employees in actively considering their own careers. This initiative aims to help employees continue learning and working with a sense of purpose and motivation.

4. Promoting Health Management of Employees

The Group unveiled its Declaration of Health Management in fiscal year 2019. Based on this declaration, it established a Health Management Promotion System and promotes initiatives to maintain and improve the health of employees across the Group. Meanwhile, the Group was recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large-Enterprise Category) for the fifth consecutive year since fiscal year 2019. In addition, four Group companies—SEIKO WATCH CORPORATION, Seiko Instruments Inc., SEIKO Time Creation Inc., and WAKO Co., Ltd.—were also recognized under the large-enterprise category, while two—SEIKO NPC CORPORATION and Human Capital Co., LTD.—were recognized under the small and medium-sized enterprise category .

5. Respect for Human Rights

In the fiscal year 2023, the Group conducted training on unconscious bias for all Group employees. Moving forward, as part of its efforts to eliminate discrimination and prejudice, the Group continues to implement awareness activities such as seminars and e-learning programs.

6. Measuring the Effectiveness of Initiatives

To measure the effectiveness of these initiatives, the Group regularly conducts a Group-wide engagement survey. This will help continuously identify organizational and personnel issues and reflect new initiatives accordingly.

(4) Indicators and targets

1) Climate change and decarbonization

In November 2023, the Company revised its long-term goals for fiscal year 2030 to accelerate the reduction of greenhouse gas emissions. In line with these long-term goals, the Company will continue to accelerate the adoption of renewable energy and strive to further reduce greenhouse gas emissions.

Additionally, in April 2024, the Company received SBT (Science Based Targets) certification from the SBTi (Science Based Targets initiative) for its long-term goals for fiscal year 2030, which are aligned with the 1.5°C target set by the Paris Agreement.

a) Long-term targets for greenhouse gas emissions reduction

Greenhouse gas emissions reduction targets:

Fiscal year 2030

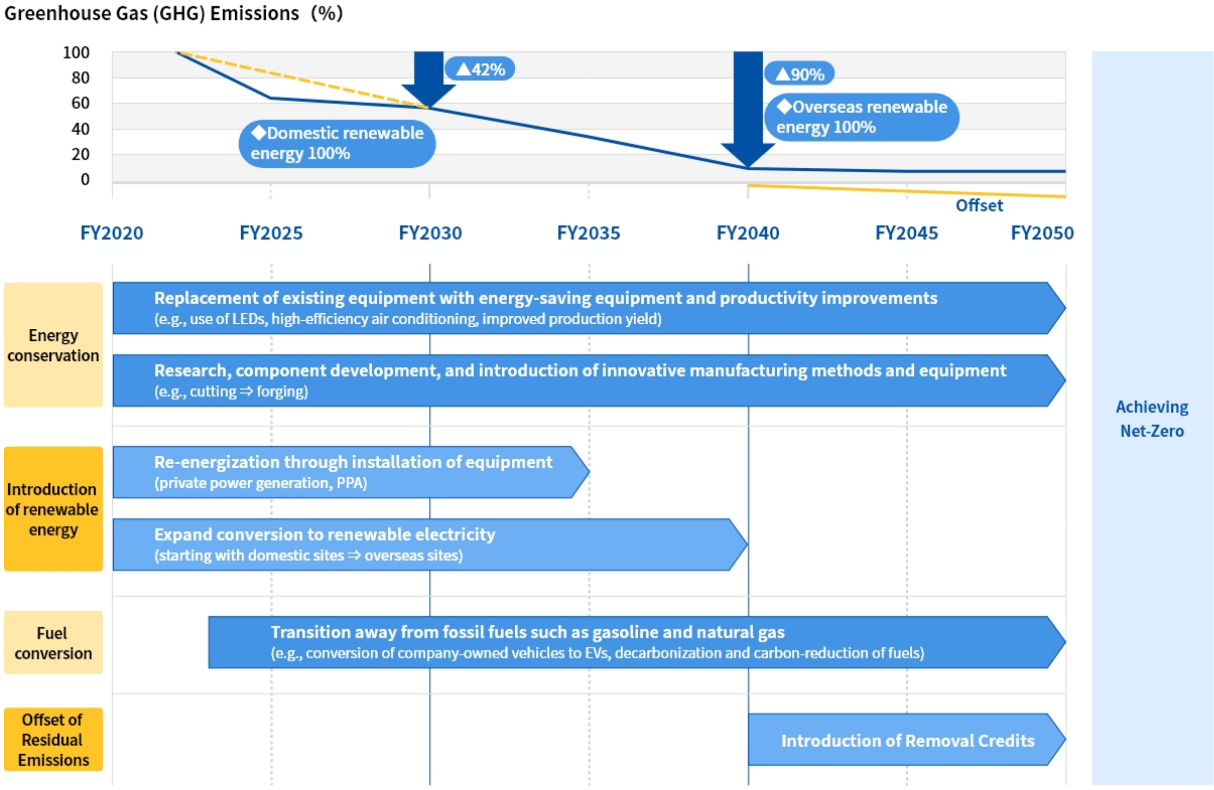
Scope 1 & 2: 42% reduction from FY2022 levels (48.7% reduction from FY2020 levels)

Scope 3: 25% reduction from FY2022 levels (Targeting categories 1 and 11)

Aim to achieve carbon neutrality by fiscal year 2050.

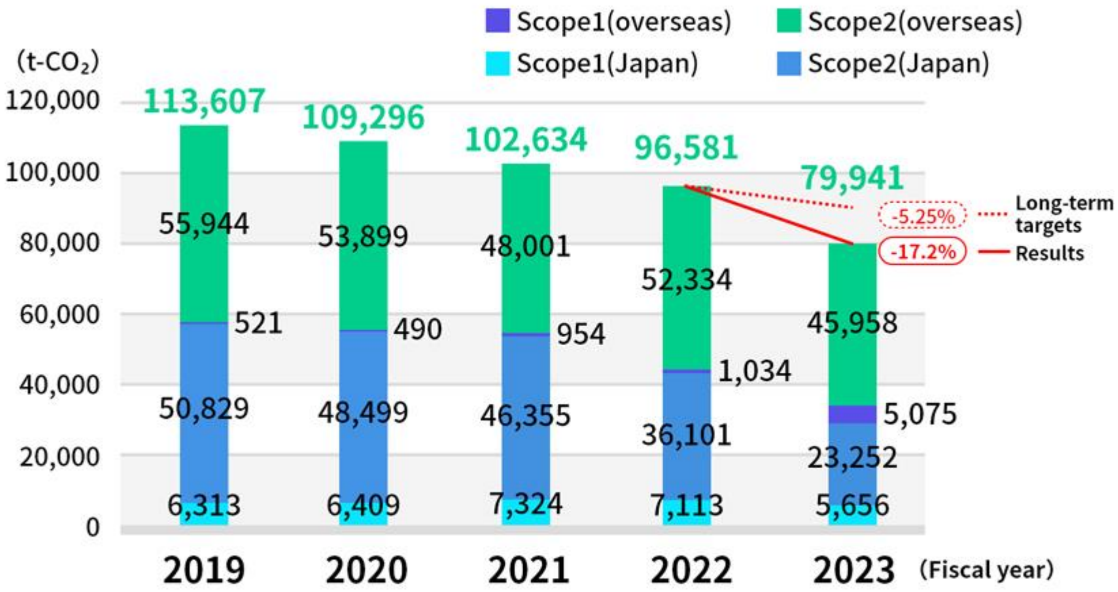
b) Decarbonization transition plan (Scope 1 and 2)

In November 2023, the Company revised its roadmap toward decarbonization, in line with the revision of its long-term goal of reducing greenhouse gas emissions. The Company will continue to replace existing equipment with energy-efficient substitutes, improve productivity, and save energy through research, component development, and introducing innovative manufacturing methods and equipment. Regarding the introduction of renewable energy, the Company will prioritize the installation of equipment and accelerate the plan to switch each site to renewable energy. The Company aims to achieve 100% renewable energy at domestic sites by the end of fiscal year 2024 and 100% renewable energy at all sites, including overseas, by the end of fiscal year 2040. The Company will also switch the fuels it uses from fossil fuels to decarbonized and low-carbon alternatives. Any remaining emissions will be offset by introducing removal credits, aiming to achieve net zero by fiscal year 2050.



c) Scope 1, 2 GHG emissions (t-CO_2) results FY2019-FY2023

As a result of continuous energy-saving activities and the promotion of renewable energy introduction, the Company's greenhouse gas emissions (Scope 1 and 2) in fiscal year 2023 were approximately 80,000 tons, achieving a 17.2% reduction compared to fiscal year 2022. This significantly exceeds the required reduction rate of 5.25% compared to fiscal year 2022, necessary to achieve our revised long-term goals. Additionally, the ratio of renewable energy in the total electricity used by the Company Group reached approximately 18%.



Scope 1: Direct emissions by reporting companies (e.g., fuel combustion)

Scope 2: Indirect emissions resulting from the use of electricity, etc. supplied by other companies

* The total amount of GHG emissions and the total of the breakdown may not match due to the processing of fractions.

* Due to the revision of CO_2 emission factors, CO_2 emissions prior to fiscal year 2019 have been recalculated retroactively.

* There are no biogenic GHG emissions.

Note 1: Emission factors

- Electricity:

  For Japan, the adjusted emission factors for each electric utility company specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming are used. For overseas, the IEA (International Energy Agency) emission factors specified for each country are used.

- Fuel:

  For both Japan and overseas, the calorific value for each fuel type and the emission factors for fuel use specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming are used. However, if information such as calorific values is provided by the suppliers, such values are used.

- Chilled/heated water:

  The emission factors provided by the suppliers are used. For Japan, the adjusted emission factors of emission factor by electric utility specified by the Law Concerning the Promotion of the Measures to Cope with Global Warming is used. For overseas, IEA (International Energy Agency) emission factors for each country are used.

Note 2: Starting in FY2020, tenants, stores, warehouses, etc. have been added to the scope of calculation. Company vehicles are included, but energy use by outsourcing is not included.

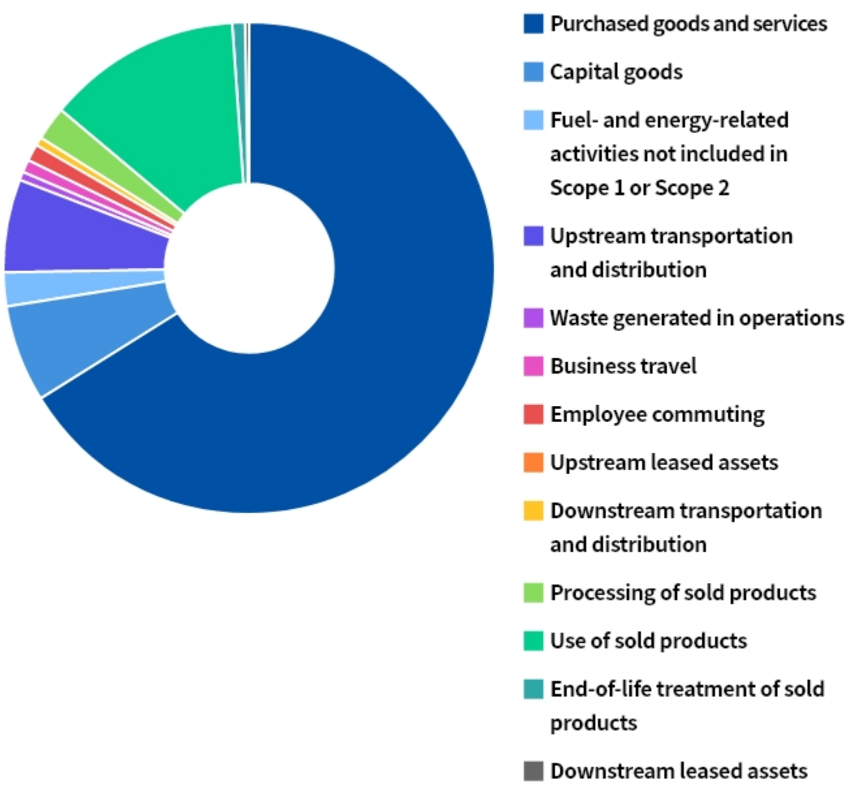
Note 3: For stores, warehouses, etc., where the amount of electricity used cannot be specified, the amount of electricity is estimated from the floor space.

Note 4: Both domestic and overseas sites include 6.5 gases. Overseas sites prior to fiscal year 2022 include only energy-originated CO_2.

Note 5: Emission data for fiscal year 2022 has been revised based on third-party verification.

d) Scope 3 CO_2 emissions (t-CO_2) result FY2022

Category	Item	CO_2 emissions (t-CO_2)	%
Category 1	Products and services purchased	362,397	63.3%
Category 2	Capital goods	25,690	4.5%
Category 3	Fuel and energy-related activities not included in Scope 1, 2	16,128	2.8%
Category 4	Transportation and distribution (upstream)	39,076	6.8%
Category 5	Waste from business activities	2,888	0.5%
Category 6	Business travel	3,679	0.6%
Category 7	Employee commuting	5,755	1.0%
Category 8	Leased assets (upstream)	122	0.0%
Category 9	Transportation and distribution (downstream)	2,682	0.5%
Category 10	Processing of sold products	12,226	2.1%
Category 11	Use of sold products	95,742	16.7%
Category 12	Disposal of sold products	5,630	1.0%
Category 13	Leased assets (downstream)	546	0.1%
Category 14	Franchises	-	-
Category 15	Investments	-	-
Total		572,562	100.0%



For further information, refer to the website of the Company;
https://www.seiko.co.jp/en/csr/environment/tcfd/

2) Human resource development and internal environment improvement

The Group has established indicators related to our human resource strategy. The details of these indicators, as well as our targets and results are as follows.

Indicators	Targets	Results
Increased engagement score*	*KPI will be set during fiscal year 2024	
Ratio of women in managerial positions	20.0% by April 2027	14.2% (as of April 2024)

3. Business Risks

The following are risks that may affect the business performance, financial position, and other aspects of the Group. In addition to short-term risks that may significantly impact business performance, the Group also identifies brand damage risk and risks affecting the safety and health of employees as important medium-term risks. Please note that any forward-looking statements in this document are based on judgments made as of the end of the fiscal year 2023.

(1) Economic Trends

The Group handles certain products directly related to personal consumption, such as watches, clocks, electronic components for digital products and automobiles, high-end jewelry, apparel and fashion accessories, and household goods, etc. Consequently, consolidated business results are strongly affected by trends in domestic and overseas economies, especially trends in personal consumption. In particular, watches and clocks are sold in at least 130 countries and regions around the world. They are constantly exposed to potential impacts of various kinds, while the risks are well distributed.

(2) High Dependence on Procurement from Specific Suppliers

Due to the high dependence on specific suppliers in the Watches Business, the business results of the Emotional Value Solutions (EVS) Business may be significantly affected by changes in terms of transactions with these suppliers.

(3) Market Environment of the Devices Solutions (DS) Business

Business results of the DS Business are affected by demand trends for electronic devices, etc., in Japan and overseas. In this business field, the speed of development of new technologies and their mass production is high, and the price competition is also intense. Therefore, the possibility that delays in responding to changes in these market environments may have a significant impact on business results is increasing. The Company will enhance the sustainability of its business by promoting a shift to its main strategy under the Eighth Mid-Term Management Plan “SMILE145,” which focuses on “high-added-value products and services that create excitement and generate substantial profit.”

(4) Country Risks on Manufacturing Bases Overseas

The EVS Business and the DS Business have manufacturing bases in Singapore, Malaysia, Thailand, and China. Changes in social situations due to political and economic factors, etc., in these areas may have a significant impact on the manufacturing activities of these businesses. However, respective production lines are in operation largely in multiple regions including Japan, to mitigate the impact associated with various risks.

(5) Dependence on Sales to Major Customers

For some parts of the DS Business, the dependence on sales to major customers tends to be high, and a decrease in the volume of orders from these customers may impact the business results. To avoid excessive dependence on any single major customer, the Group is striving to expand the DS Business, including the development of new customers.

(6) Shortage and Increase in Price of Resources

If energies such as crude oil and electricity, and materials such as raw materials, are scarce or their prices surge due to changes in the supply and demand environment, manufacturing activities may be affected, or manufacturing costs may rise, impacting business results. Inventory levels of certain materials are set higher, as necessary, to avoid the impact of short-term fluctuations, considering market prices.

(7) Quality Issues and Production Liability

Products manufactured and sold by the Group do not cause any accidents that affect human bodies under normal use. However, due to changes in the social environment, such as stricter legal regulations on product accidents or changes in the business environment, there may be an increase in costs related to quality issues and product liability, such as product recalls and compensation liability. Since quality issues concerning our products are likely to involve risks of impairing brand image, they are regarded as one of the Group’s most critical risks. We are committed to broad-based initiatives to prevent the occurrence of quality issues at all manufacturing bases, etc.

(8) Intellectual Property Rights

The Group has taken measures, such as obtaining patent rights and protecting confidential information, to safeguard important proprietary development technologies. However, adequate protection may not be implemented in all regions. Furthermore, even though such measures are taken, there is a possibility that the superiority of the Group’s products may be impaired, if the Group cannot effectively eliminate third parties’ products similar to its own. In addition, the Group has taken measures, such as patent investigations, to prevent infringement of intellectual property rights of other companies in developing new products. However, it’s not feasible to eliminate every single possibility of infringement. In the case where the Group infringes the intellectual property rights of other companies, there is a possibility that business results may be affected by claims for injunctions or damages. As infringement of intellectual property rights is likely to impair our brand image regardless of whether we are the offending party or the offended party, investigations and other activities for the prevention of infringement in both directions are being carried out from broadened perspectives.

(9) Currency Exchange Rate Fluctuations

Within the Group, the EVS Business and the DS Business mainly develop their business for overseas markets. Some of these businesses engage in sales for overseas markets from domestic manufacturing bases, and fluctuations in exchange rates may affect product prices, etc. In addition, for the businesses targeting domestic markets, foreign exchange fluctuations may affect procurement costs for parts that are procured from overseas manufacturing bases in foreign currencies. Furthermore, all items denominated in local currencies, such as profits, losses, and assets, for overseas subsidiaries are translated into Japanese yen for preparation of consolidated financial statements. Therefore, the Japanese yen-translated value of local currencies may be affected by the exchange rate at the time of conversion. In particular, fluctuations of the Japanese yen against the U.S. dollars and the euro, etc. may affect business results and the financial position of the Group, including foreign currency translation adjustment under net assets of overseas subsidiaries.

(10) Interest Rate Fluctuations

Currently, the relationship between the Group and financial institutions is favorable, and the Group can procure funds necessary for business development, including overseas without any problems. However, there is no guarantee that it will be possible to continue to procure sufficient funds in the future. In addition, as the interest rate level in the market tends to be low, more than 60% of the interest rates for existing long-term borrowings have already been fixed. Although there is no significant risk of interest rate fluctuations, interest rate trends for future procurement may affect the business results of the Group.

(11) Market Price Fluctuations

The Group holds investment securities for business reasons. The Group also owns idle real estate, including parts of former factory sites. If the market price of such investment securities and real estate fluctuate significantly, the Group’s business results and financial position may be affected.

(12) Environmental Issues

The Group engages in business activities in accordance with various environmental laws and regulations concerning climate change measures, resource preservation, air and water pollution, use of chemical substances, waste disposal, recycling, and chemical substances contained in products, and soil, and groundwater pollution, etc. Under such circumstances, the Group regards environmental conservation activities as one of the management tasks and promotes various activities, including complying with laws and regulations as well as setting stricter voluntary goals. However, there is a possibility of bearing compensation for damages and expenses for taking response measures due to an increase in expenses for responding to enforced regulations or the occurrence of environmental problems, and a loss of competitiveness due to delays in addressing the growing social expectations for these issues in the future. In addition, failure to take appropriate actions by the Group or its suppliers may lead to risks of impairing brand image.

(13) Information Securities

The Group prevents information leaks through measures such as the establishment of internal regulations and employee education concerning protection and management of personal information and confidential information obtained in business operations. However, there is a possibility of information leaks due to unforeseen circumstances. In the event of such a situation, it could negatively impact the business results of the Group due to a decline in the Group’s social credibility and a substantial cost burden to respond to the situation. Unexpected leakage of information is a critical risk involving a greater risk of impairing brand image. Therefore, the Company recognizes this as a critical risk and will continue to implement comprehensive information security measures.

(14) Natural Disasters and Influences of Infectious Diseases

If the Group’s domestic and overseas manufacturing bases and facilities, or local economies in general in Japan and overseas, suffer damage or are regulated, due to natural disasters such as earthquakes or typhoons or epidemics such as viral infections, there is a possibility this would affect business results due to manufacturing disruption, stagnation of sales, logistics, procurement functions, etc. The Group has formulated action plans that prioritize the safety of those engaged in the business operations of the Company as the first priority in the event of natural disasters or epidemics.

(15) Compliance Risk

While the Group is providing comprehensive education for compliance with laws and regulations, etc. in each country to all employees and others engaged in the Group’s business operations, it is impossible to rule out the risks of problems of some nature. Since noncompliance with laws and regulations, etc. is highly likely to expose the Group to the risks of impairing the brand image, the Group will continue to promote educational activities for compliance across the group companies, while remaining committed to disseminating the importance of brand image.

4. Management’s Analysis of Financial Position, Operating Results and Cash Flows

The overview of the Group’s financial position, operating results and cash flows (hereinafter the “operating results, etc.”) is as follows. Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2024.

(1) Business results

In the world economy during the fiscal year ended March 31, 2024, the monetary tightening continued by continuous high inflation. The U.S. economy continued to perform steadily, mainly in terms of consumption, despite concerns regarding a potential slowdown. However, in Europe, since consumption was weak as prices continued to soar, the economic recovery came to a standstill. In China, although retail and production gradually recovered, a recovery following the abolishment of the government’s “zero-COVID” policy slowed, mainly due to adjustments in the real estate market.

The Japanese economy is on an overall recovery trend, despite concerns regarding personal consumption amid inflation, and demand from inbound tourists has recovered to pre-pandemic levels.

In the “Emotional Value Solutions Business (EVS Business),” the Watches Business and WAKO Business for the Japanese market recorded significant sales growth against the backdrop of 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 (DS Business),” although net sales were significantly lower year on year amid an ongoing slump in the business environment due to factors such as prolonged stagnation of the Chinese economy and inventory adjustments in the device field as a whole, there were signs of a recovery in demand for some products. In the “Systems Solutions Business (SS 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 fiscal year ended March 31, 2024, the Group reported consolidated net sales of 276.8 billion yen, a year-on-year increase of 6.3%.

On an overall consolidated basis, domestic net sales came to 147.4 billion yen (a year-on-year increase of 11.2%), and overseas net sales were 129.3 billion yen (a year-on-year increase of 1.1%). Overseas net sales comprised 46.7% of net sales overall.

Advertising and promotion expenses for the fiscal year ended March 31, 2024 increased by approximately 10% from the previous fiscal year, resulting in a year-on-year increase of 7.3 billion yen in selling, general and administrative expenses. Operating profit improved by 3.5 billion yen year on year to 14.7 billion yen (a year-on-year increase of 31.2%), driven by the Emotional Value Solutions Business. Non-operating income and expenses improved by 1.2 billion yen year on year due to factors including increases in interest income and dividend income, and ordinary profit increased by 4.7 billion yen year on year to 15.8 billion yen (a year-on-year increase of 42.3%). A gain on sale of non-current assets of 1.5 billion yen was posted as extraordinary income, while business restructuring expenses, impairment losses, and information security expenses were posted as extraordinary losses totaling 2.3 billion yen. Profit attributable to owners of parent was 10.0 billion yen (a year-on-year increase of 99.9%), 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 current fiscal year were 144.7 yen to 1 US dollar and 156.8 yen to 1 euro.

Results for each segment are as follows.

Emotional Value Solutions Business (EVS Business)

Net sales in the EVS Business came to 188.3 billion yen, a year-on-year increase of 17.5 billion yen, or 10.3%.

Net sales of completed watches in Japan grew significantly year on year, especially for Grand Seiko and Seiko Prospex, due to the economic recovery following a post-pandemic recovery and strong sales from inbound tourists. Overseas, net sales also increased year on year as Seiko Presage, Seiko 5 Sports, etc. grew. In the watch movements business, net sales remained roughly the same as those of the previous year, despite the impact of the sluggish Chinese economy, partly due to the effects of exchange rates. Sales in the WAKO Business grew significantly year on year against the backdrop of favorable demand from inbound tourists. While overseas sales in the Clocks Business declined due to factors such as the sluggish Chinese economy, the Time Systems Business grew. Operating profit increased by 5.6 billion yen year on year, resulting in operating profit of 17.2 billion yen (a year-on-year increase of 49.1%), mainly due to an increase in net sales and an improvement in the gross profit margin.

Devices Solutions Business (DS Business)

Net sales in the DS Business came to 58.3 billion yen, a year-on-year decrease of 9.5%. Operating profit was 2.1 billion yen, a year-on-year decrease of 58.1%.

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 in weak performance for thermal printers, superior performance Co-Ni alloy products for semiconductor production equipment, and precision components. However, we are shifting from an adjustment phase to a recovery trend in some businesses, such as silver oxide batteries and quartz crystals.

Systems Solutions Business (SS Business)

Net sales in the SS Business came to 40.4 billion yen, a year-on-year increase of 3.8 billion yen, or 10.5%. Operating profit was 4.7 billion yen, a year-on-year increase of 0.3 billion yen, or 8.0%.

Businesses supporting digital infrastructure, such as performance management and businesses including those related to security, together with solutions for digital transformation of business processes, such as digital contracts, drove business growth, aided by the ongoing growth in digital demand. This trend resulted in continued year-on-year growth in both net sales and operating profit for 32 consecutive quarters.

(2) Financial position

-Assets

Total assets at the close of the fiscal year ended March 31, 2024 amounted to 376.2 billion yen, an increase of 20.3 billion yen from the close of the previous fiscal year, including the effect of exchange rates. Total current assets came to 174.6 billion yen, an increase of 1.2 billion yen from the close of the previous fiscal year. This was due to factors such as an increase of 5.9 billion yen in accounts receivable - trade, while decreases of 3.6 billion yen in cash and deposits and 2.1 billion yen in accounts receivable - other. Total non-current assets came to 201.5 billion yen, an increase of 19.0 billion yen from the close of the previous fiscal year. This was due to increases of 4.8 billion yen in total property, plant and equipment, 2.6 billion yen in total intangible assets, and 11.5 billion yen in total investments and other assets.

-Liabilities

For liabilities, total borrowings came to 117.7 billion yen, due to decreases of 8.2 billion yen in short-term borrowings and 5.8 billion yen in long-term borrowings. In addition, notes and accounts payable - trade increased 2.7 billion yen, accounts payable - other increased 3.9 billion yen, income taxes payable increased 2.8 billion yen, and deferred tax liabilities increased 2.6 billion yen. As a result, total liabilities amounted to 224.9 billion yen, an increase of 0.7 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 19.5 billion yen over the close of the previous fiscal year to become 151.3 billion yen, mainly owing to increases of 5.6 billion yen in shareholders' equity, 6.3 billion yen in valuation difference on available-for-sale securities and 7.6 billion yen in foreign currency translation adjustment.

(3) Overview of cash flows

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2024 came to 32.6 billion yen, a decrease of 3.5 billion yen relative to the end of the previous fiscal year. Free cash flow, the sum of cash flows from operating and investing activities, amounted to 17.6 billion yen. This was primarily due to the following factors:

-Cash flows from operating activities

Net cash provided by operating activities came to positive 32.7 billion yen (compared to a positive cash flow of 9.2 billion yen for the previous fiscal year). This was the result of the Company posting 15.1 billion yen in income before income taxes, factoring in depreciation amounting to 13.3 billion yen, as well as adjustments such as a 3.7 billion yen decrease in inventories (posted as an increase), a 3.8 billion yen increase in trade payables (posted as an increase), and others.

-Cash flows from investing activities

Net cash used in investing activities came to negative 15.0 billion yen (compared to a negative cash flow of 15.5 billion yen for the previous fiscal year) due to cash outflows consisting mainly of 11.0 billion yen in purchase of property, plant and equipment (posted as a decrease) and 2.4 billion yen in purchase of shares of subsidiaries resulting in change in scope of consolidation (posted as a decrease).

-Cash flows from financing activities

Net cash provided by financing activities came to negative 23.0 billion yen (compared to a positive cash flow of 10.5 billion yen for the previous fiscal year) due mainly to repayments and borrowings of long- and short-term borrowings that combined for a net amount of 15.6 billion yen (posted as a decrease), as well as 2.3 billion yen in repayments of lease liabilities (posted as a decrease) and 3.1 billion yen in dividends paid (posted as a decrease).

(4) The financial resources for capital and the liquidity of funds of the Group

The Group's demand for funds mainly comes from demand for operating capital, such as manufacturing costs and selling, general and administrative expenses, and demand for investment aimed at corporate growth and corporate value improvement, such as capital investment, research and development expenses and branding expenses. The Group's principal sources of funds are cash flows from operating activities and financing through interest-bearing debts.

Regarding the liquidity of funds, cash and cash equivalents as of March 31, 2024 were 32.6 billion yen, and the Company recognizes that the appropriate level is secured for future demand for funds. The Company and domestic operating companies have introduced a cash management system to enhance the efficiency of group-wide fund management. We maintain commitment line agreements with multiple financial institutions, in order to secure current operating funds in a flexible and stable manner even in the event of various unforeseen circumstances.

(5) Significant accounting estimates and assumptions used in such estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan.

In preparing these consolidated financial statements, the Company has used estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, but the actual results may differ from these estimates and assumptions. Of the accounting estimates and assumptions used in the preparation of the consolidated financial statements, the significant ones are described in "V. Financial Information [Notes- important matters that are the basis for preparation of consolidated financial statements]."

(6) Production, orders received and sales

1) Actual production

Actual production in each segment for the year ended Mach 31, 2024

Segments	Amount (Millions of yen)	Change (%)
Emotional Value Solutions Business	40,471	5.7
Devices Solutions Business	34,651	(12.1)
Systems Solutions Business	14,914	(3.2)
Total	90,038	(3.3)

(Notes) 1. The amount is calculated from the manufacturing cost.

2. The amount is after the elimination of intracompany transactions.

2) Orders received

Orders received in each segment for the year ended Mach 31, 2024

Segments	Orders received (Millions of yen)	Change (%)	Orders backlog (Millions of yen)	Change (%)
Emotional Value Solutions Business	8,294	10.4	1,936	10.0
Devices Solutions Business	9,902	(7.7)	3,039	(32.7)
Systems Solutions Business	18,659	(2.7)	3,563	27.3
Total	36,857	(1.5)	8,539	(5.9)

(Notes) 1. The amount is after the elimination of intracompany transactions.

3) Actual sales

Actual sales in each segment for the year ended Mach 31, 2024

Segments	Amount (Millions of yen)	Change (%)
Emotional Value Solutions Business	185,409	10.5
Devices Solutions Business	53,239	(8.9)
Systems Solutions Business	37,312	11.2
Others and adjustments	846	8.7
Total	276,807	6.3

(Notes) 1. The amount is after the elimination of intracompany transactions.

2. As there are no customers whose ratio to total sales is 10/100 or more, “Sales performance by major customer and ratio to total sales” is not stated.

5. Critical Contracts for Operation

Not applicable.

6. Research and Development Activities

Research and development expenses for the entire Group for the fiscal year ended March 31, 2024, were 3.6 billion yen. The Group conducts research and development activities mainly related to the Devices Solutions Business. Research and development expenses for the Devices Solutions Business and for businesses other than the Devices Solutions Business were 2.2 billion yen and 1.3 billion yen, respectively.

“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. The Group has developed “Craftsmanship, Miniaturization, Efficiency” technologies. In order to realize a sustainable society and business growth, the Group will further evolve its technology and create new value by combining its long-cultivated technological philosophy of “Craftsmanship, Miniaturization and Efficiency” with “digital technology”.

The Group’s main research and development activities are as follows:

(1) Devices Solutions Business

In the Devices Solutions Business, the Group is promoting the development of products for long-term growth markets, such as micro batteries for medical equipment and miniature quartz crystals. This is achieved by perfecting the “Craftsmanship, Miniaturization, Efficiency” technologies we have cultivated as the basics for the manufacture of watches, and advancing our compact precision design and processing technologies.

(2) Other than the Devices Solutions Business

In the Emotional Value Solutions Business, specifically, in the Watches Business, the Group, is focusing on creating high value-added products and developing new elemental technologies. This includes conducting a wide range of development activities, from the development of high-end movements to materials and exterior designs. Furthermore, the Group is fostering manufacturing technologies for these items and developing technologies to optimize the processing process. In the Time Creation Business, the Group is making research and development investment for the development and design of clock movements and finished products.

In the Systems Solutions Business, the Group is developing technologies related to high-precision time synchronization for next-generation systems, etc., as well as technologies for building platforms and expanding services for the financial sector.

III. Information about Facilities

1. Overview of Capital Expenditures, etc.

The Company invested 3,470 million yen in the Emotional Value Solutions Business and 4,960 million yen in the Devices Solutions Business, primarily to reinforce and renew manufacturing and other facilities, and 2,206 million yen in the Systems Solutions Business, primarily to acquire software for sales in the market.

2. Major Facilities

The Group (the Company and the subsidiaries)'s major equipment and facilities are summarized as follows:

(1) The Company

As of March 31, 2024

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m^2)	Total	
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings	1,402	-	343	-	1,745	169
Rental facilities for Subsidiaries (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores, etc.	3,447	-	366	21,162 (1)	24,975	-
Other rental facilities (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores for rent, Office buildings, etc.	1,372	-	31	2,713 (94)	4,116	-

(2) Domestic subsidiaries

As of March 31, 2024

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m^2)	Total	
Morioka Seiko Instruments Inc. (Shizukuishi-cho, Iwate-gun, Iwate) *1	Emotional Value Solutions	Manufacturing facilities for watches	1,481	2,698	708	1,381 (114)	6,270	672
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Devices Solutions	Office buildings, etc.	387	0	40	-	427	180
Takatsuka Unit of Seiko Instruments Inc. (Matsudo-shi, Chiba) *2	Devices Solutions	Manufacturing facilities for printheads for inkjet printers, etc.	2,963	832	66	4,824 (59)	8,687	352
Sendai Unit of Seiko Instruments Inc. (Aoba-ku, Sendai-shi, Miyagi)	Devices Solutions	Manufacturing facilities for batteries, etc.	1,937	1,500	66	1,440 (94)	4,943	363
Akita Unit of Seiko Instruments Inc. (Daisen-shi, Akita) *2	Devices Solutions	Manufacturing facilities for printheads for inkjet printers, etc.	659	208	9	532 (132)	1,410	99
Ohno Unit of Seiko Instruments Inc. (Ichikawa-shi, Chiba)	Devices Solutions	Manufacturing facilities for precision parts	401	45	1	2,025 (15)	2,474	65
Tochigi Unit of SII Crystal Technology Inc. (Tochigi-shi, Tochigi)	Devices Solutions	Manufacturing facilities for quartz crystals	553	1,913	64	28 (40)	2,559	97
Nasu-Shiobara Unit of SEIKO NPC CORPORATION (Nasu-Shiobara-shi, Tochigi)	Devices Solutions	Manufacturing facilities for semiconductors	189	77	78	770 (100)	1,114	176
Makuhari Head Office of SEIKO Solutions Inc. (Mihama-ku, Chiba)	Systems Solutions	Office buildings and development facilities for systems solutions products	239	0	3,491	-	3,731	667
Shirakawa Estate Co., Ltd. (Chuo-ku, Tokyo, etc.)	Others	Stores for rent and office buildings	1,181	7	6	11,365 (1)	12,804	-

(3) Overseas subsidiaries

As of March 31, 2024

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m²)	Total	
Seiko Watch of America LLC (Upper Saddle River, NJ U.S.A.)	Emotional Value Solutions	Office buildings	-	24	135	-	159	62
SEIKO U.K. Limited (Maidenhead U.K.)	Emotional Value Solutions	Office buildings	60	67	390	1,491 (22)	2,009	76
SEIKO Hong Kong Ltd. (Kowloon Hong Kong)	Emotional Value Solutions	Office buildings	801	-	-	-	801	121
SEIKO Australia Pty. Ltd. (Macquarie Park Australia)	Emotional Value Solutions	Office buildings	204	-	65	610 (11)	881	57
SEIKO Manufacturing (Singapore) Pte. Ltd. (Singapore Singapore)	Emotional Value Solutions	Manufacturing facilities for watch movements	786	2,149	344	-	3,279	413
SEIKO Precision (Thailand) Co., Ltd. (Pathumthani Thailand)	Emotional Value Solutions	Manufacturing facilities for clocks, etc.	589	123	83	444 (78)	1,239	601
Dalian Seiko Instruments Inc. (Dalian P. R. China)	Devices Solutions	Manufacturing facilities for precision parts	1,949	2,924	234	-	5,108	848
Seiko Instruments (Thailand) Ltd. (Pathumthani Thailand)	Devices Solutions	Manufacturing facilities for hard disk drive components, etc.	1,659	2,913	267	498 (119)	5,338	745

(Notes) 1. "Book value" of "Tools, furniture and fixtures, etc." consists of tools, furniture and fixtures, construction in progress, software and lease assets.

2. *1 Includes the manufacturing facilities, etc. owned by SEIKO WATCH CORPORATION.

3. *2 Includes the manufacturing facilities owned by SII Printek Inc.

4. In addition to the above, the Group has the following major rental facilities.

The Company

As of March 31, 2024

Facility (Location)	Segment	Description	Rents or lease payments (Millions of yen)
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings *1	Annual total: 629

*1 A part of the office is sub-leased to subsidiaries.

Domestic subsidiaries

As of March 31, 2024

Facility (Location)	Segment	Description	Rents or lease payments (Millions of yen)
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Devices Solutions	Office buildings, etc.	Annual total: 1,810

3. Plans for New Additions or Disposals

Not applicable.

IV. Information about Reporting Company

1. Information about Shares, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common share	149,200,000
Total	149,200,000

2) Issued shares

Class	Number of shares issued as of the end of the fiscal year (March 31, 2024)	Number of shares issued as of the filing date (June 27, 2024)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common share	41,404,261	41,404,261	Tokyo Stock Exchange Prime Market	Number of shares for share unit: 100 shares
Total	41,404,261	41,404,261	-	-

(2) Status of the share subscription rights

1) Stock option plans

Not applicable.

2) Right plans

Not applicable.

3) Other share subscription rights

Not applicable.

(3) Exercise status of bonds with share subscription rights containing a clause for exercise price adjustment

Not applicable

(4) Changes in number of issued shares, capital stock, etc.

Date	Change in the total number of issued shares (Thousands)	Balance of the total number of issued shares (Thousands)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
October 1, 2017 (Note)	(165,617)	41,404	-	10,000	-	2,378

(Note) The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017.

(5) Shareholding by shareholder category

As of March 31, 2024

Classification	Status of shares (1 unit=100shares)								Shares under one unit
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	-	22	23	100	203	18	10,485	10,850	-
Number of shares hold (units)	-	86,091	4,704	79,287	86,283	120	156,891	413,376	66,661
Ownership percentage of shares (%)	-	20.83	1.14	19.18	20.87	0.03	37.95	100	-

(Notes) 1. Of 618,828 shares of treasury stock, 5,571 units are included in "Financial institutions" column, 617 units in "Individuals and others" column and 28 shares in "Shares under one unit" column.

2. "Financial institutions" include 5,571 units of shares owned by Custody Bank of Japan, Ltd. (Trust E account) as a trust property of the "Board Benefit Trust (BBT)."

3. Of the shares registers in the name of Japan Securities Depository Center, Inc., 4 (four) units are included in "Other corporations" column and 77 shares are included in "Shares under one unit."

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares hold (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
Sanko Kigyo K.K.	6-1, Ginza 5-chome, Chuo-ku, Tokyo	4,436	10.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo	3,814	9.2
Etsuko Hattori	Minato-ku, Tokyo	3,613	8.7
Shinji Hattori	Shibuya-ku, Tokyo	2,279	5.5
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,800	4.4
Hideo Hattori	Shinagawa-ku, Tokyo	1,622	3.9
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,203	2.9
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. (Roppongi Hills Mori Tower, 10-1 Roppongi 6-chome, Minato-ku, Tokyo)	836	2.0
SHIMIZU CORPORATION	16-1, Kyobashi 2-chome, Chuo-ku, Tokyo	744	1.8
FUJI BUILDING Co., Ltd.	13-9, Nihombashi Muromachi 1-chome, Chuo-ku, Tokyo	671	1.6
Total	-	21,022	50.8

(7) Voting rights

1) Issued shares

As of March 31, 2024

Classification	Number of shares		Number of voting rights (Units)	Description
Shares without voting rights		-	-	-
Shares with restricted voting rights (Treasury stock, etc.)		-	-	-
Shares with restricted voting rights (Others)		-	-	-
Shares with full voting rights (Treasury stock, etc.)	Common share	112,900	-	-
Shares with full voting rights (Others)	Common share	41,224,700	412,247	-
Shares under one unit	Common share	66,661	-	Shares under one unit (100 shares)
Total shares issued		41,404,261	-	-
Total voting rights held by all shareholders		-	412,247	-

(Notes) 1. The "Shares with full voting rights (Others)" column includes 557,100 shares of the Company held in the Board Benefit Trust (BBT) (5,571 voting rights) and 400 shares under the name of Japan Securities Depository Center, Inc. (4 voting rights.)

2. The "Shares under one unit" column includes 28 shares of treasury shares owned by the Company, 61 shares of cross-held shares owned by OHARA INC., and 77 shares under the name of Japan Securities Depository Center, Inc.

2) Treasury shares, etc.

As of March 31, 2024

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
SEIKO GROUP CORPORATION	5-11, Ginza 4-chome, Chuo-ku, Tokyo	61,700	-	61,700	0.1
OHARA INC.	15-30, Oyama 1-chome, Chuo-ku, Sagamihara-shi, Kanagawa	51,200	-	51,200	0.1
Total	-	112,900	-	112,900	0.3

(Note) 557,100 shares of the Company's shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

(8) Officer / employee share ownership program

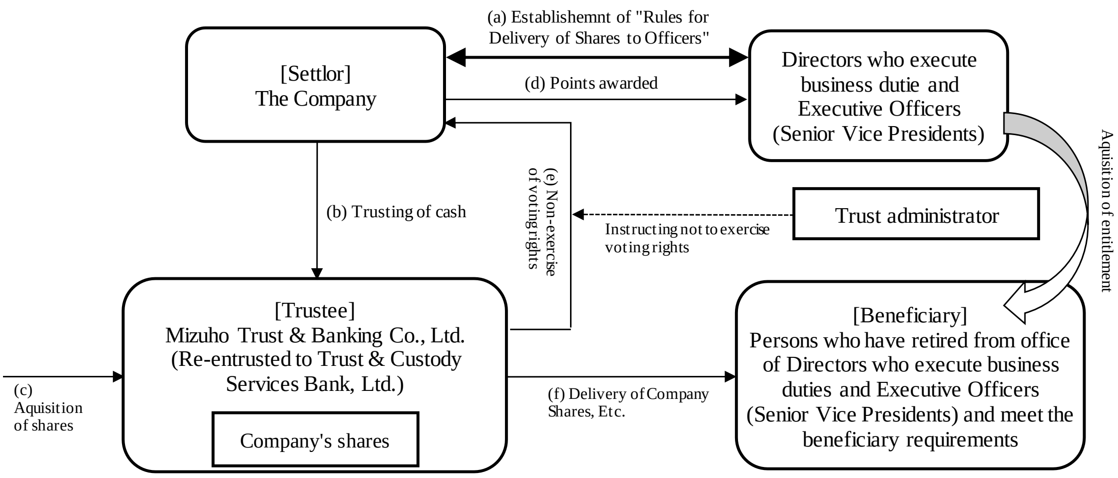
(Introduction of the stock compensation plan for the Company's Directors who execute business duties and Executive Officers (Senior Vice Presidents))

The Company resolved at the Board of Directors meeting held on May 10, 2016, to introduce a new performance-linked stock compensation plan, "Board Benefit Trust (BBT)" (hereinafter, "the Plan"), for the Company's Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors.) The proposal concerning the Plan was submitted to the 155th Annual General Meeting held on June 29, 2016 (hereinafter, the "General Meeting of Shareholders"), and it was approved. In line with the introduction of the system of executive officer (senior vice president) on June 29, 2022, the Company resolved at the Board of Directors meeting held on May 10, 2022 to add Executive Officers (Senior Vice Presidents) to those who are eligible for the Company's shares under the Plan.

1) Outline of the Plan

The Plan is a performance-linked stock compensation plan where the Company's shares are acquired through a trust with funds contributed by the Company (the trust created under the Plan hereinafter being referred to as the "Trust"), and the Company's shares, and cash equivalent to the market value of the Company's shares, ("Company Shares, Etc.") are provided to the Directors who execute business duties and the Executive Officers (Senior Vice Presidents) through the Trust in accordance with the "Rules for Delivery of Shares to Officers" stipulated by the Company. The time at which a Director who executes business duties or an Executive Officer (Senior Vice President) receives Company Shares, Etc. shall, in principle, be when he or she retires from office.

<Structure of the Plan>



(a) Subject to the passing of a resolution of the compensation for officers concerning the Plan at this General Meeting of Shareholders, the Company established the "Rules for Delivery of Shares to Officers" within the scope approved by the meeting.

(b) The Company will deposit cash in trust within the scope approved by this General Meeting of Shareholders as set forth in (a).

(c) The Trust will acquire the Company's shares through stock markets or by subscribing to treasury shares of the Company by using the cash deposited in trust as set forth in (b).

(d) The Company will award points to each Director who executes business duties and each Executive Officer (Senior Vice President) in accordance with the "Rules for Delivery of Shares to Officers."

(e) In accordance with the instructions of the trust administrator independent from the Company, the Trust will not exercise voting rights for the Company's shares in the Trust account.

(f) The Trust will deliver Company's shares to a Director who executes business duties and an Executive Officer (Senior Vice President) and has retired from office and who meets the beneficiary requirements stipulated in the "Rules for Delivery of Shares to Officers" (a "Beneficiary"), in proportion to the number of points awarded to the Beneficiary. However, if an Executive Director or an Executive Officer (Senior Vice President) meets the requirements stipulated in the "Rules for Delivery of Shares to Officers," the Company may pay him or her cash equivalent to the market value of the Company's shares for a certain percentage of his or her points, instead of delivering such shares.

2) Total number or total amount of shares to be acquired by the Directors who execute business duties and Executive Officers (Senior Vice Presidents)

The Company contributed 240 million yen as of August 26, 2016, and Trust & Custody Services Bank, Ltd. (the present Custody Bank of Japan, Ltd.) (Trust E account) acquired 540,000 shares of the Company. Additionally, on November 28, 2023, the Company made an additional contribution of 1,670 million yen, and Custody Bank of Japan, Ltd. (Trust E Account) acquired 552,600 shares as well. The future acquisition of the Company's shares by the Trust E Account is currently undecided.

The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. The number of treasury shares held in the Trust E account as of March 31, 2024 was 557,100 shares.

3) Scope of persons who are entitled to beneficiary rights or other rights under the Plan

Persons who meet beneficiary requirements prescribed in the Rules for Delivery of Shares to Officers," among those who retired from the Directors who execute business duties and Executive Officers (Senior Vice Presidents) (excluding Directors who do not execute business duties and Outside Directors).

2. Acquisition of Treasury Stock

【Type of shares】: Acquisition of shares of common stock under Article 155, Item 7 of the *Companies Act*.

(1) Acquisition of treasury stock based on a resolution approved at the general meeting of the shareholders

Not applicable.

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Not applicable.

(3) Acquisition of treasury stock not based on a resolution approved at the general meeting of the shareholders or on a resolution approved by the Board of Directors

Classification	Number of shares (shares)	Total amount (Yen)
Treasury stock acquired during the current fiscal year	844	2,353,164
Treasury stock acquired during the period for acquisition	153	640,750

(Note) "Treasury stock acquired during the period for acquisition" does not include the number of stocks of less than a standard unit purchased during the period from June 1, 2024, to the filing date of this Securities Report.

(4) Current status of the disposition and holding of acquired treasury stock

Classification	Current fiscal year		Period for acquisition	
	Number of Shares (shares)	Total disposition amount (Yen)	Number of Shares (shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock that was disposed of	-	-	-	-
Acquired treasury stock for which transfer of shares was conducted in association with merger/stock exchange/share issuance/corporate separation	-	-	-	-
Other (Sale by request for sale of stock less than a standard unit)	-	-	-	-
Number of shares of treasury stock held	61,728	-	61,881	-

(Notes) 1. The Company's shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

2. "Treasury stock acquired during the period for acquisition" does not include the number of stocks sold based on requests for repurchase and sale of less than a standard unit during the period from June 1, 2024, to the filing date of this Annual Securities Report.

3. Dividend Policy

With regard to profit allocation, the basic policy is to emphasize the enhancement of internal reserves to strengthen the management foundation of the Company and to continue stable profit distribution to shareholders. In addition, the Company's major profit return policy to shareholders is to return profits by dividends, aiming for a consolidated dividend payout ratio of 30% or more. The Company's basic policy is to distribute the surplus twice a year as an interim dividend and a year-end dividend, and the decision-making bodies for the distribution of surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend. In addition, the Company stipulates in the Articles of Incorporation that an interim dividend prescribed in Article 454, Paragraph 5 of the *Companies Act* may be distributed on September 30 each year as the record date by a resolution of the Board of Directors.

For the fiscal year ended March 31, 2024, based on the above policy, the Company has decided to distribute a dividend of 80.0 yen per share (including an interim dividend of 37.5 yen).

Dividends for the 163rd business term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors meeting held on November 14, 2023	1,550	37.50
Annual General Meeting of Shareholders held on June 27, 2024	1,757	42.50

4. Explanation about Corporate Governance, etc.

(1) Explanation about corporate governance

1) Basic principle of corporate governance

Based on the principle “being a company that is trusted by society”, the Company 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 sustainable growth of the Company and its subsidiaries (the “Company Group”) and increase its corporate value.

2) Overview of the corporate governance structure of the Company, reasons for adopting such structure, and other matters concerning corporate governance

As the holding company, the Company clarifies management responsibilities within each business and develops an organizational structure to accelerate decision-making, enhance business execution functions, and strengthen management oversight.

(Board of Directors)

The Board of Directors consists of 10 members including one female director, with four serving as Outside Directors. The Board of Directors makes decisions on fundamental management matters and important business executions based on the Regulations of the Board of Directors, in addition to matters set forth in laws and regulations and the Articles of Incorporation. The Company has introduced an executive officer system to strengthen the supervisory function by separating management decision-making and supervision from business execution.

Outside Directors bring extensive experience and high insight in corporate management and various specialized fields. Their independent positions help improve the management’s monitoring functions. The Board of Directors constantly monitors the status of consolidated subsidiaries, receives explanations from each operating company as necessary, and strives to make prompt and appropriate decisions to understand the business execution status of each operating company. Details about the Board members can be found in section (2) Information about Officers, and Chairperson of the Board is President.

The Company has introduced an executive officer system to strengthen the supervisory function by separating management decision-making and supervision from business execution. Additionally, the Company holds a Strategic Conference for Management composed of full-time Officers and Executive Officers to share the Group’s management policies and information and discuss medium- to long-term business strategies.

The Board of Directors for the fiscal year ending March 31, 2024 focused on core strategies based on the 8th Medium-Term Management Plan “SMILE145” announced in May 2022, including initiatives for each strategic domain, non-financial items such as human capital and sustainability, strengthening IR measures, and evaluating the effectiveness of the Board of Directors.

The attendance status of individual Directors and Corporate Auditors is as follows: The attendance status of each Directors and Corporate Auditors for the fiscal year ended March 31, 2024 is as follows.

Title	Name	Attendance status (%)
Chairman, Group CEO, and Group CCO	Shinji Hattori	13 of 13 (100%)
President	Shuji Takahashi	13 of 13 (100%)
Director, Senior Executive Vice President	Akio Naito	13 of 13 (100%)
Director, Senior Executive Vice President	Takahiro Naito	13 of 13 (100%)
Director, Senior Executive Vice President	Jun Sekine	13 of 13 (100%)
Director, Executive Vice President	Taku Yoneyama	10 of 10 (100%)
Outside Director	Yasuko Teraura	13 of 13 (100%)
Outside Director	Noboru Saito	13 of 13 (100%)
Outside Director	Hideki Kobori	10 of 10 (100%)
Standing Corporate Auditor	Haruhiko Takagi	13 of 13 (100%)
Standing Corporate Auditor	Takashi Nishimoto	13 of 13 (100%)
Outside Corporate Auditor	Hideki Amano	13 of 13 (100%)
Outside Corporate Auditor	Masatoshi Yano	12 of 13 (92.3%)
Outside Corporate Auditor	Kenji Sakurai	13 of 13 (100%)

(Note) 1. The attendance status of Mr. Taku Yoneyama and Mr. Hideki Kobori is recorded after their appointment at the 162nd Annual General Meeting of Shareholders held on June 29, 2023.

2. Mr. Shimesu Takizawa, who retired as Director, Executive Vice President, and Mr. Tsuyoshi Nagano, who retired as

Outside Director, attended all three Board of Directors meetings held before their retirement at the conclusion of their term at the 162nd Annual General Meeting of Shareholders held on June 29, 2023.

(Board of Auditors)

The Board of Auditors consists of two Corporate Auditors from the Company and three Outside Corporate Auditors. Its role is to make decisions on all audit-related matters. The Corporate Auditors ensure compliance and validate the Directors' business execution by participating in Board of Directors meetings and other important meetings. The Outside Corporate Auditors provide necessary advice, suggestions, and opinions, leveraging their extensive experience and insights in business management. The members of the Board of Auditors are as described in (2) Information about Officers, with Mr. Takashi Nishimoto, the standing Corporate Auditor of the Company, serving as the chairperson.

The activities for the fiscal year ended March 31, 2024 are described in "(3) Status of audit, 1) Status of audit by Corporate Auditors."

(Corporate Governance Committee)

To enhance the objectivity and transparency of management, the Company has established the Corporate Governance Committee, with a majority of its members being independent Outside Officers, 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
	Chairman, Group CEO, and Group CCO	Shinji Hattori
	Independent Outside Director	Noboru Saito
	Independent Outside Director	Hideki Kobori
	Independent Outside Director	Masahiko Uotani
	Independent Outside Director	Shihoko Urushi
	Independent Outside Corporate Auditor	Hideki Amano
	Independent Outside Corporate Auditor	Masatoshi Yano
	Independent Outside Corporate Auditor	Kenji Sakurai

During this fiscal year, the Company focused primarily on selecting candidates for directors and other positions during the Corporate Governance Committee meetings. Additionally, the Committee deliberated on the payment amounts for performance-linked compensation for executives based on their respective positions.

The attendance status of each director and auditor for the fiscal year ended March 31, 2024 is as follows.

Title	Name	Attendance status (%)
Chairman, Group CEO, and Group CCO	Shinji Hattori	3 of 3 (100%)
President	Shuji Takahashi	3 of 3 (100%)
Outside Director	Yasuko Teraura	3 of 3 (100%)
Outside Director	Noboru Saito	3 of 3 (100%)
Outside Director	Hideki Kobori	2 of 2 (100%)
Outside Corporate Auditor	Hideki Amano	3 of 3 (100%)
Outside Corporate Auditor	Masatoshi Yano	3 of 3 (100%)
Outside Corporate Auditor	Kenji Sakurai	3 of 3 (100%)

(Note) 1. The attendance status of Mr. Hideki Kobori has been recorded since his appointment at the 162nd Annual General Meeting of Shareholders held on June 29, 2023.

2. Mr. Tsuyoshi Nagano, who retired as Outside Director, attended the one Corporate Governance Committee meeting held before his retirement, at the conclusion of his term at the 162nd Annual General Meeting of Shareholders held on June 29, 2023.

In the Company’s management system, which operates as a holding company, this corporate governance system is considered optimal for realizing the aforementioned core business goals.

The Company has been developing its internal control systems based on the following basic policies.

(a) System to ensure that the duties of Directors, Executive Officers (Senior Vice Presidents), and employees are executed in compliance with laws and regulations and the Articles of Incorporation

In order for Directors, Executive Officers (Senior Vice Presidents), and employees (hereinafter, the “Officer(s) and Employee(s)” or “Officer(s) or Employee(s)”) to comply with corporate ethics, laws and regulations, and internal rules, the Company shall establish the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” to thoroughly ensure their compliance with corporate ethics and laws and regulations, as follows:

i) The President shall repeatedly convey the spirit of the “Basic Principles of Corporate Ethics” to all Officers and Employees to ensure that compliance with corporate ethics and the laws and regulations are the basis for every corporate activity.

ii) The “Corporate Ethics Committee” chaired by the President shall discuss corporate ethical issues that might significantly affect the Company Group and matters related to revisions of the system to comply with corporate ethics, and report the results of discussion to the Board of Directors.

iii) The Company shall develop a system where any Officer or Employee who finds any action suspected of violating the laws and regulations can promptly report such findings to the “Corporate Ethics Committee”, and establish a “Corporate Ethics Helpline” as a means for reporting information.

iv) The Company shall continuously provide training sessions on corporate ethics to Officers and Employees to foster and enhance their awareness of compliance with corporate ethics and laws and regulations.

(b) System to store and manage information regarding execution of duties by Directors and Executive Officers (Senior Vice Presidents)

i) Pursuant to the “Internal Document Management Rules”, the Company shall record information regarding execution of the duties of Directors and Executive Officers (Senior Vice Presidents) in a document or in an electromagnetic medium, and store and manage it properly.

ii) Directors, Executive Officers (Senior Vice Presidents), and Corporate Auditors may inspect such document or medium at any time pursuant to the “Internal Document Management Rules”.

(c) Regulations and systems for loss risk management of the Company and its subsidiaries

i) Pursuant to the “Risk Management Rules”, the Company shall set forth the basic policy for risk management of the Company Group and develop a risk management system.

ii) The Company shall establish the “Risk Management Committee” chaired by the President in order to build, develop and monitor risk management processes, including understanding business risks that might affect the activities of the Company Group, and identifying, analyzing, evaluating and monitoring risks.

iii) The Risk Management Committee shall report the status of each risk to the Board of Directors, regularly or as necessary, pursuant to the “Risk Management Rules”.

(d) System to ensure that the duties of Directors and Executive Officers (Senior Vice Presidents) of the Company and its subsidiaries are efficiently executed

i) The Company shall develop a Mid-Term Management Plan as the target to be shared by Officers and Employees of the Company Group. It shall also review the progress of annual budgets consisting of the said plan on a quarterly basis using the management accounting method, and promote the efficiency of operation by considering and implementing an remedial measures for the progress of annual budget.

ii) In order to respect autonomous and independent management of its subsidiaries while contributing to the proper and efficient operation of the Group management, the Company shall develop basic management rules therefor. It shall also establish Management Conference comprising standing Directors and Executive Officers (Senior Vice Presidents) of the Company and respective President of major subsidiaries of the Company, in order to share the management policy and management information of the Company Group, and to discuss medium- to long-term business strategies.

iii) The Company shall clarify the assignment of duties of Directors and Executive Officers (Senior Vice Presidents), and the responsibility and authority of each division/department, and secure the efficient execution of the duties of Directors and Executive Officers (Senior Vice Presidents).

(e) System to ensure proper operations of the corporate group comprising the Company and its subsidiaries

i) The Company shall assist its subsidiaries to develop a system to comply with corporate ethics, and laws and regulations, and other systems to ensure their proper operations.

ii) Each subsidiary of the Company shall share the "Basic Principles of Corporate Ethics" and the "Action Guidelines for Corporate Ethics" established by the Company, and manage its operations pursuant to them. The Company shall set forth the rules for reporting any violation of laws and regulations by any subsidiary, and assist its subsidiaries to develop their internal reporting systems.

iii) Pursuant to the "Consolidated Business Management Rules", the Company shall request that each subsidiary consult in advance with, and report to, the Company regarding significant management-related matters, and whenever necessary, shall dispatch its Officers or Employees as Directors or Corporate Auditors of the subsidiary so as to properly supervise and audit the operation of subsidiary.

iv) Pursuant to the "Consolidated Business Management Rules", each subsidiary shall report its business results, financial position and other important matters to the Company, and whenever necessary, the President of the relevant subsidiary shall report the execution status of the operations to the Board of Directors of the Company.

v) The Company's Internal Audit Department shall conduct internal audits on each subsidiary regarding the execution status of the operations, compliance with laws and regulations, the Articles of Incorporation, and risk management.

(f) Matters related to employees assisting the duties of Corporate Auditors

i) Internal Audit Department shall be responsible for assisting the duties of Corporate Auditors.

ii) Employees who are assigned to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.

iii) Regarding any transfer of the General Manager of the Internal Audit Department, the President shall discuss with the Board of Corporate Auditors in advance, and shall respect the Board of Corporate Auditors' opinions.

(g) System for reporting to Corporate Auditors

i) Each Officer and Employee of the Company shall regularly report to Corporate Auditors the status of finance, compliance with corporate ethics, risk management, and internal audits. If any Director/employee finds any fact likely to significantly damage the Company or its subsidiaries, any violation of laws and regulations or internal rules, he/she shall immediately report such findings to the Corporate Auditors of the Company.

ii) The Company shall develop a reporting system where if any Director, Executive Officer (Senior Vice President), Corporate Auditor or employee of a subsidiary finds any material violation of laws and regulations or internal rules regarding the execution of operations of the Company or the subsidiary, or any fact which is likely to significantly damage the Company, he/she or the person who was reported by him/her shall report it to the Corporate Auditors of the Company.

iii) The Company shall develop necessary systems to ensure that the person who made the report in the preceding two paragraphs is not be treated disadvantageously because of having made such a report. The Company shall develop necessary systems to ensure that the person who makes the report in accordance with the preceding 2 paragraphs might not be treated disadvantageously on the grounds of having made such report.

iv) In conducting internal audits, the General Manager of the Internal Audit Department shall cooperate with Standing Corporate Auditors in advance, and make efforts to report important matters to Standing Corporate Auditors in a timely manner. In addition, the General Manager of the Internal Audit Department shall report the results of internal audits to Standing Corporate Auditors without delay, and regularly report such results to the Board of Corporate Auditors of the Company.

(h) Other systems to ensure that audits by Corporate Auditors are effectively conducted

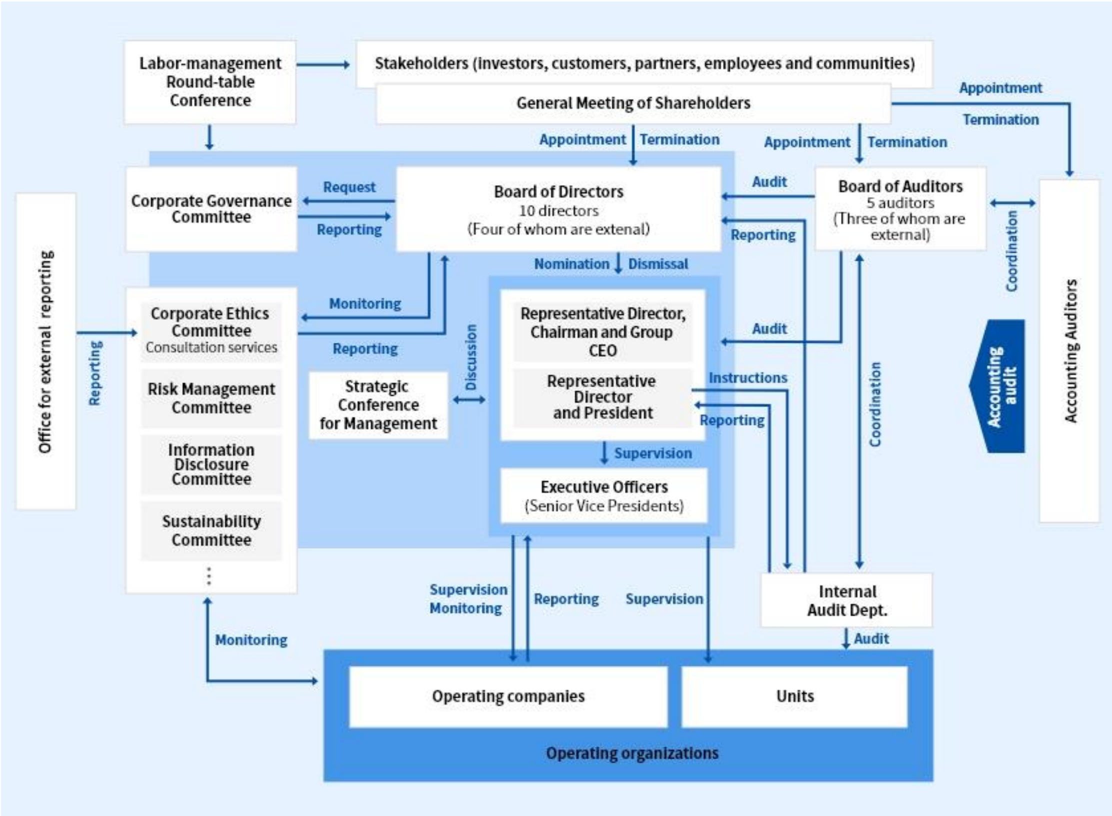
i) The Company shall ensure a system where, besides the Internal Audit Department, the department in charge of General Affairs and the department in charge of Finance and Accounting shall assist audits by Corporate Auditors from time to time based on respective instructions from Corporate Auditors.

ii) The Company shall ensure that Corporate Auditors attend important meetings and committees which are established and held by the Board of Directors in a timely manner to ensure proper operations of the Company.

iii) The President shall meet and consult with the Board of Corporate Auditors, as necessary, and exchange opinions regarding important management issues.

iv) If a Corporate Auditor requests that the Company pay expenses incurred in executing his/her duties, the Company shall promptly pay him/her unless it proves that the expenses are not necessary for the Corporate Auditor to execute his/her duties. If a Corporate Auditor requests that the Company pay expenses incurred in connection with executing his/her duties, the Company shall promptly reimburse such expenses unless the Company proves that such expenses are not necessary for the Corporate Auditor to execute his/her duties.

The structure of the Company's corporate governance is as follows:



3) Overview of agreements limiting liability

The Company entered into an agreement with each of the Outside Directors and Outside Corporate Auditors, to limit liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to Article 427, paragraph 1 thereof. The upper limit of liability for damages under the agreement shall be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act. The limitation on liability is permitted only when such Outside Directors or Outside Corporate Auditors have acted in good faith and without gross negligence in performing their duties that caused the liability.

4) Overview of directors and officers liability insurance

The Company has entered into a directors and officers liability insurance (D&O insurance) policy stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insured parties under the insurance policy are the Company, its subsidiary Seiko Instruments Inc., its Directors, Corporate Auditors, Senior Vice Presidents, managerial personnel, and officers dispatched outside the Company. The Company and Seiko Instruments Inc. bear the insurance premium. The insurance policy covers the insured against claims for damages and costs of litigation arising out of the execution of business by the insured. However, The Company has taken measures to ensure that the appropriateness of the execution of duties by directors and officers is not compromised by excluding from coverage damage caused by criminal or intentionally illegal acts.

5) The quorum of Directors or qualifications required and the resolution requirements for appointment and dismissal

Quorum of Directors:	13 (Article 20 of the Articles of Incorporation)
Qualifications required:	None
Resolution requirements for appointment and dismissal:	The Articles of Incorporation stipulate that the resolution requirements for the appointment of Directors shall require approval by a majority of voting rights of shareholders present at a meeting where shareholders holding one-third (1/3) of voting rights owned by shareholders eligible for exercising voting rights. (Article 21, Paragraph 2 of the Articles of Incorporation)

6) Matters to be resolved at General Meetings of Shareholders that can also be resolved by the Board of Directors

(a) Acquiring treasury shares (Article 7 of the Articles of Incorporation)

The Company has determined in its Articles of Incorporation that the Company may acquire its own shares through market transactions by a resolution of the Board of Directors, so that the Company can conduct flexible and agile capital policies.

(b) Exemption from liabilities of the Directors and Corporate Auditors (Articles 32 and 42, Articles of Incorporation)

The Company has determined in its Articles of Incorporation as stipulated in Article 426, Paragraph 1 of the Companies Act, that the Company may, by a resolution of the Board of Directors, release Directors (including ex-Directors) and Corporate Auditors (including ex-Corporate Auditors) from liabilities as stipulated in Article 423, Paragraph 1 of the Companies Act, to the extent permitted by laws and regulations, so that they can fully demonstrate their roles expected in executing their duties and for the Company to secure talented individuals.

(c) Payment of interim dividends (Article 45 of the Articles of Incorporation)

The Company has determined in its Articles of Incorporation that the Company may pay an interim dividend as provided by Article 454, paragraph 5 of the Companies Act to shareholders as of the end of September every year by a resolution of the Board of Directors, so that the Company can return profits flexibly to shareholders.

7) Requirements for the adoption of special resolutions of General Meetings of Shareholders

The Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by all shareholders entitled to exercise their voting rights, and two-thirds or more the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders as provided by Article 309, Paragraph 2 of the Companies Act. (Article 17, paragraph 2 of the Articles of Incorporation

(2) Information about Officers

1) Officers: Male: 14; Female: 1 (Percentage of female: 6.7%)

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Chairman, Group CEO, and Group CCO	Shinji Hattori	January 1, 1953	April 1975 Joined Mitsubishi Corporation July 1984 Joined Seikosha Co., Ltd. January 1996 Director of Seiko Precision Inc. June 2001 President of Seiko Precision Inc. June 2003 President of SEIKO WATCH CORPORATION June 2007 Director of the Company June 2009 Executive Vice President of the Company April 2010 President of the Company October 2012 Chairman and Group CEO of the Company June 2015 President & CEO of SEIKO WATCH CORPORATION April 2017 Chairman & CEO of SEIKO WATCH CORPORATION June 2020 Chairman of WAKO Co., Ltd. (to present) June 2020 Chairman, Group CEO, and Group CCO of the Company (to present) April 2021 Chairman of SEIKO WATCH CORPORATION (to present)	(Note 5)	2,279,289
President	Shuji Takahashi	August 29, 1957	April 1980 Joined the Company February 2011 Senior Vice President of SEIKO WATCH CORPORATION June 2012 Director, Senior Vice President of SEIKO WATCH CORPORATION June 2013 Director of the Company April 2014 Director, Executive Vice President of SEIKO WATCH CORPORATION June 2015 Director, Senior Executive Vice President of SEIKO WATCH CORPORATION June 2016 Executive Director of the Company April 2017 Director of the Company April 2017 President & COO & CMO of SEIKO WATCH CORPORATION June 2021 President of the Company (to present)	(Note 5)	12,600
Director, Senior Executive Vice President in charge of Emotional Value Solutions Domain, Legal, and Intellectual Property	Akio Naito	November 9, 1960	April 1984 Joined the Company January 2002 Managing Director of SEIKO Australia Pty. Ltd. April 2006 General Manager, Legal & Intellectual Property Department of the Company June 2011 Director of the Company June 2013 Executive Director of the Company June 2016 Director of the Company June 2016 Director, Senior Executive Vice President of SEIKO WATCH CORPORATION October 2018 Chairman & CEO of Grand Seiko Corporation of America December 2019 Director, Deputy Chief Operating Officer of SEIKO WATCH CORPORATION April 2021 President of SEIKO WATCH CORPORATION (to present) June 2022 Director, Senior Executive Vice President of the Company (to present)	(Note 5)	10,400

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Director, Senior Executive Vice President in charge of Systems Solutions Domain and IT & DX Planning	Jun Sekine	October 1, 1959	April 1984 Joined IBM Japan, Ltd. April 1998 Sales Manager, Insurance of IBM Japan, Ltd. June 2002 General Manager, Insurance of IBM Japan, Ltd. January 2006 Managing Director of IBM Japan, Ltd. July 2012 President and Director of ESCCO JAPAN K.K. January 2013 Vice President and General Manager, Strategic Business Division of SAP Japan Co., Ltd. July 2015 Vice President and Chief Customer Officer of SAP Japan Co., Ltd. December 2015 Director and Executive Vice President of SEIKO Solutions Inc. April 2017 President of SEIKO Solutions Inc. (to present) June 2021 Director of the Company June 2022 Director, Senior Executive Vice President of the Company (to present)	(Note 5)	2,300
Director, Executive Vice President, General Manager of Corporate Management Division, and in charge of Corporate Strategy Planning and Accounting	Taku Yoneyama	November 15, 1962	April 1986 Joined the Company May 2011 General Manager, Corporate Strategy Planning Department of the Company February 2015 Senior Vice President of SEIKO WATCH CORPORATION June 2015 Director, Senior Vice President of SEIKO WATCH CORPORATION April 2017 Director, Executive Vice President of SEIKO WATCH CORPORATION April 2020 Director, Senior Executive Vice President of SEIKO WATCH CORPORATION April 2023 Executive Vice President of the Company April 2023 General Manager of Corporate Management Division of the Company (to present) June 2023 Director, Executive Vice President of the Company (to present) January 2024 Audit & Supervisory Board Member (Outside) of OHARA INC. (to present)	(Note 5)	8,500
Director, Executive Vice President in charge of Devices Solutions Domain	Yoichi Endo	December 2, 1961	April 1984 Joined Sanwa Kouki K.K. January 1986 Joined Seiko Instruments & Electronics Ltd. (currently Seiko Instruments Inc.) October 2004 General Manager of Network Components Business Unit Semiconductor Design 1st Department of Seiko Instruments Inc. March 2007 Senior General Manager of Network Components Business Unit Semiconductor Design Department of Seiko Instruments Inc. February 2020 Director of SEIKO NPC CORPORATION April 2020 Director and Executive Vice President of SEIKO NPC CORPORATION June 2020 President of SEIKO NPC CORPORATION April 2024 Executive Vice President of the Company President of Seiko Instruments Inc. (to present) June 2024 Director, Executive Vice President of the Company (to present)	(Note 5)	900

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Outside Director	Noboru Saito	August 8, 1961	April 1986 Joined Burroughs Corporation (currently BIPROGY Inc.) April 2004 General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.) April 2009 General Manager, Industry & Commerce of Nihon Unisys, Ltd. (currently BIPROGY Inc.) April 2010 General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.) April 2012 General Manager, Business Services of Nihon Unisys, Ltd. (currently BIPROGY Inc.) April 2013 Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) April 2016 Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) June 2016 Director, Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) April 2020 Representative Director, Executive Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) June 2022 Outside Director of the Company (to present) April 2024 Representative Director, President of BIPROGY Inc. (to present)	(Note 5)	-
Outside Director	Hideki Kobori	February 2, 1955	April 1978 Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corp.) July 2004 General Manager, Corporate Strategy and Planning Department of Asahi Kasei EMD Corp. April 2007 General Manager, Electronics Devices Marketing & Sales Center of Asahi Kasei EMD Corp. April 2008 Director and Senior Executive Officer of Asahi Kasei EMD Corp. April 2009 Director and Primary Executive Officer of Asahi Kasei Microdevices Corp. April 2010 President & Representative Director, Presidential Executive Officer of Asahi Kasei Microdevices Corp. June 2012 Director and Senior Executive Officer of Asahi Kasei Corp. April 2014 Representative Director, Primary Executive Officer of Asahi Kasei Corp. April 2016 President & Representative Director, Presidential Executive Officer of Asahi Kasei Corp. April 2022 Chairman & Representative Director of Asahi Kasei Corp. June 2022 Vice Chair of KEIDANREN (Japan Business Federation) (to present) April 2023 Chairman & Director of Asahi Kasei Corp. (to present) June 2023 Outside Director of Nomura Research Institute, Ltd. (to present) June 2023 Outside Director of the Company (to present)	(Note 5)	-

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Outside Director	Masahiko Uotani	June 2, 1954	April 1977	Joined Lion Dentifrice Co., Ltd. (currently Lion Corporation)	(Note 5)	-
			January 1988	Manager of Citibank, N.A.		
			April 1991	Representative Director, Vice President of Kraft Japan Limited (currently Mondelēz Japan Limited)		
			May 1994	Director, Executive Vice President and Chief Officer of Marketing of Coca-Cola (Japan) Company, Limited		
			October 2001	Representative Director, President (Global Officer) of Coca-Cola (Japan) Company, Limited		
			August 2006	Representative Director, Chair of Coca-Cola (Japan) Company, Limited		
			June 2007	Representative Director, Chief Executive Partner of BrandVision Inc.		
			April 2013	Outside Chief Marketing Advisor of Shiseido Company, Limited		
			April 2014	President and CEO of Shiseido Company, Limited		
			June 2014	Representative Director, President and CEO of Shiseido Company, Limited		
			January 2020	Representative Director, President and CEO, Japan Region CEO of Shiseido Company, Limited		
			January 2021	Representative Director, Executive Officer, President and CEO, Japan Region CEO of Shiseido Company, Limited		
			January 2023	Representative Director, Executive Officer, Chairman and CEO of Shiseido Company, Limited		
			March 2024	Director, Representative Corporate Executive Officer, Executive Officer, Chairman and CEO of Shiseido Company, Limited (to present)		
			June 2024	Outside Director of the Company (to present)		
Outside Director	Shihoko Urushi	April 4, 1961	April 1986	Worked at a private integrated school for girls in Tokyo	(Note 5)	-
			April 1989	Worked at SHINAGAWA JOSHI GAKUIN		
			April 2006	Principal of SHINAGAWA JOSHI GAKUIN		
			April 2017	Director of SHINAGAWA JOSHI GAKUIN (to present)		
			April 2017	Principal of SHINAGAWA JOSHI GAKUIN Junior High School		
			April 2018	Outside Director of Culture Convenience Club Co., Ltd. (to present)		
			June 2021	Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd. (to present)		
			June 2021	Member of the Administrative Reform Promotion Council (to present)		
			June 2024	Outside Director of the Company (to present)		

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Corporate Auditor	Takashi Nishimoto	September 9, 1962	April 1985 Joined the Company June 2009 General Manager, General Affairs Department of the Company October 2012 General Manager, Legal & Intellectual Property Department of the Company January 2015 Senior Vice President of SEIKO Solutions Inc. June 2015 Director and Senior Vice President of SEIKO Solutions Inc. April 2019 Director and Executive Vice President of SEIKO Solutions Inc. June 2020 Corporate Auditor of the Company (to present)	(Note 7)	2,900
Corporate Auditor	Minoru Nakano	January 21, 1962	April 1986 Joined the Company October 2010 General Manager, Accounting and Finance Department, Administration Division of SEIKO WATCH CORPORATION June 2013 General Manager, Business Management Department, Corporate Strategy & Planning Division of SEIKO WATCH CORPORATION July 2015 Seconded to SEIKO Hong Kong Ltd. April 2019 General Manager, Internal Audit Department of the Company June 2022 Standing Corporate Auditor of SEIKO Solutions Inc. June 2023 Senior Vice President of Seiko Instruments Inc. June 2024 Corporate Auditor of the Company (to present)	(Note 7)	400
Outside Corporate Auditor	Hideki Amano	November 26, 1953	April 1976 Joined Arthur Andersen (currently KPMG AZSA LLC) September 1980 Registered as a certified public accountant September 1992 Representative Partner of Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC) September 2011 Vice President (Audit Division) of KPMG AZSA LLC July 2015 Executive Senior Partner of KPMG AZSA LLC (retired in June 2016) March 2017 Outside Audit & Supervisory Board Member of Kao Corporation (to present) June 2019 Outside Corporate Auditor of the Company (to present) June 2022 Outside Corporate Auditor of Mizuho Leasing Company, Limited (to present)	(Note 6)	-
Outside Corporate Auditor	Masatoshi Yano	August 3, 1956	April 1980 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.) April 2007 Executive Officer, General Manager, Head Office of Mizuho Bank, Ltd. April 2009 Managing Executive Officer of Mizuho Bank, Ltd. April 2011 Deputy President of Mizuho Bank, Ltd. (retired in March 2013) June 2015 President of Chuo Fudosan K.K. (currently Chuo-Nittochi Co., Ltd.) (retired in June 2018) June 2018 President of Seiwa Sogo Tatemono Co., Ltd. (retired in June 2023) June 2019 Outside Corporate Auditor of the Company (to present) June 2023 Audit & Supervisory Board Member (Outside) of FURUKAWA CO., LTD. (to present)	(Note 6)	-

Position	Name	Date of birth	Business experience	Term of office	Share ownership (shares)
Outside Corporate Auditor	Kenji Sakurai	August 17, 1959	April 1982 Joined The Dai-ichi Mutual Life Insurance Company April 2008 Executive Officer of The Dai-ichi Mutual Life Insurance Company April 2011 Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited June 2014 Director, Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited April 2015 Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited October 2016 Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc. October 2016 Representative Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited April 2017 Vice President of Dai-ichi Life Holdings, Inc. April 2017 Representative Director, Vice President of The Dai-ichi Life Insurance Company, Limited (retired in March 2020) April 2021 Director of Dai-ichi Life Holdings, Inc. (retired in June 2021) June 2021 Representative Director, President of THE DAI-ICHI BUILDING CO., LTD. (to present) June 2022 Outside Corporate Auditor of the Company (to present)	(Note 7)	-
Total	15 persons				2,317,289

(Notes) 1. The legal name of Ms. Shihoko Urushi is Shihoko Abe.

2. Directors Noboru Saito, Hideki Kobori, Masahiko Uotani, and Shihoko Urushi are Outside Directors of the Company.

3. Corporate Auditors Hideki Amano, Masatoshi Yano, and Kenji Sakurai are Outside Corporate Auditors of the Company.

4. The Company has reported Directors Noboru Saito, Hideki Kobori, Masahiko Uotani, and Shihoko Urushi and Corporate Auditors Hideki Amano, Masatoshi Yano, and Kenji Sakurai to the Tokyo Stock Exchange as independent officers.

5. The term of office of the Directors expires at the close of the Annual General Meeting for the fiscal year ending March 31, 2025.

6. The term of office of the Corporate Auditors expires at the close of the Annual General Meeting for the fiscal year ending March 31, 2027.

7. The term of office of the Corporate Auditors expires at the close of the Annual General Meeting for the fiscal year ending March 31, 2028.

8. The Company has introduced an executive officer system 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.

Executive Officers who Do Not Concurrently Serve as Directors as of the filing date of this Annual Securities Report are as follows:

Executive Vice President	Makoto Ichimura
Executive Vice President	Hiromi Kanagawa
Senior Vice President	Hiromi Nakagawa

2) Status of Outside Officers

The Company has four Outside Directors and three Outside Corporate Auditors. There are no risk of conflict of interest between any Outside Director, Outside Corporate Auditor, and the Company.

(a) Function and qualification for the Outside Directors and Outside Corporate Auditors

Mr. Noboru Saito as an Outside Director has been appointed due to his extensive experience and high level of insight cultivated through his long career as a corporate executive. The Company expects him to contribute to strengthening the supervisory function of business execution and to provide advice from a broad managerial perspective. Mr. Saito is currently serving as Representative Director and President of BIPROGY Inc. The BIPROGY Group and the Company Group have transactions in the Systems Solutions Business. However, these transactions constitute less than one percent of BIPROGY Inc. and the Company’s consolidated net sales, and are thus insignificant.

Mr. Hideki Kobori has been appointed as an Outside Director due to his extensive experience and high level of insight cultivated through his long career as a corporate executive. The Company expects him to contribute to strengthening the supervisory function of business execution and to provide advice from a broad managerial perspective.

Mr. Masahiko Uotani has been appointed as an Outside Director due to his extensive experience and high level of insight cultivated through his long career as a corporate executive. The Company expects him to contribute to strengthening the supervisory function of business execution and to provide advice from a broad managerial perspective.

Ms. Shihoko Urushi has been appointed as an Outside Director due to her extensive experience and high level of insight cultivated through her long career as an educational institution executive. The Company expects her to contribute to strengthening the supervisory function of business execution and to provide advice from a broad managerial perspective.

Mr. Hideki Amano has been appointed as an Outside Corporate Auditor due to his extensive knowledge and experience cultivated through his long career as a certified public accountant, with the expectation that he will fulfill an appropriate audit function. Mr. Amano is from KPMG AZSA LLC, the Company's Accounting Auditor. However, Mr. Amano has never been directly involved in the Company's audit operations. Additionally, since stepping down as Executive Senior Partner of KPMG AZSA LLC in June 2016, he has not been involved in the firm's management.

Mr. Masatoshi Yano has been appointed as an Outside Corporate Auditor due to his extensive experience and high level of insight cultivated through his long career as a corporate executive. The Company expects him to contribute to strengthening the supervisory function of business execution and to provide advice from a broad managerial perspective. Mr. Yano is from Mizuho Bank, Ltd., the Company's main lender. However, Mr. Yano has not been involved in the bank's operations since stepping down as Deputy President and Director in March 2013.

Mr. Kenji Sakurai has been appointed as an Outside Corporate Auditor due to his extensive experience and high level of insight cultivated through his long career as a corporate executive. The Company expects him to contribute to strengthening the supervisory function of business execution and to provide advice from a broad managerial perspective. Mr. Sakurai is currently the President and Representative Director of THE DAIICHI BUILDING CO., LTD. Although there are real estate lease transactions between the company and the Company Group, the scale of these transactions is less than 1% of both the company's net sales and its consolidated net sales. Additionally, he is from Dai-ichi Life Holdings, Inc., but has not been involved in its operations since stepping down as Director in June 2021. There are insurance contract transactions between their group and the Company Group, but the scale of these transactions is also less than 1% of both their consolidated ordinary revenues (equivalent to consolidated net sales) and its consolidated net sales. In addition, the Company Group has borrowed funds from the Dai-ichi Life Group. However, the amount of such borrowings constitutes less than two percent of consolidated total assets of Dai-ichi Life Holdings, Inc. and the Company, and is thus insignificant.
For the appointment of Outside Directors and Outside Corporate Auditors, the Company appoints several outside officers who have extensive experiences and considerable insight into corporate management and their specialized fields, while ensuring that these outside officers are independent, meet the standards for independent officers provided by the Tokyo Stock Exchange, and unlikely to have conflicts of interest with general shareholders. The Company strives to realize appropriate decision-making and management oversight functions of the Board of Directors. The Company has registered all the Outside Officers as independent officers.

(b) Oversight and audit system by Outside Directors and Outside Corporate Auditors

Outside Corporate Auditors attend the Board of Auditors meetings held on a regularly and receive reports from other Corporate Auditors on the implementation status and results of audits. Additionally, they receive reports on the status of the execution of duties from the Accounting Auditor, and on internal audits from the Internal Audit Department. They also exchange opinions with each other to enhance the effectiveness of audits.

The Company strives to enhance the oversight and audit system by providing Outside Directors with opportunities to attend the Board of Auditors meetings and ensuring cooperation with Corporate Auditors.

(3) Status of audit

1) Status of audit by Corporate Auditors

The Board of Auditors is composed of two Corporate Auditors and three Outside Corporate Auditors. Mr. Takashi Nishimoto and Mr. Minoru Nakao (newly appointed), Standing Corporate Auditors, have experience in finance and accounting and have reasonable-degrees of knowledge in these areas. Mr. Hideaki Amano, Outside Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge in these areas.

- Frequency of holding the meetings and attendance of each Corporate Auditor

The Company held 10 Board of Auditors meetings and 13 Board of Directors meetings in the current fiscal year. Attendance of each Auditor is as follows.

Position	Name	Attendance at the Board of Auditors meetings (rate %)	Attendance at the Board of Directors meetings (rate %)
Standing Corporate Auditor	Haruhiko Takagi	10 / 10 (100%)	13 / 13 (100%)
Standing Corporate Auditor	Takashi Nishimoto	10 / 10 (100%)	13 / 13 (100%)
Outside Corporate Auditor	Hideki Amano	10 / 10 (100%)	13 / 13 (100%)
Outside Corporate Auditor	Masatoshi Yano	9 / 10 (90%)	12 / 13 (92%)
Outside Corporate Auditor	Kenji Sakurai	10 / 10 (100%)	13 / 13 (100%)

- Status of activities by the Board of Auditors

At the beginning of the fiscal year, the Board of Auditors establishes audit policies and the assignment of duties to each Corporate Auditor and reports mutually on the implementation status and results of audits.

The average duration of the Board of Auditors meetings held during the current fiscal year was approximately 1.5 hours.

The Board of Auditors received direct reports on the following matters at the Board of Auditors meetings held during the current fiscal year: Accounting Auditor: Audit plans, progress and results of audits, status of deliberations on KAM – Four times during the year

Accounting Department: Reports on the status of quarterly financial results, etc. – Four times during the year

Internal Audit Department: Reports on the status of internal control audits in accordance with J-SOX and the *Companies Act*, etc. – Two times during the year

Corporate Ethics Committee Secretariat: Reports on the status of corporate ethics activities – Two times during the year

In addition to the above, the Board of Auditors shared information and exchanged opinions through discussions with Representative Directors and Board of Auditors meetings attended by Outside Directors.

The Board of Auditors also held meetings with Standing Corporate Auditors of major subsidiaries to share information and exchange opinions.

- Matters deliberated by the Board of Auditors

In the current fiscal year, the Board of Auditors deliberated and examined various matters, including: the formulation of audit policies and audit plans, audits of the development and operational status of internal control systems, consent for the Accounting Auditor’s compensation, evaluations of the Accounting Auditor, audits of business reports, financial statements, etc., the preparation of audit reports, discussions on Key Audit Matters (KAM), and preliminary agreements related to the non-assurance services provided by the auditing firm.

- Activities of the Standing Corporate Auditors

In accordance with audit policies and the assignment of duties established by the Board of Auditors, standing Corporate Auditors made efforts to collect information and establish an adequate audit environment by communicating with Directors, Executive Officers (Senior Vice Presidents), the Internal Audit Department, and other departments. Additionally, Standing Corporate Auditors attended important meetings, including of the Board of Directors, Strategic Conference for Management, Risk Management Committee, Sustainability Committee, and various other committees to receive reports regarding the execution of duties from Directors, Executive Officers (Senior Vice Presidents), and departments in charge, and requested explanations as necessary. Standing Corporate Auditors also inspected important decision-making documents and examined the status of operations and the condition of the Company’s assets. With regard to subsidiaries, Standing Corporate Auditors concurrently served as Corporate Auditors of major subsidiaries and strived to communicate and exchange information with Directors, Corporate Auditors, etc. of major subsidiaries and received business reports from subsidiaries as necessary. As for internal control systems, the Standing Corporate Auditors periodically received reports from Directors and Executive Officers (Senior Vice Presidents) regarding the development and operation thereof. Standing Corporate Auditors also held monthly regular report meetings with the Internal Audit Department, requested explanations on the current status, and expressed opinions. Standing Corporate Auditors monitored and examined whether the Accounting Auditor was maintaining an independent position and conducting audits appropriately, obtained reports on the execution of duties from the Accounting Auditor, and requested explanations as necessary. Standing Corporate Auditors also discussed Key Audit Matters (KAM) with the accounting auditor and requested explanations as necessary. Additionally, Standing Corporate Auditors held quarterly joint meetings with the Accounting Auditor and the Internal Audit Department to share information and exchange opinions.

2) Status of internal audit

The Internal Audit Department, consisting of 10 members and reporting directly to the president, cooperates with Corporate Auditors to support their duties, pursuant to the internal rules. However, employees assigned to the Internal Audit Department shall not concurrently engage in duties related to business execution. The relocation of the General Manager of the Internal Audit Department shall be consulted between the President and the Board of Auditors in advance, and opinions of the Corporate Auditors shall be respected. A system shall be established for the General Manager of the Internal Audit Department to directly report to not only the President, but also the Board of Directors, Corporate Auditors, or the Board of Auditors as necessary, thereby their independence and effectiveness are enhanced.

3) Status of financial audit

(a) Name of auditing firm

KPMG AZSA LLC

(b) The length of years the Accounting Auditor has served

46 years

The foregoing refers to the period subsequent to the incorporation of Tatsuo Inoue Audit Corporation as an audit corporation, which is one of the predecessors of KPMG AZSA LLC, the Company's current accounting auditor.

(c) Certified public accountants having executed accounting audit works

Akihiro Otani
Toshiyuki Nishida
Kenji Ueda

(d) Working with to assist the above accountants in conducting audit of the Company

9 certified public accountants, 9 successful applicants who have passed the Certified Public Accountants examination, and 19 other people.

(e) Policy and reasons for appointment of Accounting Auditor

Based on the evaluation and appointment criteria, as well as the policy for determining the dismissal or non-reappointment of the Accounting Auditor specified by the Board of Auditors of the Company, the Company confirmed that KPMG AZSA LLC has the expertise, independence, and quality management system required for the Accounting Auditor of the Company as well as the system to perform audits of the Company's global activities in an integrated manner. After comprehensive examination based on its audit track record, the Company decided that KPMG AZSA LLC is adequate and appointed the firm as its Accounting Auditor.

Pursuant to laws and regulations, if any reasonable event occurs to the Accounting Auditor, the Board of Auditors shall dismiss the Accounting Auditor with the unanimous consent of the Corporate Auditors. Furthermore, if it is deemed difficult for the Accounting Auditor to properly perform audits, the Company shall propose a resolution for dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders.

(f) Valuation of accounting auditor by the Board of Auditors

The Board of Auditors of the Company has established the criteria for evaluation and appointment of the accounting auditor, and carries out evaluation of the accounting auditor based on these criteria in each fiscal year. The Board of Auditors conducted evaluation for the current fiscal year upon deliberation, based on reports on the quality management system, etc., from the accounting auditor and opinions of the Accounting Department and Internal Audit Department.

4) Details of audit compensation

(a) Details of compensation to independent auditors

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	80	-	85	-
Consolidated subsidiaries	138	1	145	0
Total	219	1	231	0

(Previous fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures and other services not specified in Article 2, Paragraph 1 of the *Certified Public Accountants Act*.

(Current fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures and other services not specified in Article 2, Paragraph 1 of the *Certified Public Accountants Act*.

(b) Details of compensation to organizations which belong to same network with the certified public accountants, KPMG Member Firm, other than described in (a)

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	-	-	-	-
Consolidated subsidiaries	164	49	193	54
Total	164	49	193	54

(Previous fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to organizations belonging to the same network as the certified public accountants of the Company consist of tax-related advisory services, etc.

(Current fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to organizations belonging to the same network as the certified public accountants of the Company consist of tax-related advisory services, etc.

(c) Other material compensation to independent auditors

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

(d) Policy on determining audit fee

In determining the amount of audit fees, the Company considers factors such as the number of days of audit taking into consideration of the size of the Company, the scope and characteristics of the audit, etc.

(e) Reasons why the Board of Auditors has consented to compensation for the independent auditor

The Board of Auditors gave consent pursuant to Article 399, Paragraph 1 and Paragraph 2 of the *Companies Act* to the amount of compensation of the accounting auditor, following the verification and examination of factors including evaluation of audit results for the previous fiscal year, the content of the audit plan, the status of duties performed by the accounting auditor, and adequacy of the estimated compensation of the accounting auditor for the current fiscal year.

(4) Compensation of Directors and Corporate Auditors

1. Overview of the officer compensation system and its results for the fiscal year under review

1) Amounts disbursed to the Directors and the Corporate Auditors

Category	Total amount of compensation (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonuses (Monetary compensation)	Stock compensation (Non-monetary compensation)	
Directors (excluding Outside Directors)	367	203	82	81	7
Outside Directors	36	36	-	-	4

Total	403	239	82	81	11
Corporate Auditors (excluding Outside Corporate Auditors)	38	38	-	-	2
Outside Corporate Auditors	36	36	-	-	3
Total	74	74	-	-	5

(Notes) 1. The above includes two Directors who retired at the close of the 162nd Annual General Meeting held on June 29, 2023.

2. "Bonuses" and "Stock compensation" are paid to Directors who execute business duties as performance-linked compensation, etc. The number of eligible recipients for the current fiscal year is six. The amount of performance-linked compensation, etc. shown in the table above is the expense recognized and the amount paid for the current fiscal year.

3. The target values and actual results of indicators for the performance-linked compensation, etc. for the current fiscal year are as follows:

(Bonuses)

	Consolidated operating profit	**Consolidated gross profit margin**
Target values	12.0 billion yen	43.9%
Results	14.8 billion yen	44.3%
Performance achievement ratios	123.33%	100.91%

(Stock compensation)

	Consolidated operating profit	**Consolidated gross profit margin**	**Consolidated ROIC**	**Non-financial (ESG) assessment (vs. FY2022)**
Target values	12.7 billion yen	43.9%	4.2%	(5.25)%
Results	14.8 billion yen	44.3%	4.7%	(17.2)%
Performance achievement ratios	116.54%	100.91%	111.90%	327.62%

2) Compensation from the Company and its subsidiaries

<table>
<tr><th rowspan="3">Name</th><th rowspan="3">Total compensation (Millions of yen)</th><th rowspan="3">Classification</th><th rowspan="3">Category</th><th colspan="3">Total amount of each type (Millions of yen)</th></tr>
<tr><td>Fixed compensation</td><td colspan="2">Performance-linked compensation</td></tr>
<tr><td>Basic compensation</td><td>Bonuses (Monetary compensation)</td><td>Stock compensation (Non-monetary compensation)</td></tr>
<tr><td rowspan="2">Shinji Hattori</td><td rowspan="2">223</td><td>Director</td><td>The Company</td><td>72</td><td>34</td><td>32</td></tr>
<tr><td>Director</td><td>Consolidated subsidiary:
SEIKO WATCH CORPORATION</td><td>51</td><td>17</td><td>15</td></tr>
<tr><td>Shuji Takahashi</td><td>115</td><td>Director</td><td>The Company</td><td>60</td><td>28</td><td>27</td></tr>
</table>

(Notes) 1. The table above shows the officers whose total consolidated compensation exceeds 100 million yen.

2. Amount of performance-linked compensation shown in the table above is the expense recognized and the amount paid for the current fiscal year.

3) Matters related to the resolution of the General Meeting of Shareholders regarding compensation, etc. for Directors and Corporate Auditors

The total amount of basic compensation and bonuses for Directors has been set at 420 million yen or less per year by resolution of the 155th Annual General Meeting held on June 29, 2016. At the close of this Annual General Meeting, thirteen Directors (including two Outside Directors) are subject to the basic compensation, and six Directors who execute business duties are subject to the bonuses.

The stock compensation was resolved at the 155th Annual General Meeting held on June 29, 2016, setting the upper limit of cash contributed by the Company for each of the three fiscal years covered by the mid-term management plan at 240 million yen and the maximum number of points to be granted to Directors who execute business duties and are eligible for the system at 540,000 points (180,000 points per fiscal year) or less. Six Directors who execute business duties are subject to the stock compensation at the close of this Annual General Meeting. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. The upper limit to the number of points after the share consolidation shall be 108,000 points (36,000 points per fiscal year).

At the 162nd Annual General Meeting held on June 29, 2023, the upper limit of cash to be contributed by the Company was revised to 540 million yen (including 390 million yen for the Company’s Directors who execute business duties), and the maximum number of points to be granted to Directors who execute business duties and Executive Officers (Senior Vice Presidents), who are eligible for the system, was revised to 186,000 points (including 135,000 points for the Company’s Directors who execute business duties). Six Directors who execute business duties are subject to the stock compensation at the close of this Annual General Meeting.

The amount of basic compensation for Corporate Auditors has been set at 8 million yen or less per month by resolution of the 155th Annual General Meeting held on June 29, 2016. Five Corporate Auditors are subject to the basic compensation at the close of this Annual General Meeting.

4) Policy for determining the contents of compensation, etc. for Officers

[Determination policy of compensation for Directors and Executive Officers (Senior Vice Presidents)]

The Company resolved at the Board of Directors on a policy for determining the content of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents), as a) to f) below. After being deliberated on by the Corporate Governance Committee, a majority of the members of which are independent outside officers, as an advisory body for the Board of Directors, the said policy was determined at the Board of Directors based on the deliberations.

a) Basic policy for the compensation of Directors and Directors who execute business duties (Senior Vice Presidents)

In determining compensation for Directors and Corporate Auditors of the Company, the basic policy is as follows:

- The Company shall secure the transparency and objectivity of the compensation and maintain the appropriated level of compensation corresponding to their roles and responsibilities.

- Aiming for sustainable growth and mid- to long-term enhancement of the corporate value of the Company and the Company Group, the Company shall promote the execution of duties in line with the corporate philosophy and management strategy, and motivate them to achieve corporate targets.

The level of compensation shall be determined based on results of surveys on compensation for Directors and Corporate Auditors conducted by a third party that target peer companies similar in terms of business activity and scale.

b) Compensation system for Directors and Executive Officers (Senior Vice Presidents)

Compensation for Executive Directors and Executive Officers (Senior Vice Presidents) comprises “basic compensation”, which is fixed compensation, “bonuses” that are linked to performance (short-term incentive compensation), and “stock compensation” (mid- to long-term incentive compensation). Compensation for non-executive Directors such as Outside Directors comprises only of “basic compensation”.

c) Policy for determining the amount of compensation, etc. for individual Directors regarding basic compensation (monetary compensation) (including the policy for the timing to provide compensation, etc. or the determination of conditions)

Basic compensation for Directors and Executive Officers (Senior Vice Presidents) of the Company shall be monthly fixed compensation. The amount shall be determined by taking into account comprehensive factors, while considering the level of peer companies and the length of service, etc., according to their roles and responsibilities.

d) Policy for determining performance-linked compensation, etc. and the content and amount of non-monetary compensation, etc., or the calculation method for the number (including the policy for the timing to provide compensation or the determination of conditions)

Performance-linked compensation, etc. shall comprise of “bonuses” as monetary compensation and “stock compensation” as non-monetary compensation, etc.

(Bonuses)

For bonuses, a standard payment shall be the amount obtained by multiplying the basic compensation by a coefficient determined for each position. The individual payments for the Chairman and President shall be determined by multiplying the standard payment by the payment ratio according to the performance achievement ratio. The individual payments for Executive Directors other than Chairman and President and Executive Officers (Senior Vice Presidents) shall be determined by adding the amounts obtained by multiplying the standard payments by the payment ratio according to the performance achievement ratio, to the amounts obtained by multiplying the standard payments by the payment ratio based on qualitative evaluations. Bonuses shall fluctuate in the range of 0 to 200% depending on the degree of achievement of the target values.

(Stock compensation)

For stock compensation, points obtained by converting the individual benefits into the number of shares shall be granted each fiscal year. The individual benefits shall be the amounts determined by adding the standard benefits (fixed portion) obtained by multiplying the basic compensation by a coefficient determined for each position, to the amount obtained by multiplying the standard benefits by the payment ratio based on financial and non-financial (ESG) evaluations (performance-linked portion). The performance-linked portion of the stock compensation shall fluctuate in the range of 0 to 200% depending on the degree of achievement of the target values. The guideline for the ratio of the fixed portion and the performance-linked portion shall be 50%, respectively (when the performance achievement ratio is 100%).

The above performance indicators related to performance-linked compensation shall consist of the significant management indicators set forth in the Eighth Mid-Term Management Plan (SMILE145) for the five years from FY2022 to FY2026.

	Bonuses	Stock compensation
Performance indicators	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Evaluation of individuals	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.
Target values	1), 2) Forecast values announced at the beginning of the fiscal year	1) to 3) - For the first year and the final year in the Eighth Mid-Term Management Plan: Published values - For the second to fourth years in the plan: “Previous fiscal year’s results” + “Difference (ratio) between the current fiscal year’s plan values and the previous fiscal year’s plan values” 4) CO_2 emissions reduction rate (SCOPE 1 and 2) - Target value based on the policy under the Eighth Mid-Term Management Plan for the respective fiscal year
	(Exceptional rules) If an unpredictable situation (an event that significantly affects consolidated business results or corporate value) occurs during the evaluation period, the target value shall be revised within a reasonable range by resolution of the Board of Directors after consulting with the Corporate Governance Committee.	
Timing of payment and delivery	The portion for the current fiscal year shall be paid at the end of June in the following year	The points for the current fiscal year shall be granted at the end of June in the following year. At the time of retirement, one point shall be converted to one stock, and the Company’s stocks shall be delivered.
Clauses for return of compensation	If Executive Director or Executive Officer (Senior Vice President) is dismissed or if Executive Director or Executive Officer (Senior Vice President) commits an act that causes serious damage to the Company or any other non-conformity similar to such act before his/her retirement, all or part of the bonus to be paid may be reduced by resolution of the Board of Directors.	If the prospective recipient is dismissed or if the prospective recipient commits an act that causes serious damage to the Company or the Company Group or any other non-conformity similar to such act before his/her retirement, all or part of the stocks to be delivered and money to be paid may be reduced by resolution of the Board of Directors of the Company or the Company Group.

e) Policy for determining the ratio of the amount of monetary compensation, the amount of performance-linked compensation, etc., or the amount of non-monetary compensation, etc. to the amount of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents)

With regard to the compensation ratio of each type for Executive Directors and Executive Officers (Senior Vice Presidents), the level of peer companies shall be considered so that it will be an appropriate ratio as an incentive to contribute to the enhancement of the corporate value of the Company. After being deliberated on by the Corporate Governance Committee, a majority of the members of which are independent outside officers, as an advisory body for the Board of Directors, the said policy shall be determined at the Board of Directors based on the deliberations. The guideline for the compensation ratio of each type shall be as follows (when the performance achievement ratio and the payment ratio based on qualitative evaluations are 100%):

	Fixed compensation	**Performance-linked compensation**	
	Basic compensation	Bonuses	Stock compensation
Chairman and President	1.0 (60%)	0.33 (20%)	0.33 (20%)
Executive Directors other than Chairman and President and Executive Officers (Senior Vice Presidents)	1.0 (70%)	0.21 (15%)	0.21 (15%)

f) Matters for determining the content of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents)

With regard to part of compensation for individuals, Chairman and President shall be delegated the specific contents based on the resolution of the Board of Directors. The content of such authority shall be the amount of basic compensation for each Director and Executive Officer (Senior Vice President) and the qualitative evaluations of bonuses for each Executive Director and Executive Officer (Senior Vice President). The Corporate Governance Committee shall deliberate annually on the level of compensation for each position of Directors and Executive Officers (Senior Vice Presidents), so that the authority may be properly exercised by Chairman and President. Chairman and President who have received the said delegation shall be required to make decisions based on the content of the deliberations. Performance-linked compensation, etc. of individual Executive Directors and Executive Officers (Senior Vice Presidents) (excluding the above-mentioned delegation) shall be determined in accordance with the rules (the rules which stipulate the calculating method of performance-linked compensation, etc. and non-monetary compensation, etc. in accordance with the policy d) above) established by resolution of the Board of Directors.

After being deliberated on by the Corporate Governance Committee, a majority of the members of which are independent outside officers, as an advisory body for the Board of Directors, the said contents of the compensation, etc. shall be determined by the Board of Directors based on the deliberations.

[Determination policy of Corporate Auditors' compensation]

The basic compensation for Corporate Auditors is determined by deliberations among the Corporate Auditors within the total amount of compensation approved by the General Meeting of Shareholders.

5) Matters related to delegation of determining compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents)

For part of the individual payment amount of the compensation for Directors and Executive Officers (Senior Vice Presidents), the Board of Directors entrusts the Representative Director and Chairman and the Representative Director and President to determine the specific details. The names, positions, and responsibilities of the Representative Director and Chairman and the Representative Director and President as of the date of determination of part of such compensation for the current fiscal year are as follows:

Name	Position and responsibility at the Company
Shinji Hattori	Chairman, Group CEO, and Group CCO
Shuji Takahashi	President

The authority to be entrusted and the measures to ensure that such authority is properly exercised are as described in 4) f) above.

The reason for entrusting these authorities to the Representative Director and Chairman and the Representative Director and President is that the Company has judged that Representative Directors are the most suitable to evaluate the duties of each Director and Executive Officer (Senior Vice President) while having a comprehensive view of the Company's overall performance, etc.

6) Reasons for the Board of Directors' determination that the details of individual compensation, etc. of Directors and Executive Officers (Senior Vice Presidents) for the current fiscal year are in line with the relevant policy

In determining the details of individual compensation, etc. Directors and Executive Officers (Senior Vice Presidents) for the current fiscal year, the Corporate Governance Committee has conducted a multifaceted review, including consistency with the determination policy of the compensation level by position. Accordingly, the Board of Directors basically respects the report of the Corporate Governance Committee and has judged that the compensation is in line with the determination policy.

7) The details of activities of the Board of Directors and the Corporate Governance Committee during the determination process of the amount of compensation, etc., for officers for the current fiscal year

The Corporate Governance Committee deliberated on the appropriateness of the compensation levels of Directors and Executive Officers (Senior Vice Presidents) set by position, as well as the amount of performance-linked compensation paid for the current fiscal year, and reported their findings to the Board of Directors.

(5) Status of shares held

Among the Company and its consolidated subsidiaries, the Company holds the largest amount of investment shares on its balance sheet. The status of shares held by the Company is as follows:

1) Standards of classification of investment shares

The Company classifies investment shares held solely for the purpose of gaining benefits through changes in the value of shares or dividends as "investment shares held for pure investment purposes," and investment shares that do not fall under this classification as "investment shares held for purposes other than pure investment purposes."

2) Investment shares held for purposes other than pure investment purpose

(a) Policy for holding and method for verifying the rationality of holding as well as the details of verification by the Board of

Directors, etc., regarding the adequacy of individual stock holdings

From the perspective of improving the corporate value of the Company 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 shares, other than unlisted shares s held in cross-shareholding by the Company Group through examination of the importance of the issuer as a business partner and benefits and risks of shareholding in view of its capital cost and other factors.

Most recently, the Company verified shares that fall under this classification at the Board of Directors meeting held in August 2023. As a result, it was confirmed that the Company should continue to hold relevant shares to reinforce business relationships, as the issuers of such shares are clients essential for maintaining and expanding the Group's businesses going forward.

(b) Number of shares and total of the amounts recorded in the balance sheet

	Number of shares	Total amount recorded in the balance sheet (Millions of yen)
Unlisted shares	8	349
Shares other than unlisted stocks	1	31,746

(Shares of which the number increased during the current fiscal year)

Not applicable.

(Shares of which the number decreased during the current fiscal year)

Not applicable.

(c) Share name, number of shares, amount recorded in the balance sheet of the specified investment securities

-Specified investment securities

<table>
<tr><th rowspan="3">Share name</th><th>Current fiscal year</th><th>Previous fiscal year</th><th rowspan="3">Purpose of holding, an overview of business collaborations, etc., quantitative holding effects and reason for the increased number of shares</th><th rowspan="3">Holding of the Company's shares</th></tr>
<tr><th>Number of shares held by the Company</th><th>Number of shares held by the Company</th></tr>
<tr><th>Amount recorded in the balance sheet (Millions of yen)</th><th>Amount recorded in the balance sheet (Millions of yen)</th></tr>
<tr><td rowspan="2">Seiko Epson Corporation</td><td>12,000,000</td><td>12,000,000</td><td rowspan="2">Purpose of holding and an overview of business collaborations, etc.: Seiko Epson Corporation is a key supplier of wristwatches, the mainstay product of the Group's Watches Business. It boasts unique and advanced technological capabilities in wristwatch manufacturing that other companies do not possess. As transactions with Seiko Epson Corporation are indispensable for maintaining and expanding its Watches Business, the Company holds their shares to maintain and strengthen a smooth business relationships.
Quantitative holding effects: The Company considers that such holding is reasonable by the verification method mentioned in (a) above.</td><td rowspan="2">Applicable</td></tr>
<tr><td>31,746</td><td>22,572</td></tr>
</table>

3) Shares for investment held solely for investment purpose

Not applicable.

V. Financial Information

1. Basis of Preparation of the Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with the *Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements* (Order of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the *Regulation on Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements* (Order of the Ministry of Finance No. 59 of 1963) (hereinafter the *Regulation on Financial Statements, etc.*). As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the *Regulation on Financial Statements, etc.*

2. Independent Audit

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024) were audited by KPMG AZSA LLC, in accordance with Article 193-2, paragraph (1) of the *Financial Instruments and Exchange Act*.

3. Particular Efforts to Secure the Appropriateness of the Consolidated Financial Statements, etc.

The Company is making particular efforts to ensure the appropriateness of the consolidated financial statements. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (hereinafter the "Foundation") and participates in seminars and other programs sponsored by the Foundation to gain an appropriate understanding of the accounting standards, etc., and establish a system to properly respond to changes in these standards, etc.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(a) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	*2 36,324	*2 32,683
Notes receivable - trade	3,062	3,479
Accounts receivable - trade	35,187	41,136
Contract assets	397	880
Merchandise and finished goods	49,750	49,683
Work in process	18,117	18,716
Raw materials and supplies	15,908	15,983
Accounts receivable - other	6,577	4,377
Other	9,381	9,173
Allowance for doubtful accounts	(1,297)	(1,419)
Total current assets	173,410	174,694
Non-current assets		
Property, plant and equipment		
Buildings and structures	79,280	82,230
Machinery, equipment and vehicles	86,117	91,948
Tools, furniture and fixtures	39,233	42,617
Other	12,699	15,609
Accumulated depreciation	(163,232)	(172,067)
Land	*5 54,182	*5 54,144
Construction in progress	2,867	1,553
Total property, plant and equipment	111,149	116,037
Intangible assets		
Goodwill	6,901	8,029
Other	8,620	10,159
Total intangible assets	15,522	18,189
Investments and other assets		
Investment securities	*1, *6 45,490	*1, *6 56,374
Retirement benefit asset	1,820	1,884
Deferred tax assets	1,923	1,984
Other	*2 6,752	*1, *2 7,247
Allowance for doubtful accounts	(153)	(148)
Total investments and other assets	55,833	67,341
Total non-current assets	182,505	201,568
Total assets	355,915	376,262

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,790	21,500
Electronically recorded obligations - operating	6,212	8,085
Short-term borrowings	72,598	64,350
Current portion of bonds payable	300	-
Current portion of long-term borrowings	22,117	21,727
Accounts payable – other	*2 11,344	*2 15,291
Income taxes payable	1,793	4,678
Contract liabilities	*2 7,916	*2 8,760
Provision for bonuses	4,879	5,097
Provision for goods warranties	488	552
Provision for loss on lease contracts	348	87
Provision for business restructuring	247	24
Other provisions	367	366
Asset retirement obligations	9	647
Other	14,743	14,289
Total current liabilities	162,157	165,460
Non-current liabilities		
Long-term borrowings	37,525	31,674
Lease liabilities	5,667	7,676
Deferred tax liabilities	4,285	6,912
Deferred tax liabilities for land revaluation	*5 3,614	*5 3,614
Provision for stock benefits	538	582
Provision for long-term goods warranties	88	121
Provision for retirement benefits for directors (and other officers)	4	4
Provision for loss on lease contracts	87	-
Other provisions	23	23
Retirement benefit liability	6,894	6,135
Asset retirement obligations	1,079	494
Other	2,199	2,227
Total non-current liabilities	62,009	59,467
Total liabilities	224,166	224,927
Net assets		
Shareholders’ equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	81,520	88,465
Treasury shares	(248)	(1,584)
Total shareholders’ equity	98,517	104,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,464	17,820
Deferred gains or losses on hedges	(9)	(74)
Revaluation reserve for land	*5 8,190	*5 8,190
Foreign currency translation adjustment	10,638	18,290
Remeasurements of defined benefit plans	992	746
Total accumulated other comprehensive income	31,275	44,974
Non-controlling interests	1,956	2,234
Total net assets	131,748	151,334
Total liabilities and net assets	355,915	376,262

(b) Consolidated Statement of Income and Consolidated Statements of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2022	FY2022
Net sales	*1 260,504	*1 276,807
Cost of sales	*3 148,706	*3 154,120
Gross profit	111,798	122,686
Selling, general and administrative expenses	*2,*3 100,564	*2,*3 107,948
Operating profit	11,233	14,737
Non-operating income		
Interest income	199	392
Dividend income	771	961
Share of profit of entities accounted for using equity method	1,224	1,389
Other	858	1,521
Total non-operating income	3,053	4,264
Non-operating expenses		
Interest expenses	1,139	1,350
Other	1,980	1,757
Total non-operating expenses	3,119	3,107
Ordinary profit	11,167	15,894
Extraordinary income		
Gain on sale of non-current assets	*4 228	*4 1,230
Gain on sale of investment securities	-	139
Reversal of provision for business restructuring	-	106
Insurance claim income	-	*5 100
Total extraordinary income	228	1,575
Extraordinary losses		
Business restructuring expenses	*6 968	*6 1,089
Impairment losses	-	*7 806
Information security expenses	-	*8 450
Loss on sale of investment securities	548	-
Loss on cancellation of agency agreement	147	-
Loss on the spread of infectious disease	90	-
Total extraordinary losses	1,753	2,346
Profit before income taxes	9,642	15,123
Income taxes - current	2,995	4,890
Income taxes - deferred	1,350	(104)
Total income taxes	4,346	4,785
Profit	5,295	10,338
Profit attributable to non-controlling interests	267	286
Profit attributable to owners of parent	5,028	10,051

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2022	FY2023
Profit	5,295	10,338
Other comprehensive income		
Valuation difference on available-for-sale securities	403	6,341
Deferred gains or losses on hedges	321	(64)
Foreign currency translation adjustment	4,048	7,406
Remeasurements of defined benefit plans, net of tax	1,020	(538)
Share of other comprehensive income of entities accounted for using equity method	1,487	676
Total other comprehensive income	*1 7,280	*1 13,820
Comprehensive income	12,576	24,158
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,264	23,750
Comprehensive income attributable to non-controlling interests	311	408

(c) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,245	79,075	(292)	96,028
Changes during period					
Dividends of surplus			(2,583)		(2,583)
Profit attributable to owners of parent			5,028		5,028
Purchase of treasury shares				(0)	(0)
Disposal of treasury stock by ownership plan trust				44	44
Other				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	2,444	44	2,488
Balance at end of period	10,000	7,245	81,520	(248)	98,517

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,942	(331)	8,190	5,116	120	24,038	1,557	121,624
Changes during period								
Dividends of surplus								(2,583)
Profit attributable to owners of parent								5,028
Purchase of treasury shares								(0)
Disposal of treasury stock by ownership plan trust								44
Other								(0)
Net changes in items other than shareholders' equity	521	321	-	5,521	871	7,236	398	7,635
Total changes during period	521	321	-	5,521	871	7,236	398	10,124
Balance at end of period	11,464	(9)	8,190	10,638	992	31,275	1,956	131,748

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,245	81,520	(248)	98,517
Changes during period					
Dividends of surplus			(3,100)		(3,100)
Profit attributable to owners of parent			10,051		10,051
Purchase of treasury shares				(2)	(2)
Treasury stock possession of stock ownership plan trust				(1,418)	(1,418)
Disposal of treasury stock by ownership plan trust				84	84
Change in scope of consolidation			(4)		(4)
Other			(0)	0	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	6,945	(1,336)	5,608
Balance at end of period	10,000	7,245	88,465	(1,584)	104,126

	Accumulated other comprehensive income						**Non-controlling interests**	**Total net assets**
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,464	(9)	8,190	10,638	992	31,275	1,956	131,748
Changes during period								
Dividends of surplus								(3,100)
Profit attributable to owners of parent								10,051
Purchase of treasury shares								(2)
Treasury stock possession of stock ownership plan trust								(1,418)
Disposal of treasury stock by ownership plan trust								84
Change in scope of consolidation								(4)
Other								(0)
Net changes in items other than shareholders' equity	6,356	(64)	-	7,652	(245)	13,698	278	13,977
Total changes during period	6,356	(64)	-	7,652	(245)	13,698	278	19,586
Balance at end of period	17,820	(74)	8,190	18,290	746	44,974	2,234	151,334

(d) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2022	FY2023
Cash flows from operating activities		
Profit before income taxes	9,642	15,123
Depreciation	12,359	13,301
Increase (decrease) in allowance for doubtful accounts	(14)	28
Increase (decrease) in retirement benefit liability	(865)	(830)
Interest and dividend income	(970)	(1,353)
Interest expenses	1,139	1,350
Foreign exchange losses (gains)	18	(187)
Share of loss (profit) of entities accounted for using equity method	(1,224)	(1,389)
Impairment losses	-	806
Loss (gain) on sale of investment securities	548	(139)
Loss (gain) on sale of non-current assets	(228)	(1,230)
Loss on retirement of non-current assets	270	650
Decrease (increase) in trade receivables	688	(4,276)
Decrease (increase) in inventories	(8,235)	3,708
Increase (decrease) in trade payables	(3,399)	3,899
Other, net	2,296	5,142
Subtotal	12,025	34,605
Interest and dividends received	971	1,353
Dividends received from entities accounted for using equity method	232	241
Interest paid	(1,133)	(1,360)
Income taxes paid	(2,834)	(2,113)
Net cash provided by (used in) operating activities	9,261	32,726
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,182)	(11,023)
Proceeds from sale of property, plant and equipment	269	1,661
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	513	191
Loan advances	(1,013)	(588)
Proceeds from collection of loans receivable	733	716
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (1,428)	*2 (2,466)
Other, net	(2,427)	(3,586)
Net cash provided by (used in) investing activities	(15,535)	(15,095)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,408,747	1,466,028
Repayments of short-term borrowings	(1,400,675)	(1,475,464)
Proceeds from long-term borrowings	32,800	17,691
Repayments of long-term borrowings	(25,629)	(23,941)
Purchase of treasury shares	(0)	(1,421)
Repayments of lease liabilities	(1,895)	(2,381)
Dividends paid	(2,583)	(3,100)
Other, net	(198)	(429)
Net cash provided by (used in) financing activities	10,564	(23,017)
Effect of exchange rate change on cash and cash equivalents	1,180	1,860
Net increase (decrease) in cash and cash equivalents	5,470	(3,526)
Cash and cash equivalents at beginning of period	30,738	36,209
Cash and cash equivalents at end of period	*1 36,209	*1 32,683

Notes to Consolidated Financial Statements

(Notes - important matters that are the basis for preparation of consolidated financial statements)

1. Matters relating to scope of consolidation

(1) Number of consolidated subsidiaries: 61

The names of consolidated subsidiaries are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

Computer Science Corporation was included in the scope of consolidation from the fourth quarterly consolidated accounting period due to the acquisition of its shares.

SEIKO RUS Limited Liability Company was excluded from the scope of consolidation from the first quarterly consolidated accounting period because it became immaterial.

(2) Names of major unconsolidated subsidiaries and reasons for exclusion from scope of consolidation

(Major unconsolidated subsidiaries)

AOBA WATCH SERVICE Co. Ltd.

(Reasons for exclusion from scope of consolidation)

The company is small in scale in terms of net sales, total assets, profit and loss, and retained earnings, and none of these have any material impact on the consolidated financial statements.

2. Matters relating to the application of the equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: －

(2) Number of affiliated companies accounted for by the equity method: 5

The names of major companies are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

(3) Non-consolidated subsidiaries and affiliates not accounted for by the equity method: AOBA WATCH SERVICE Co. Ltd. and others have a minimal impact on the consolidated net income and loss and retained earnings and are of little significance. Therefore, the equity method has not been applied to these companies.

(4) Entities accounted for by the equity method, which have different fiscal year-end dates from the consolidated fiscal year-end date, use financial statements for their respective fiscal years or tentative financial statements prepared based on the latest quarterly financial results.

3. Matters relating to the fiscal years, etc. of consolidated subsidiaries

Among consolidated subsidiaries, the fiscal year-end date of SEIKO Precision (Thailand) Co., Ltd. is the end of February, the fiscal year-end date of Seiko Instruments (Thailand) Ltd. is the end of January, and the fiscal year-end date of SEIKO EG&G CO., LTD. is the end of December. For preparing consolidated financial statements, their financial statements as of these dates were used, and necessary adjustments for consolidation were made for significant transactions during the period until the consolidated fiscal year-end date. Additionally, the fiscal year-end date of SEIKO Watch (Shanghai) Co., Ltd. and five other subsidiaries is the end of December. For preparing consolidated financial statements, tentatively settled financial statements complying with the regular settlement were used as of the consolidated fiscal year-end date.

4. Matters relating to accounting policies

(1) Accounting policy for measuring significant assets

1) Securities

Available-for-sale securities

-Securities other than shares that do not have market prices

The market value method based on the market price as of the consolidated closing date. Differences in valuation are included directly in net assets, and the costs of securities sold are calculated using the moving-average method.

-Shares that do not have market prices

Moving-average cost method.

-Investment Limited Partnership

Stated on a net basis equivalent to equity interests, based on the most recent financial statements available as of the financial reporting date stipulated in the partnership agreement.

2) Derivatives

Market value method

3) Inventories

Essentially stated at cost using the moving-average method (for values stated on the balance sheet, writing down the book values to reflect decreased profitability.)

(2) Depreciation methods for significant depreciable assets

1) Property, plant and equipment (excluding leased assets and right-of-use assets)

As for the parent company and its domestic consolidated companies, the straight-line method is generally used for buildings (excluding equipment attached to buildings), while the declining-balance method is applied to assets other than buildings. However, the straight-line method is used for equipment attached to buildings and structures acquired on or after April 1, 2016. For consolidated subsidiaries overseas, the straight-line method is typically employed.

The parent company and its domestic consolidated companies use economically estimated useful lives, reflecting the estimated useful lives and actual usage of each asset.

2) Intangible assets (excluding leased assets)

The straight-line method is used. For software for in-house use, the straight-line method is applied with a useful life of 5 years.

3) Leased assets

-Leased assets relating to finance lease with transfer of ownership

The same depreciation method as applied to the property, etc. owned by the company is used.

-Lease assets relating to finance lease without transfer of ownership

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

4) Right-of-use assets

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

To prepare for possible losses on uncollectible receivables, estimated uncollectible amounts are posted. For general receivables, based on the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.

2) Allowance for investment loss of subsidiaries and affiliates

To prepare for possible losses on investments to subsidiaries and affiliates, a necessary amount is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and affiliates of 4 million yen is directly reduced from the amount of investment securities.

3) Provision for bonuses

To prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments attributable to the consolidated fiscal year under review.

4) Provision for goods warranties

To provide for warranties of goods sold at some of the consolidated subsidiaries overseas, the respective estimated amount based on the past experience is posted.

5) Provision for loss on lease contracts

To provide for the expected loss during the non-cancellable periods, an amount equivalent to the portion of rents for real estate deemed likely to be non-performing up to the expiry of lease agreements is posted.

6) Provision for business restructuring

The Company has posted an estimated amount of losses expected to be incurred in the future as a result of business restructuring.

7) Provision for stock benefits

This is provided for based on the estimated amount of share delivery obligations at the end of the current fiscal year, in preparation for the future delivery of the Company's shares to Directors who execute business duties, etc. at the parent company and its domestic consolidated subsidiaries pursuant to the Rules for Delivery of Shares to Officers.

8) Provision for retirement benefits for directors (and other officers)

Some domestic consolidated companies passed a resolution to discontinue their respective Directors' retirement benefit systems during the fiscal year ended March 2005. Accordingly, the amount of retirement benefits for incumbent officers is posted corresponding to the terms of office until the end of the Annual General Meeting during the relevant consolidated fiscal year.

(4) Accounting for employees' retirement benefits

1) Method to attribute the estimated retirement benefits to the periods

To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review.

2) Method of amortization of actuarial gains and losses and prior service costs

Actuarial differences are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 9 years) that do not exceed the average remaining service period of employees at the time of the difference accrues. Prior service costs are generally recognized by the straight-line method over various periods that do not exceed the average remaining service period of employees at the time of accrual.

(5) Accounting standards for significant income and expenses

1) Emotional Value Solutions Business

The Group manufactures, sells, and provides repair services for its own products as the wholesale of watches, and offers retail services, etc., including products from other companies, as a retailer of watches.

Regarding the timing of satisfaction of performance obligations for the wholesale of watches, the Group applies the alternative treatment prescribed in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (hereinafter, the "Revenue Recognition Implementation Guidance"), and recognizes revenue at the time of shipment if the period between the shipment and the transfer of control of products to customers is typically a normal period for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer. For the retail of watches, revenue is recognized when products are delivered to customers.

For transactions where returns are expected at the time of sale, such amounts are not recognized as revenue but are estimated based on historical experience and recognized as a liability for returns.

For transactions where the Group acts as an agent, revenue is recognized at a net amount. For transactions where the Group acts as the principal, revenue is recognized at a gross amount.

The Group generally receives consideration for transactions in the Emotional Value Solutions Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.

2) Devices Solutions Business

The Group manufactures and sells products related to electronic devices, precision devices, and printing devices.

The Group applies the alternative treatment prescribed in Paragraph 98 of the Revenue Recognition Implementation Guidance and recognizes revenue at the time of shipment if the period between the shipment and the transfer of control of products to customers is typically a normal period for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer.

The Group generally receives consideration for transactions in the Devices Solutions Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.

3) Systems Solutions Business

The Group develops and sells products for businesses related to system, IoT, and payment, and provides maintenance services for sold products and made-to-order software services.

Regarding the timing of satisfaction of performance obligations for the product sales, revenue is recognized when products are delivered to customers or when customers inspect the products. For maintenance services, revenue is recognized over the period the services are provided, as performance obligations are deemed to be satisfied over time, given that the Group provides uniform services throughout the contract period. For made-to-order software services, revenue is recognized based on the degree of progress toward satisfying performance obligations, as these obligations are deemed to be satisfied over a certain period. The degree of progress is measured based on the percentage of costs incurred to the end of each fiscal year relative to the total expected costs.

The Group generally receives consideration for transactions in the Systems Solutions Business within one to six months from the time when performance obligations are satisfied (in some cases, advance payments are received based on contracts), and the receivables arising from contracts with such customers are not adjusted for significant financial components.

(6) Standards for translation of significant foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency receivables/payables are translated into Japanese yen using the spot foreign exchange rate on the consolidated closing date, and translation differences are treated as income or loss.

The assets and liabilities of subsidiaries overseas are translated into Japanese yen using the spot foreign exchange rate on the consolidated closing date, while income and expenses are translated into yen using an average market rate during the period. Translation differences are included in “Foreign currency translation adjustment” and “Non-controlling interests” within “Net assets.”

(7) Significant hedge accounting methods

1) Hedge accounting method

Deferred hedge accounting is adopted. However, for the parent company and its domestic consolidated companies, deferral hedge accounting (*furiate-shori* in Japanese) is generally used for foreign currency receivables/payables with forward exchange contracts or the similar instruments for interest-rate swaps that meet the requirements for exceptional accounting (*tokurei-shori* in Japanese), exceptional accounting is adopted.

2) Means of hedging and hedged items

Forward exchange contracts and foreign currency deposits are used to hedge foreign exchange rate fluctuation risks related to foreign currency-denominated trade payables and receivables. Interest-rate swaps are used to mitigate fluctuation risks associated with borrowings on floating interest rates.

3) Hedging policy

Forward exchange contracts, foreign currency deposits and interest-rate swaps are used to hedge against exchange- and interest-rate fluctuation risks present in hedged items, in accordance with the internal rules of the respective companies. No speculative transactions are conducted.

4) Assessment of hedge effectiveness

For interest-rate swaps, hedge effectiveness is assessed by analyzing the correlation between the accumulated cash flow changes of hedged items and the accumulated cash flow changes of the hedging instruments. However, the assessment of hedge effectiveness is omitted if the material conditions of the hedging instruments and the hedged items are the same.

(8) Method and period of amortization of goodwill

Goodwill is amortized equally over a period of 5 to 20 years. Minor goodwill is entirely amortized upon accrual.

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks that can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and are subject to little risk of value change.

(10) Matters relating to application of group tax sharing system

The Group tax sharing system is applied.

(Significant accounting estimates)

1. Valuation of inventories

(1) Amount recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Emotional Value Solutions Business	57,585	59,530
Devices Solutions Business	20,208	18,470
Systems Solutions Business	6,474	6,923
Adjustments	(492)	(541)
Consolidated Total	83,776	84,382

(2) Information on the details of significant accounting estimates for identified items

At the Group, inventories are evaluated by writing down the book values in response to decreased profitability.

Each operating subsidiary reflects decreased profitability for products, etc. that have been removed from the operating cycle process beyond a certain holding period and volume, using a regular write-down method based mainly on past sales and disposal performance.

However, products, etc., that exceed a certain holding period and volume but are considered to be within the operating cycle process, based on recent sales performance and future sales forecasts, are excluded from the regular write-down of book values, in whole or in part.

The Emotional Value Solutions Business deals with products directly related to personal consumption. Therefore, its business results and product profitability are strongly affected by domestic and international economic trends, especially personal consumption. Similarly, the business results and product profitability of the Devices Solutions Business are influenced by demand trends of electronic devices, etc., in Japan and overseas. Economic trends and personal consumption can fluctuate significantly due to factors beyond the Group’s control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining the regular write-down method of book values to reflect the decreased profitability. Additionally, significant judgments are made regarding whether products, etc. excluded from the regular write-down of book values are within the operating cycle process.

Estimates involving such judgments and assumptions may be affected by future trends in personal consumption, etc., and could significantly impact the amounts of inventories in the consolidated financial statements for the following fiscal year.

2. Impairment of non-current assets

(1) Amount posted in the consolidated financial statements for the fiscal year under review for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	111,149	116,037
Intangible assets	15,522	18,189
Impairment losses	-	806

(2) Information useful for understanding the content of accounting estimates

In principle, the Company Group’s assets are classified into groups by business unit for management accounting purposes, and real estate for rent, idle real estate, real estate to be sold, etc. are classified into groups by individual property.

For asset groups that show signs of impairment and require recognition of an impairment loss, their carrying amounts are reduced to their recoverable value, which is recorded as an impairment loss. The recoverable value of the asset groups is the higher of the net selling price or the value in use. In recognizing and measuring impairment losses, the Company Group uses estimates of future cash flows based on available information. However, if assumptions underlying these estimates change due to uncertain future market environment, etc., it may significantly affect the occurrence of impairment losses in the consolidated financial statements for the following fiscal year.

(Notes - New accounting standards not yet applied)

For the Company and the domestic consolidated subsidiaries

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, the Accounting Standards Board of Japan)

“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, the Accounting Standards Board of Japan)

“Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, the Accounting Standards Board of Japan)

1. Overview

The guidance addresses the classification of income taxes, etc. when taxes are imposed on other comprehensive income. It also covers the treatment of tax effects related to the sale of shares of subsidiaries and affiliates under the corporate group tax system.

2. Scheduled effective date

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2025.

3. Impact from applying new accounting standard, etc.

The impact of applying the “Accounting Standard for Current Income Taxes” on the consolidated financial statements is currently being assessed.

(Changes in presentation)

- Consolidated statement of cash flows

  In the previous consolidated fiscal year, the "purchase of treasury shares" was included under "Others, net" in the "Cash flows from financing activities" section. Due to its increased significance, it has been decided to present it separately from the current consolidated fiscal year. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

  The amount of negative 198 million yen previously shown under "Others, net" has been reclassified as negative 0 million yen under "purchase of treasury shares" and negative 197 million under "Others, net."

(Supplementary information)

- Board Benefit Trust (BBT) for executive directors and senior vice presidents

  The Company has introduced a performance-linked stock compensation plan, the "Board Benefit Trust (BBT)" (hereinafter, "the Plan"), for the Company's Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors), Senior Vice Presidents, and Directors who execute business duties of certain subsidiaries and meet certain requirements (hereinafter, the "Directors, etc.") The purpose is to raise awareness of the need to contribute to the improvement of the Company's mid- to long-term performance and enhancement of corporate value.

  1. Outline of transactions

     The Plan is a structure to deliver the Company's shares to the Directors, etc., who meet certain requirements pursuant to the "Rules for Delivery of Shares to Officers" prescribed by the Company and certain subsidiaries.

     The Company and certain subsidiaries grant points to the Directors, etc., based on their position and the degree of achievement of the mid- to long-term performance indices, etc. in the relevant fiscal year. The Company's shares are then delivered to them according to the determined points at the time of retirement of the Directors who execute business duties and Senior Vice Presidents. However, if a Director, etc. meets the requirements stipulated in the "Rules for Delivery of Shares to Officers," the Company may pay him or her cash equivalent to the market value of the Company's shares for a certain percentage of his or her points, instead of delivering the shares. The shares to be delivered to the Directors, etc. shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

  2. Shares of the Company remaining in trust

     The Company's shares remaining in trust are posted as treasury shares in the "Net assets" section based on the book value in the trust (excluding incidental costs). The book value and number of shares of such treasury shares as of March 31, 2023 and 2024 are 79 million yen and 50,400 shares, and 1,413 million yen and 557,100 shares, respectively.

(Notes - Consolidated Balance Sheet)

*1. Investments in unconsolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Investment securities (stocks)	21,613	23,436
Investments and other assets, other (investment capital)	-	314

*2. Pledged assets and secured liabilities

Pledged assets (Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Cash and deposits	34	39
Deposits (Investments and other assets)	380	370
Total	414	409

Secured liabilities (Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Accounts payable - other	1	1
Gift certificates (Contract liabilities)	303	283
Total	305	284

3. Guarantee obligations

The Company has guaranteed borrowings extended to its employees from financial institutions, as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Employees (housing fund)	1	1

4. Discounted trade notes receivable (Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Amount of discount on trade notes receivable	1,050	500

*5. Land for business use was revalued pursuant to the *Act on Revaluation of Land* (Act No. 34 promulgated on March 31, 1998). Valuation differences corresponding to taxes are posted as “Deferred tax liabilities for land revaluation” of “Liabilities” and the balance is posted as “Revaluation reserve for land” of “Net assets”.

(1) Method of revaluation: Land for business use was evaluated based on the roadside land price set forth in Article 2, item 4 of the *Order for Enforcement of the Act on Revaluation of Land* (Cabinet Order No. 119 promulgated on March 31, 1998). Land without a roadside land price was evaluated based on the assessed value of fixed assets as set forth in item 3 thereof, with reasonable adjustments.

(2) Date of revaluation: March 31, 2001.

*6. Investment securities provided for lending shares are as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Investment securities	456	477

*7. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital. The status of the commitments as of the end of the current fiscal year is as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Total availability of loan commitment	28,500	36,500
Outstanding balance	13,800	11,800
Unused balance	14,700	24,700

(Notes - Consolidated Statements of Income)

*1. Revenue arising from contracts with customers

With respect to net sales, the Company does not disaggregate revenue arising from contracts with customers and other revenues. The amount of revenue arising from contracts with customers is presented in "Notes to consolidated Financial Statements (Revenue recognition), 1. Information regarding disaggregated revenue arising from contracts with customers."

*2. Major components of selling, general and administrative expenses (Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Advertising and promotion expenses	18,348	20,141
Provision of allowance for doubtful accounts	(3)	29
Salaries and wages	36,890	39,503
Provision for bonuses	2,820	2,901
Retirement benefit expenses	1,149	982

*3. Research and development expenses included in general and administrative expenses and manufacturing cost

(Millions of yen)

Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
3,980	3,606

*4. Gain on sales of non-current assets

The gain on sales of non-current assets in the previous fiscal year was recorded from the sale of machinery associated with the withdrawal of some of the production processes in the Devices Solutions Business.

The gain on sales of non-current assets in the current fiscal year was recorded from the sale of land.

*5. Insurance claim income

The insurance claim income in the current fiscal year is related to the unauthorized access by a third party to the servers of the Company and its subsidiaries, which occurred in July 2023.

*6. Business restructuring expenses

Detail of the business restructuring expenses posted in the previous fiscal year is as follows.

Severance payments and other benefits associated with the business restructuring of the Emotional Value Solutions Business	210 million yen
Loss on retirement of non-current assets associated with the business restructuring of the Emotional Value Solutions Business	7 million yen
Valuation loss on the withdrawal of certain production processes in the Devices Solutions Business	213 million yen
Special retirement benefits on the withdrawal of certain production processes in the Devices Solutions Business	62 million yen
Other expenses on the withdrawal of certain production processes in the Devices Solutions Business	474 million yen

Detail of the business restructuring expenses posted in the current fiscal year is as follows.

Severance payments and other benefits associated with the business restructuring of the Emotional Value Solutions Business	567 million yen
Other expenses associated with the business restructuring of the Emotional Value Solutions Business	48 million yen
Valuation loss associated with the business restructuring of the Devices Solutions Business	200 million yen
Severance payments and other benefits associated with the business restructuring of the Devices Solutions Business	166 million yen

Other expenses associated with the business restructuring of the Devices Solutions Business	106 million yen

*7. Impairment losses

The Group has recorded impairment losses for the following asset group.

Current fiscal year (from April 1, 2023 to March 31, 2024)

Location	**Purpose**	**Type**	**Amount (Millions of yen)**
Thailand	Business assets, etc.	Machinery, equipment and vehicles	762
		Tools, furniture and fixtures	0
		Construction in progress	43

Groupings are generally based on business units for management accounting purposes. However, rental properties, idle properties, and properties held for sale are grouped individually.

In the Devices Solutions Business, the Company has reduced the book value of assets that are not expected to be used in the future due to the downsizing of part of the business to their recoverable amount. The reduction has been recorded as an impairment loss under Extraordinary losses. The recoverable amount of the asset group is measured based on its value in use. However, since future cash flows are not expected, the recoverable amount has been assessed as zero.

*8. Information security expenses

The Company has recorded the costs incurred for the investigation and recovery efforts related to the unauthorized access by a third party to its servers and those of its subsidiaries in July 2023 as information security expenses.

(Notes - Consolidated Statements of Comprehensive Income)

*1. Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities		
Amount arising during the period	686	9,297
Reclassification adjustments	(94)	(147)
Before tax-effect adjustment	591	9,150
Amount of tax effects	(188)	(2,809)
Valuation difference on available-for-sale securities	403	6,341
Deferred gains or losses on hedges		
Amount arising during the period	1,171	(111)
Reclassification adjustments	(727)	13
Before tax-effect adjustment	444	(98)
Amount of tax effects	(122)	33
Deferred gains or losses on hedges	321	(64)
Foreign currency translation adjustment		
Amount arising during the period	4,048	7,406
Reclassification adjustments	-	-
Before tax-effect adjustment	4,048	7,406
Amount of tax effects	-	-
Foreign currency translation adjustment	4,048	7,406
Remeasurements of defined benefit plans		
Amount arising during the period	984	(302)
Reclassification adjustments	(42)	(244)
Before tax-effect adjustment	942	(546)
Amount of tax effects	77	7
Remeasurements of defined benefit plans	1,020	(538)
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	1,487	676
Reclassification adjustments	-	-
Before tax-effect adjustment	1,487	676
Amount of tax effects	-	-
Share of other comprehensive income of entities accounted for using equity method	1,487	676
Total other comprehensive income	7,280	13,820

(Notes - Consolidated Statements of Changes in Equity)

Previous fiscal year (from April 1, 2022 to March 31, 2023)

1. Issued shares and treasury shares (Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares				
Common share (Note)	160	0	28	132
Total	160	0	28	132

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 78 thousand shares at the beginning and 50 thousand shares at the end of the current fiscal year, both held in the Board Benefit Trust (BBT). The increase in common shares held as treasury shares (0 thousand shares) is due to the purchase of shares less than one unit and changes in the ownership ratio of entities accounted for by the equity method. The decrease of 28 thousand shares of common stock held as treasury shares was due to a decrease from a sale of the Company's shares held in the Board Benefit Trust (BBT).

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting on June 29, 2022	Common share	1,033	25.00	March 31, 2022	June 30, 2022
Board of Directors meeting on November 8, 2022	Common share	1,550	37.50	September 30, 2022	December 5, 2022

(Note 1) The total amount of dividend approved by the resolution of the Annual General Meeting held on June 29, 2022 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by the resolution of the Board of Directors meeting held on November 8, 2022 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(2) Dividend for which the record date falls in the consolidated fiscal year under review but the effective date comes after the end of that consolidated fiscal year

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting on June 29, 2023	Common share	1,550	Retained earnings	37.50	March 31, 2023	June 30, 2023

(Note) The total amount of dividend approved by the resolution of the Annual General Meeting held on June 29, 2023 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

*3. "Other" of (negative) 0 million yen under treasury shares was the amount of changes due to a change in the ownership ratio of entities accounted for by the equity method.

Current fiscal year (from April 1, 2023 to March 31, 2024)

1. Issued Shares and Treasury Shares (Thousands of shares)

	At the beginning of period	Increase	Decrease	At the end of period
Issued shares:				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares:				
Common share (Note)	132	553	45	639
Total	132	553	45	639

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 50 thousand shares at the beginning and 557 thousand shares at the end of the current fiscal year, both held in the Board Benefit Trust (BBT). The increase of 553 thousand shares in the number of common shares held as treasury shares was due to the acquisition of the Company's shares through the Board Benefit Trust (BBT) and the purchase of shares less than one unit. The decrease of 45 thousand shares in the number of common shares held as treasury shares was due to the sale of the Company's shares held in the Board Benefit Trust (BBT) and changes in the ownership ratio of entities accounted for by the equity method.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting on June 29, 2023	Common share	1,550	37.50	March 31, 2023	June 30, 2023
Board of Directors meeting on November 14, 2023	Common share	1,550	37.50	September 30, 2023	December 5, 2023

(Note 1) The total amount of dividend approved by the resolution of the Annual General Meeting held on June 29, 2023 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by the resolution of the Board of Directors meeting held on November 14, 2023 includes a dividend of 0 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(2) Dividend for which the record date falls in the consolidated fiscal year under review but the effective date comes after the end of that consolidated fiscal year

Resolution	Type of shares	Total dividend (Millions of yen)	Source for dividend	Dividend per share	Record date	Effective date
Annual General Meeting on June 27, 2024	Common share	1,757	Retained earnings	42.50 yen	March 31, 2024	June 28, 2024

(Note) The total amount of dividend approved by the resolution of the Annual General Meeting held on June 27, 2024 includes a dividend of 23 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

*3. "Other" of (negative) 0 million yen under Retained earnings represents a decrease due to the disposal of shares by entities accounted for by the equity method.

*4. "Other" of 0 million yen under treasury shares was the amount of changes due to a change in the ownership ratio of entities accounted for by the equity method.

(Notes - Consolidated statement of cash flows)

*1. Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Cash and deposits	36,324	32,683
Time deposits with maturities of more than three months	(115)	(0)
Cash and cash equivalents at the end of period	36,209	32,683

*2. Major components of assets and liabilities of consolidated subsidiary acquired by purchase.

Previous fiscal year (from April 1, 2022 to March 31, 2023)

The relation between major components of assets, liabilities and acquisition price of consolidated subsidiary acquired by purchase of shares and "Purchase of shares of subsidiaries resulting in change in scope of consolidation" is as follows:

	(Millions of yen)
Current assets	967
Non-current assets	147
Goodwill	1,646
Current liabilities	(618)
Non-current liabilities	(63)
Acquisition price of shares	2,080
Cash and cash equivalents of the new consolidated subsidiary	(651)
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	1,428

Current fiscal year (from April 1, 2023 to March 31, 2024)

The relation between major components of assets, liabilities and acquisition price of consolidated subsidiary acquired by purchase of shares and "Purchase of shares of subsidiaries resulting in change in scope of consolidation" is as follows:

	(Millions of yen)
Current assets	2,092
Non-current assets	113
Goodwill	2,385
Current liabilities	(1,188)
Non-current liabilities	(32)
Acquisition price of shares	3,369
Cash and cash equivalents of the new consolidated subsidiary	(902)
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	2,466

*3. Significant non-monetary transactions for the previous fiscal year were 3,124 million yen related to the acquisition of right-of-use assets in the form of leases.

(Leases)

1. Finance Lease Transactions

Finance lease transactions without ownership transfer

1) Details of leased assets

-Property, plant and equipment

Mainly production facilities (“Machinery, equipment and vehicles”) and others (“Tools, furniture and fixtures.”)

-Intangible assets

Mainly software.

2) Depreciation method of leased assets

The straight-line method is used with a useful life of the lease period and with a residual value of zero.

2. Right-of-Use Assets

1) Details of right-of-use assets

Fixed assets

Mainly retail stores, offices and production facilities (“Buildings and structures”), vehicles (“Machinery, equipment and vehicles”) and others (“Tools, furniture and fixtures.”)

2) Depreciation method of right-of-use assets

The straight-line method is used with a useful life of the lease period and with a residual value of zero.

3. Operating Lease Transactions

Future minimum lease payments required under non-cancellable operating lease transactions

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	**Current fiscal year (as of March 31, 2024)**
Due within one year	2,981	1,641
Due after one year	2,782	1,488
Total	5,763	3,129

(Financial Instruments)

1. Overview of Financial Instruments

(1) Policy for Managing Financial Instruments

The Group raises funds (mainly through bank borrowings) as needed, based on the respective business plans of its operating companies. Temporary surplus funds are invested in low-risk financial assets. The Group uses derivative instruments to hedge specific risks and does not engage in any speculative transactions.

(2) Description of Financial Instruments and Related Risks

Notes and accounts receivable - trade (operating receivables) are exposed to customers' credit risks. Exchange rate fluctuation risks for foreign currency operating receivables, due to the Group's global operation, are almost offset by the risks from foreign currency operating payables, some of which are hedged using forward exchange contracts. Investment securities, mainly shares of customers, are exposed to market price fluctuation risks.

Most of the notes and accounts payable - trade (operating payables) are due within one year. Borrowings and bonds payable are primarily for operating transactions, and interest rate swaps are used to hedge part of interest rate fluctuation risks of borrowings.

Derivatives include forward exchange contracts to hedge exchange rate fluctuation risks present in foreign currency receivables/payables, and interest rate swaps to hedge interest rate fluctuation risks of on borrowings.

Refer to Section 4. Matters relating to accounting policies, (7) Significant hedge accounting methods, for more information.

(3) Risk Management Structure for Financial Instruments

1) Management of Credit Risk

The relevant accounting department or each business division of the Company and its consolidated subsidiaries manages due dates and balances of operating receivables, etc., by business partner and monitors the credit status of major business partners in accordance with the internal rules of each company. Derivative transactions are only conducted with high credit rating financial institutions. The maximum value of credit risks as of the consolidated fiscal year-end date for the current fiscal year is shown as the balance sheet values of financial assets subject to credit risks.

2) Management of Market Risk (Fluctuation Risk of Exchange and Interest Rates)

Certain consolidated subsidiaries hedge some of the fluctuation risks of foreign exchange rates for operating receivables and debt denominated in foreign currencies, which are identified by currency and month, through the use of forward exchange contracts. In addition, the Company uses interest rate swaps to control fluctuation risks of interest rates on borrowings. Regarding investment securities, the market price and financial position of each issuing entity are regularly monitored, and the holding status is continuously reviewed. The relevant accounting section of each company manages derivative transactions in accordance with its internal rules.

3) Management of Liquidity Risk Related to Financing

The accounting sections of the Company and its consolidated subsidiaries prepare and update funding plans in a timely manner based on reports submitted by each section to manage liquidity risks.

(4) Supplemental Explanation on the Market Value of Financial Instruments

The market value of financial instruments includes values based on their market prices or values reasonably calculated if market prices are unavailable. Since the calculation of such values reflects variable factors, it is subject to change depending on different assumptions used.

2. Market Value of Financial Instruments

The amounts posted on the consolidated balance sheet, market values, and the corresponding differences are as follows.

Previous fiscal year (as of March 31, 2023) (Millions of yen)

	Balance sheet amount	Market value	Difference
(1) Investment securities			
1) Shares of subsidiaries and associates	18,966	12,434	(6,531)
2) Available-for-sale securities	23,396	23,396	-
Total assets	42,362	35,831	(6,531)
(2) Current portion of bonds payable	300	300	0
(3) Current portion of long-term borrowings	22,117	22,115	(1)
(4) Long-term borrowings	37,525	37,523	(1)
Total liabilities	59,942	59,939	(2)
Derivative transactions (*3)	(83)	(83)	-

(*1) Notes to cash are not provided. In addition, due to having market values that approximate their book values, as a result of settlement within a short time frame, the following items are also not provided: deposits, notes receivable - trade, accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and accounts payable - other.

(*2) Shares that do not have market prices are not included in (1) Investment securities. The amount of said financial instruments recorded in the consolidated balance sheet is as follows:

Classification	Previous fiscal year (as of March 31, 2023)
Unlisted shares of subsidiaries and affiliates	2,646
Unlisted shares	142
Investment Limited Partnership	338

(*3) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts. In case total liabilities exceed total assets, the amount is presented in parentheses.

Current fiscal year (as of March 31, 2024) (Millions of yen)

	Balance sheet amount	Market value	Difference
(1) Investment securities			
1) Shares of subsidiaries and associates	19,850	14,406	(5,403)
2) Available-for-sale securities	32,507	32,507	-
Total assets	52,357	46,953	(5,403)
(2) Current portion of long-term borrowings	21,727	21,712	(14)
(3) Long-term borrowings	31,674	31,601	(72)
Total liabilities	53,401	53,313	(87)
Derivative transactions (*3)	(201)	(201)	-

(*1) Notes to cash are not provided. In addition, due to having market values that approximate their book values, as a result of settlement within a short time frame, the following items are also not provided: deposits, notes receivable - trade, accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and accounts payable - other.

(*2) Shares that do not have market prices are not included in (1) Investment securities. The amount of said financial instruments recorded in the consolidated balance sheet is as follows:

Classification	Current fiscal year (as of March 31, 2024)
Unlisted shares of subsidiaries and affiliates	3,586
Unlisted shares	139
Investment Limited Partnership	291

(*3) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts. In case total liabilities exceed total assets, the amount is presented in parentheses.

(Note 1) Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

Previous fiscal year (as of March 31, 2023) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	36,324	-	-	-
Notes receivable - trade	3,062	-	-	-
Accounts receivable - trade	35,187	-	-	-
Accounts receivable - other	6,577	-	-	-
Total	81,152	-	-	-

Current fiscal year (as of March 31, 2024) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	32,683	-	-	-
Notes receivable - trade	3,479	-	-	-
Accounts receivable - trade	41,136	-	-	-
Accounts receivable - other	4,377	-	-	-
Total	81,676	-	-	-

(Note 2) Redemption schedule after the balance sheet date for borrowings and other interest-bearing debts

Previous fiscal year (as of March 31, 2023) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	72,598	-	-	-	-	-
Current portion of bonds payable and Bonds payable	300	-	-	-	-	-
Current portion of long-term borrowings and Long-term borrowings	22,117	16,359	9,660	9,765	1,740	-
Total	95,015	16,359	9,660	9,765	1,740	-

Current fiscal year (as of March 31, 2024) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	64,350	-	-	-	-	-
Current portion of long-term borrowings and Long-term borrowings	21,727	15,027	13,801	2,605	240	-
Total	86,077	15,027	13,801	2,605	240	-

3. Matters Relating to Breakdown, etc. of Market Values of Financial Instruments by Level

Market values of financial instruments are classified into three levels based on the observability and significance of the inputs used to calculate them.

Level 1: Market value calculated using observable inputs, such as quoted prices in active markets for assets or liabilities that are the subject of the market value measurement

Level 2: Market value calculated using observable inputs other than Level 1 inputs

Level 3: Market value calculated using unobservable inputs

When multiple inputs significantly impact the calculation of market value, the market value is classified at the lowest level of the inputs used.

(1) Financial Instruments Recorded in the Consolidated Balance Sheet at Market Value

Previous fiscal year (as of March 31, 2023) (Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	23,396	-	-	23,396
Derivative transactions				
Currency-related	-	109	-	109
Total assets	23,396	109	-	23,505
Derivative transactions				
Currency-related	-	(182)	-	(182)
Interest-related	-	(9)	-	(9)
Total liabilities	-	(192)	-	(192)

Current fiscal year (as of March 31, 2024) (Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	32,507	-	-	32,507
Derivative transactions				
Currency-related	-	38	-	38
Total assets	32,507	38	-	32,545
Derivative transactions				
Currency-related	-	(239)	-	(239)
Interest-related	-		-	-
Total liabilities	-	(239)	-	(239)

(2) Financial Instruments Other Than Those Recorded in the Consolidated Balance Sheet at Market Value

Previous fiscal year (as of March 31, 2023) (Millions of yen)

Classification	**Market value**			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Shares of subsidiaries and affiliates				
Stocks	12,434	-	-	12,434
Total assets	12,434	-	-	12,434
Current portion of bonds payable	-	300	-	300
Current portion of long-term borrowings	-	22,115	-	22,115
Long-term borrowings	-	37,523	-	37,523
Total liabilities	-	59,939	-	59,939

Current fiscal year (as of March 31, 2024) (Millions of yen)

Classification	**Market value**			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Shares of subsidiaries and affiliates				
Stocks	14,446	-	-	14,446
Total assets	14,446	-	-	14,446
Current portion of long-term borrowings	-	21,712	-	21,712
Long-term borrowings	-	31,601	-	31,601
Total liabilities	-	53,313	-	53,313

(Note) Valuation methods used for the measurement of market value and a description of inputs

Assets:

-Investment securities

Listed shares are valued using quoted prices. Since they are traded in active markets, their market value is classified as Level 1.

Liabilities:

-Current portion of bonds payable

The market value of bonds payable, issued by subsidiaries, is calculated by discounting the total amount of principal and interest by an interest rate that considers the remaining term and credit risk of the bonds. It is classified as Level 2.

-Current portion of long-term borrowings and Long-term borrowings

The market value of long-term borrowings is calculated by considering the remaining term of the borrowings and discounting the total amount of principal and interest by the assumed interest rate that would be applied for new borrowings. It is classified as Level 2. The market value of long-term borrowings that are subject to exceptional accounting treatment for interest-rate swaps is calculated by considering the remaining term of the borrowings and discounting the total amount of principal and interest, which is treated as one with the interest-rate swap in question, by a logically estimated interest rate that would be applied for similar borrowings.

-Derivative transactions

The market values of interest-rate swaps and forward exchange contracts are calculated using observable inputs such as interest rates and foreign exchange rates. They are classified as Level 2. Derivatives conducted through exceptional accounting treatment for interest-rate swaps are treated as being one with the long-term borrowings under the relevant hedge. As such, the market value of these transactions is presented as being included in the market value for the corresponding long-term borrowings.

(Securities)

1. Available-for-Sale Securities

Previous fiscal year (as of March 31, 2023) (Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	23,374	7,615	15,759
	Subtotal	23,374	7,615	15,759
Securities whose B/S amount do not exceed their acquisition price	Shares	21	22	(0)
	Subtotal	21	22	(0)
Total		23,396	7,637	15,758

Current fiscal year (as of March 31, 2024) (Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	32,507	7,592	24,914
	Subtotal	32,507	7,592	24,914
Securities whose B/S amount do not exceed their acquisition price	Shares	-	-	-
	Subtotal	-	-	-
Total		32,507	7,592	24,914

2. Available-for-Sale Securities Sold

Previous fiscal year (as of March 31, 2023)

This information is not provided due to its immateriality.

Current fiscal year (as of March 31, 2024)

This information is not provided due to its immateriality.

(Derivative Transactions)

1. Non-Hedged Derivative Transactions

(1) Currency-Related Transactions

Previous fiscal year (as of March 31, 2023) (Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	1,465	-	(50)	(50)
	EUR	1,001	-	(20)	(20)
	Buy:				
	USD	442	-	6	6
	EUR	154	-	(2)	(2)
Total		3,064	-	(66)	(66)

Current fiscal year (as of March 31, 2024) (Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	2,297	-	(73)	(73)
	EUR	1,242	-	(37)	(37)
	Buy:				
	USD	447	-	8	8
	EUR	64	-	5	5
Total		4,051	-	(97)	(97)

2. Hedged Derivative Transactions

(1) Currency-Related Transactions

Previous fiscal year (as of March 31, 2023) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		6,334	-	155
	EUR		3,481	-	(61)
	GBP		404	-	(5)
	AUD		350	-	18
	Buy:	Accounts payable - trade			
	USD		1,400	-	(95)
Deferral hedge accounting of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		752		(0)
	EUR		361	-	(9)
	GBP		34	-	(0)
	AUD		30	-	1
	Buy:	Accounts payable - trade			
	USD		1,558	-	(16)
Total			14,707	-	(14)

Current fiscal year (as of March 31, 2024) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		3,533	-	(78)
	EUR		2,501	-	(49)
	GBP		-	-	-
	AUD		-	-	-
	Buy:	Accounts payable - trade			
	USD		239	-	24
Deferral hedge accounting of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		526	-	(20)
	EUR		351	-	(9)
	GBP		5	-	(0)
	AUD		-	-	-
	Buy:	Accounts payable - trade			
	USD		-	-	-
Total			7,158	-	(134)

(2) Interest-Related Transactions

Previous fiscal year (as of March 31, 2023) (Millions of yen)

Method of hedge accounting	Type of transaction	Main hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Interest swap: Pay fixed/Receive floating	Short-term borrowings	5,000	-	(9)
Special treatment	Interest swap: Pay fixed/Receive floating	Long-term borrowings	530	150	Note

Note: Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings the hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

Current fiscal year (as of March 31, 2024) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Interest swap: Pay fixed/Receive floating	Short-term borrowings	-	-	-
Special treatment	Interest swap: Pay fixed/Receive floating	Long-term borrowings	150	-	Note

Note: Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings the hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

(Retirement Benefits)

1. Outline of Adopted Retirement Benefit Plans

Certain domestic consolidated subsidiaries have a retirement lump-sum plan (non-installment type) and a defined benefit pension plan (installment type) to provide retirement benefits for employees. Under the retirement lump-sum plan, a lump-sum payment based on salaries and service periods is paid as retirement benefits. In addition, redundancy payments that are not subject to retirement benefit liability, calculated based on an actuarial method in accordance with retirement benefit accounting, may be paid in some cases when employees retire.

Certain overseas consolidated subsidiaries have a defined benefit pension plan (installment type) or a retirement lump-sum plan (non-installment type) to prepare for providing retirement benefits to employees. The parent company and certain consolidated subsidiaries have a defined contribution pension plan. Under a retirement lump-sum plan held by certain domestic consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using the simplified method.

2. Defined-Benefit Plan

(1) Adjustments between the beginning and ending balances of retirement benefits obligation (except for plans using a simplified method)

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Retirement benefits obligation at the beginning of the period	13,874	10,549
Service cost	93	107
Interest cost	270	363
Actuarial gains and losses generated	(3,038)	138
Retirement benefits paid	(989)	(1,072)
Past service cost	-	41
Effect of foreign currency translation	331	1,126
Other	6	(13)
Retirement benefits obligation at the end of the period	10,549	11,242

(2) Adjustments between the beginning and ending balances of plan assets (except for plans using a simplified method)

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Plan assets at the beginning of the period	10,178	8454
Expected return on plan assets	251	449
Actuarial gains and losses generated	(2,037)	(177)
Contribution from employers	134	20
Retirement benefits paid	(336)	(415)
Effect of foreign currency translation	284	1,296
Other	(19)	30
Plan assets at the end of the period	8,454	9,659

(3) Adjustments between the beginning and ending balances of net defined benefit liability for plans using a simplified method

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Net defined benefit liability at the beginning of the period	3,147	2,979
Retirement benefit expenses	105	113
Retirement benefits paid	(279)	(374)
Contribution to plans	(51)	(51)
Increase due to newly consolidated subsidiary	57	-
Net defined benefit liability at the end of the period	2,979	2,668

(4) Adjustments between the ending balances of retirement benefits obligation and plan assets and the net defined benefit liability and net defined benefit assets reported on the consolidated balance sheet

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Retirement benefits obligation for funded plans	7,608	8,801
Plan assets	(9,396)	(10,619)
	(1,787)	(1,818)
Retirement benefits obligation for unfunded plans	6,861	6,069
Net defined liability and assets reported on the consolidated balance sheet	5,074	4,250
Net defined benefit liability	6,894	6,135
Net defined benefit assets	(1,820)	(1,884)
Net defined liability and assets reported on the consolidated balance sheet	5,074	4,250

(Note) The above items include a plan using the simplified method.

(5) The amounts of components of retirement benefit expenses

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Service cost	93	107
Interest cost	270	363
Expected return on plan assets	(251)	(449)
Amortization of actuarial gains and losses	(60)	(229)
Past service cost recognized in expense	-	41
Retirement benefit expenses calculated using the simplified method	105	113
Non-recurring redundancy payments	180	825
Other	2	21
Total	340	793

(6) Remeasurements of defined benefit plans reported under “Other comprehensive income”

Remeasurements of defined benefit plans (reported under “Other comprehensive income” in the statements of comprehensive income) (before tax effects) are as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Actuarial gains and losses	942	(546)
Total	942	(546)

(7) Remeasurements of defined benefit plans reported under “Accumulated other comprehensive income”

Remeasurements of defined benefit plans (reported under “Accumulated other comprehensive income” in the net assets section in the consolidated balance sheets) (before tax effects) are as follows:

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Unrecognized actuarial gains and losses	1,456	910
Total	1,456	910

(Note) The above items are related to consolidated companies and do not include unrecognized items (share of other comprehensive income) of affiliates accounted for by the equity method.

(8) Plan assets

Major components of plan assets

Ratio of each major component of plan assets is as follows:

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Bonds	22%	52%
Stocks	26%	3%
Cash and deposits	1%	7%
Alternative	51%	38%
Total	100%	100%

(Note) “Alternative” mainly represents investments in funds.

(9) Actuarial assumptions used

Principal actuarial assumptions

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Discount rate	0.4 - 7.5%	0.4 - 7.3%

3. Defined Contribution Plans

The required amounts of contribution to the Group’s defined contribution plans were 1,705 million yen for the previous fiscal year (from April 1, 2022 to March 31, 2023) and 1,804 million yen for the current fiscal year (from April 1, 2023 to March 31, 2024).

(Tax Effect Accounting)

1. Significant Components of Deferred Tax Assets and Liabilities

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Deferred tax assets:		
Write-down of inventory	1,525	1,751
Allowance for doubtful accounts	418	678
Provision for bonuses	1,355	1,379
Net defined benefit liability	2,038	1,809
Loss on valuation of securities	169	139
Impairment loss	3,333	3,209
Unrealized gains on inventories	664	1,867
Net operating losses carried forward (Note 3)	7,644	7,724
Other	4,977	4,978
Subtotal deferred tax assets	22,128	23,539
Valuation allowance for net operating loss carry forwards (Note 3)	(6,504)	(7,497)
Valuation allowance for the sum of deductible temporary differences, etc.	(5,932)	(5,519)
Subtotal valuation allowance (Note 2)	(12,436)	(13,016)
Total deferred tax assets	9,691	10,523
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	4,820	7,600
Valuation difference of consolidated subsidiaries by the market value method	3,615	3,615
Retained earnings of overseas subsidiaries	1,474	1,691
Other	2,142	2,543
Total deferred tax liabilities	12,053	15,451
Net deferred tax assets (liabilities) (Note 1)	(2,362)	(4,928)

(Note) 1. Net deferred tax assets (liabilities) as of March 31, 2023 and 2024 are included in the following accounts in the consolidated balance sheet:

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Deferred tax assets - non-current assets	1,923	1,984
Deferred tax liabilities - non-current liabilities	4,285	6,912

Previous fiscal year (as of March 31, 2023)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

Current fiscal year (as of March 31, 2024)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

(Note) 2. The valuation allowance increased by 579 million yen, primarily due to an increase in the valuation allowance for net operating loss carryforwards.

(Note) 3. Amounts of tax losses carried forward and deferred tax assets by carry-forward period

Previous fiscal year (ended March 31, 2023) (Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	363	450	1,198	942	443	4,246	7,644
Valuation allowance	(315)	(443)	(654)	(656)	(387)	(4,047)	(6,504)
Deferred tax assets	47	7	544	285	56	198	(b) 1,139

(a) The tax losses carried forward represent the amounts after being multiplied by the statutory tax rate.

(b) For tax losses carried forward of 7,644 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 1,139 million yen were recognized. A valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

Current fiscal year (ended March 31, 2024) (Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	553	781	767	393	678	4,550	7,724
Valuation allowance	(436)	(770)	(767)	(393)	(678)	(4,451)	(7,497)
Deferred tax assets	117	11	-	-	-	98	(b) 227

(a) The tax losses carried forward represents the amounts after being multiplied by the statutory tax rate.

(b) For tax losses carried forward of 7,724 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 227 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

2. The Reconciliation of Significant Differences between the Statutory Tax Rate and Effective Income Tax Rate After Application of Tax-Effect Accounting

Previous fiscal year (as of March 31, 2023)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	6.81 %
Non-deductible amount (Entertainment expenses, etc.)	0.94 %
Amortization of goodwill	3.81 %
Different tax rates applied to foreign consolidated subsidiaries	(4.79)%
Share of profit of entities accounted for using equity method	(3.99)%
Unrealized gains on inventories	3.76 %
Per capita residence tax	0.81 %
Aggregation of income of specified foreign subsidiary companies, etc.	2.66 %
Others	4.43 %
Actual effective income tax rate after application of tax-effect accounting	45.06 %

Current fiscal year (as of March 31, 2024)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	4.29 %
Non-deductible amount (Entertainment expenses, etc.)	0.91 %
Amortization of goodwill	2.55 %
Different tax rates applied to foreign consolidated subsidiaries	(1.74)%
Share of profit of entities accounted for using equity method	(2.75)%
Unrealized gains on inventories	(5.00)%
Per capita residence tax	0.51 %
Others	2.24 %
Actual effective income tax rate after application of tax-effect accounting	31.63 %

3. Accounting treatment of income taxes and local income taxes, or tax-effect accounting thereof

The Company and some of its domestic consolidated subsidiaries have transitioned to the group tax sharing system. Accordingly, the Company conducts the accounting treatment and disclosure of income taxes and local income taxes, including tax-effect accounting, based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, issued on August 12, 2021).

(Business Combinations, etc.)

The description is omitted due to its insignificance.

(Asset Retirement Obligations)

The description is omitted due to its insignificance.

(Leased Property)

The Company and some of its consolidated subsidiaries have real estate for rent in Tokyo and other areas.

For the previous fiscal year, lease revenue (loss) related to the real estate for rent was 133 million yen. Lease revenue was primarily posted under non-operating income, while rental expenses were posted under non-operating expenses.

For the current fiscal year, lease revenue (loss) related to the real estate for rent was 109 million yen. Lease revenue was primarily posted under non-operating income, while rental expenses were posted under non-operating expenses. Additionally, the gain on sales of non-current assets was 1,230 million yen, which was posted under extraordinary income.

The amounts posted on the consolidated balance sheet, changes during the fiscal year, and the market value of the real estate for rent were as follows:

(Millions of yen)

		Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Carrying value			
	Balance at the beginning of the year	16,272	16,187
	Increase/Decrease during the year	(84)	(1,225)
	Balance at the end of the year	16,187	14,962
Fair value at the end of the year		18,751	18,942

Notes: 1. The carrying value is calculated by deducting the relevant accumulated depreciation and impairment loss from the property's acquisition cost.

2. Of the increase/decrease during the period, the main factors for the previous fiscal year were an increase due to depreciation, acquisition of rental properties (760 million yen), and an increase in the rental ratio (130 million yen.) For the current fiscal year, the main changes were an increase due to the transfer of business properties to rental properties (1,228 million yen), a decrease in the rental ratio (1,985 million yen), and a decrease due to the sale of rental properties (379 million yen).

3. The fair value was mainly based on real-estate appraisal value, which was calculated by external real-estate appraisers.

(Revenue Recognition)

1. **Information Regarding Disaggregated Revenue Arising from Contracts with Customers**

Previous fiscal year (from April 1, 2022 to March 31, 2023)

-Information by type of goods or services

(Millions of yen)

	Reported segment			Other (Note 2)	Adjustments	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Wholesale of watches (Note 1)	116,641	-	-	-	-	116,641
Retail of watches (Note 1)	27,578	-	-	-	-	27,578
Electronic devices (Crystal resonators, micro batteries, etc.)	-	22,434	-	-	-	22,434
Precision devices (Precision components, etc.)	-	14,144	-	-	-	14,144
Printing devices	-	17,277	-	-	-	17,277
System-related (Including IT performance management)	-	-	19,425	-	-	19,425
IoT-related business	-	-	10,888	-	-	10,888
Payment-related business	-	-	6,312	-	-	6,312
Other	26,575	10,674	-	1,109	411	38,770
Transactions with other segments	(3,053)	(6,101)	(3,071)	(741)	-	(12,968)
Revenue arising from contracts with customers	167,742	58,428	33,554	367	411	260,504
Revenues from external customers	167,742	58,428	33,554	367	411	260,504

-Information by region

(Millions of yen)

	Reported segment			Other (Note 2)	Adjustments	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Japan	81,259	17,768	33,155	367	57	132,606
Americas	24,242	7,143	309	-	14	31,710
Europe	19,939	7,611	43	-	313	27,908
Asia and others	42,301	25,905	46	-	25	68,278
Revenue arising from contracts with customers	167,742	58,428	33,554	367	411	260,504
Revenues from external customers	167,742	58,428	33,554	367	411	260,504

(Note 1) The wholesale of watches is classified as manufacturing, sales, and repair services for the Company's own products. The retail of watches is classified as retail services, including other companies' products.

(Note 2) Although portions of rental revenues from real estate are included, they are classified under "Revenue arising from contracts with customers" due to their low financial significance.

Current fiscal year (from April 1, 2023 to March 31, 2024)

-Information by type of goods or services

(Millions of yen)

	Reported segment			Other (Note 2)	Adjustments	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Wholesale of watches (Note 1)	127,409	-	-	-	-	127,409
Retail of watches (Note 1)	32,661	-	-	-	-	32,661
Electronic devices (Crystal oscillators, micro batteries, etc.)	-	21,668	-	-	-	21,668
Precision devices (Precision components, etc.)	-	12,801	-	-	-	12,801
Printing devices	-	14,672	-	-	-	14,672
System-related (Including IT performance management)	-	-	23,088	-	-	23,088
IoT-related business	-	-	11,318	-	-	11,318
Payment-related business	-	-	6,047	-	-	6,047
Other	28,280	9,253	-	1,206	464	39,204
Transactions with other segments	(2,942)	(5,156)	(3,142)	(824)	-	(12,066)
Revenue arising from contracts with customers	185,409	53,239	37,312	381	464	276,807
Revenues from external customers	185,409	53,239	37,312	381	464	276,807

-Information by region

(Millions of yen)

	Reported segment			Other (Note 2)	Adjustments	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Japan	94,191	15,815	37,028	381	60	147,477
Americas	23,583	8,295	215	-	15	32,110
Europe	22,693	7,961	17	-	359	31,032
Asia and others	44,940	21,167	49	-	29	66,187
Revenue arising from contracts with customers	185,409	53,239	37,312	381	464	276,807
Revenues from external customers	185,409	53,239	37,312	381	464	276,807

(Note 1) The wholesale of watches is classified as manufacturing, sales, and repair services for the Company’s own products. The retail of watches is classified as retail services, including other companies’ products.

(Note 2) Although portions of rental revenues from real estate are included, they are classified under “Revenue arising from contracts with customers” due to their low financial significance.

2. Foundational Information in Understanding Revenue Arising from Contracts with Customers

Foundational information in understanding revenue arising from contracts with customers is presented in "(Notes – Important Matters that are the Basis for Preparation of Consolidated Financial Statements), (5) Accounting Standards for Significant Income and Expenses."

3. Relationship between the Satisfaction of Performance Obligations Based on Contracts with Customers and the Cash Flows Arising from Such Contracts, and Information on the Amount and Timing of Revenue Arising from Contracts with Customers that Exist at the End of the Fiscal Year Under Review, Which is Expected to be Recognized in and After the Following Fiscal Year

1) Balance, etc. of contract assets and contract liabilities

(Millions of yen)

	Current fiscal year	
	Balance at the beginning of the year	Balance at the end of the year
Receivables arising from contracts with customers (balance at the beginning of the period)	38,424	38,250
Receivables arising from contracts with customers (balance at the end of the period)	38,250	44,615
Contract assets (balance at the beginning of the period)	343	397
Contract assets (balance at the end of the period)	397	880
Contract liabilities (balance at the beginning of the period)	6,574	7,916
Contract liabilities (balance at the end of the period)	7,916	8,760

Of the amount of revenue recognized in the previous fiscal year, 4,620 million yen was included in the balance of contract liabilities at the beginning of the fiscal year.

Of the amount of revenue recognized in the fiscal year under review, 5,078 million yen was included in the balance of contract liabilities at the beginning of the fiscal year.

2) Transaction prices allocated to remaining performance obligations

The Company has applied the practical expedient for notes on transaction prices allocated to remaining performance obligations. Contracts with an initially expected term of one year or less are excluded from these notes. The performance obligations primarily pertain to the Systems Solutions Business. The total transaction prices allocated to remaining performance obligations and the periods in which the Company expects to recognize the amounts as revenue are as follows:

(Millions of yen)

	Previous fiscal year	**Current fiscal year**
One year or less	1,019	1,450
Over one year, two years or less	774	984
Over two years, three years or less	450	692
Over three years	545	731
Total	2,790	3,857

(Segment Information, etc.)

<Segment information>

1. Outline of the Reported Segments

The Company's reported segments are business units for which discrete financial information is available and which the Board of Directors regularly reviews to make decisions about the allocation of management resources and to assess performance.

To realize the Group's 10-year vision, the Company has established three strategic domains based on the solutions it provides: the Emotional Value Solutions domain, the Devices Solutions domain, and the Systems Solutions domain.

Strategies for each domain have been formulated and implemented under the Eighth Mid-Term Management Plan, SMILE145.

Accordingly, the Company's reported segments are now the Emotional Value Solutions Business, the Devices Solutions Business, and the Systems Solutions Business.

The main merchandise and finished goods belonging to each reported segment are as follows:

Reported Segment:	Main merchandise and finished goods:
Emotional Value Solutions Business	Watches / Watch movements / Clocks / High-end jewelry, apparel, and fashion accessories / System clocks
Devices Solutions Business	Micro batteries and materials / Crystal resonators / Precision components / Printers / Quartz oscillator ICs
Systems Solutions Business	Digital trust solutions / Network solutions / IT management solutions / IoT solutions / Wireless network solutions / Customer experience solutions / Cashless solutions
Others	Shared services / Real estate leasing / Others

2. Explanation of Measurements of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reporting Segment

The accounting method for the reported segments is the same as the basis of preparation for the consolidated financial statements. Intersegment transactions are based on market prices.

3. Disclosure of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reporting Segment

Previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total				
Net sales								
Revenues from external customers	167,742	58,428	33,554	259,726	367	260,093	411	260,504
Transactions with other segments	3,053	6,101	3,071	12,226	741	12,968	(12,968)	-
Total	170,795	64,530	36,626	271,952	1,109	273,061	(12,557)	260,504
Segment profits	11,575	5,059	4,367	21,002	171	21,173	(9,940)	11,233
Segment assets	143,181	82,714	29,747	255,642	23,605	279,248	76,667	355,915
Other items								
Depreciation and amortization expense	6,330	3,738	1,090	11,159	90	11,250	1,109	12,359
Amortization of goodwill	-	-	631	631	-	631	566	1,198
Investment amounts to equity method companies	17	1,416	-	1,434	5,504	6,938	14,348	21,287
Increase amounts of fixed assets and intangible assets	6,348	5,819	1,064	13,233	84	13,317	705	14,022

(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 411 million yen is royalty income at headquarters, unallocated to operating segments.

(2) Adjustments to segment profits in the amount of -9,940 million yen include -566 million yen in the amortization of goodwill, -522 million yen that mainly consists of the elimination of transactions with other segments, and -8,851 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) Adjustments to segment assets in the amount of 76,667 million yen include -81,055 million yen in the elimination of inter-segment liabilities, 212,305 million yen in company-wide assets not appropriated to each reported segment, and -54,582 million yen that mainly consists of the elimination of investments and equity. Company-wide assets consist of surplus funds and long-term investment funds (investment securities) at headquarters, etc.

(4) Adjustment to investment in entities accounted for by the equity method in the amount of 14,348 million yen is the amount of investment in entities accounted for by the equity method, which do not belong to any reported segment.

3. Segment profits (losses) have been adjusted for alongside operating profit on the consolidated statements of income.

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reported segment				**Others (Note 1)**	**Total**	**Adjustments (Note 2)**	**Consolidated total (Note 3)**
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total				
Net sales								
Revenues from external customers	185,409	53,239	37,312	275,961	381	276,342	464	276,807
Transactions with other segments	2,942	5,156	3,142	11,241	824	12,066	(12,066)	-
Total	188,351	58,396	40,454	287,202	1,206	288,409	(11,602)	276,807
Segment profits	17,262	2,117	4,715	24,095	219	24,314	(9,577)	14,737
Segment assets	156,437	81,911	36,119	274,468	24,527	298,996	77,266	376,262
Other items								
Depreciation and amortization expense	6,989	4,073	1,105	12,168	93	12,262	1,039	13,301
Amortization of goodwill	-	-	691	691	-	691	566	1,258
Investment amounts to equity method companies	96	1,570	-	1,667	6,310	7,977	15,133	23,110
Increase amounts of fixed assets and intangible assets	7,313	4,437	2,299	14,049	66	14,116	666	14,783

(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 464 million yen is royalty income at headquarters, unallocated to operating segments.

(2) Adjustments to segment profits in the amount of -9,577 million yen include -566 million yen in the amortization of goodwill, -482 million yen that mainly consists of the elimination of transactions with other segments, and -8,528 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) Adjustments to segment assets in the amount of 77,266 million yen include -81,458 million yen in the elimination of inter-segment liabilities, 213,233 million yen in company-wide assets not appropriated to each reported segment, and -54,508 million yen that mainly consists of the elimination of investments and equity. Company-wide assets consist of surplus funds and long-term investment funds (investment securities) at headquarters, etc.

(4) Adjustment to investment in entities accounted for by the equity method in the amount of 15,133 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.

3. Segment profits (losses) have been adjusted for alongside operating profit on the consolidated statements of income.

<Information Associated with Reported Segments>

Previous fiscal year (from April 1, 2022 to March 31, 2023)

1. Information for Each Product or Service

This information is not provided here because it is the same as the information provided under "Segment Information."

2. Information for Each Region

(1) Net sales (Millions of yen)

Japan	P.R. China	The U.S.	Other	Total
132,606	33,560	28,229	66,107	260,504

(Note)The above is classified by the geographic location of the external customers.

(2) Property, plant and equipment (Millions of yen)

Japan	Other	Total
132,606	33,560	28,229

3. Information for Each of Main Customers

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of income.

Current fiscal year (from April 1, 2023 to March 31, 2024)

1. Information for Each Product or Service

This information is not provided here because it is the same as the information provided under "Segment Information."

2. Information for Each Region

(1) Net sales (Millions of yen)

Japan	P.R. China	The U.S.	Other	Total
147,477	32,309	28,944	68,075	276,807

(Note) The above is classified by the geographic location of the external customers.

(2) Property, plant and equipment (Millions of yen)

Japan	Other	Total
84,007	32,029	116,037

3. Information for Each of Main Customers

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statement of income.

<Disclosure of Impairment Loss on Non-Current Assets for Each Reported Segment>

Previous fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reported segment				**Others**	**Adjustments**	**Total**
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total			
Impairment loss	-	806	-	806	-	-	806

< Amortization and Unamortized Balance of Goodwill for Each Reported Segment >

Previous fiscal year (from April 1, 2022 to March 31, 2023)

(Goodwill)

(Millions of yen)

	Reported segment				Others	Adjustments	Total
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total			
Amortization of goodwill	-	-	631	631	-	566	1,198
Balance at the end of fiscal year	-	-	3,219	3,219	-	3,682	6,901

(Note) Amortization for the fiscal year and balance at the end of the fiscal year for goodwill not appropriated to reported segments are primarily related to investments in some of the Emotional Value Solution Business by the parent company (holding company).

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Goodwill)

(Millions of yen)

	Reported segment				Others	Adjustments	Total
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total			
Amortization of goodwill	-	-	691	691	-	566	1,258
Balance at the end of fiscal year	-	-	4,913	4,913	-	3,116	8,029

(Note) Amortization for the fiscal year and balance at the end of the fiscal year for goodwill not appropriated to reported segments are primarily related to investments in some of the Emotional Value Solution Business by the parent company (holding company).

< Information about Gain on Bargain Purchase for Each Reported Segment >

Not applicable.

<Related Parties>

1. Transactions with Related Parties

(1) Transactions of the Company with related parties

Parent company and major shareholders, etc. of the Company

Previous fiscal year (from April 1, 2022to March 31, 2023) (Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.0%	Property lease-in, etc.	Property lease-in	639	-	-

Current fiscal year (from April 1, 2023 to March 31, 2024) (Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.0%	Property lease-in, etc.	Property lease-in	663	Accounts Payable - other	61

(Note) Terms of transactions and policies for determining transaction terms:

The terms for property lease-in are determined based on the same standards as for general transaction terms, taking market prices into consideration. In the statements of income, property rents payable are offset against other items under non-operating income.

(2) Transactions of the consolidated subsidiaries of the Company with related parties

Non-consolidated subsidiaries and affiliates of the reporting company

Previous fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (from April 1, 2023 to March 31, 2024)

Not applicable.

2. Notes Concerning the Parent Company and Significant Affiliates

(1)Information of the parent company

Not applicable.

(2)Information of the significant affiliates

There are no relevant matters in the current fiscal year.

OHARA INC., which was a significant affiliate in the previous fiscal year, is no longer deemed significant and has been excluded from the list of significant affiliates. The summary of consolidated financial information is as follows:

(Millions of yen)

	OHARA INC.	
	Previous fiscal year	Current fiscal year
Total current assets	36,635	-
Total non-current assets	24,043	-
Total current liabilities	9,494	-
Total non-current liabilities	5,921	-
Total net assets	45,262	-
Net sales	28,304	-
Profit before income taxes	3,524	-
Profit attributable to owners of parent	2,244	-

(Per-share information) (Yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Net assets per share	3,144.81	3,657.61
Basic earnings per share	121.86	244.33
Diluted earnings per share	121.86	-

(Notes) 1. The diluted earnings per share for the current fiscal year is not presented as there are no dilutive potential shares.

2. For the purpose of calculating the basic earnings per share and diluted earnings per share, the treasury shares remaining in trust posted as treasury shares in the "Shareholders' equity" section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year (60 thousand shares for the previous fiscal year and 185 thousand shares for the current fiscal year).

For the purpose of calculating the net assets per share, the treasury shares remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year (50 thousand shares for the previous fiscal year and 557 thousand shares for the current fiscal year).

3. Calculation basis of net assets per share is as follows: (Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Total net assets	131,748	151,334
Amounts deducted from total net assets	1,956	2,234
Of which, non-controlling interests	*1,956*	*2,234*
Net assets at the end of the fiscal year related to common shares	129,792	149,100
The number of common shares at the end of the fiscal year used to calculate net assets per share (Thousands of shares)	41,271	40,764

4. Calculation basis of basic earnings per share and diluted earnings per share is as follows: (Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Basic earnings per share:		
Profit attributable to owners of parent	5,028	10,051
Profit attributable to owners of parent pertaining to common stock	5,028	10,051
Average number of shares of common stock outstanding during the period (Thousands of shares)	41,262	41,136
Diluted earnings per share:		
Adjustments to profit attributable to owners of parent	(0)	-
Of which, adjustments by potential shares of affiliates accounted for by the equity method	*(0)*	*(-)*
The increased number of common shares (Thousands of shares)	-	-
Overview of potential shares that are not included in the calculation of diluted earnings per share due to absence of dilutive effects	-	-

(Significant subsequent events)

Not applicable.

(e) Consolidated supplemental schedules

<Detailed schedule of bonds payable>

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
Mizuho Bank, Ltd.	30th unsecured bonds	July 31, 2018	100	-	0.136	None	July 31, 2023
MUFG Bank, Ltd.	31st unsecured bonds	August 21, 2018	100	-	0.37	None	August 21, 2023
Kiraboshi Bank, Ltd.	32nd unsecured bonds	August 27, 2018	100	-	0.46	None	August 25, 2023
Total	-	-	300	-	-	-	-

(Notes) 1. The above bonds have all been redeemed, so there is no balance at the end of the current fiscal year

<Detailed schedule of borrowings >

Classification	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Average interest rate (%)	Maturity date
Short-term borrowings	72,598	64,350	1.2	-
Current portion of long-term borrowings	22,117	21,727	0.5	-
Current portion of lease obligations	1,481	1,702	3.8	-
Long-term l borrowings (excluding current portion)	37,525	31,674	0.7	March 30, 2029
Lease obligations (excluding current portion)	4,839	4,870	3.3	August 31, 2033
Other interest-bearing debt				
(Current portion of) Guarantee deposits received	120	125	0.1	-
(Current portion of) Business security deposit	-	5	0.3	-
Business security deposit	102	97	0.0	-
Total	138,783	124,552	-	-

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the year-end balance of borrowings.

2. Repayment deadlines for business security deposit under other interest-bearing debt are not set in particular. In addition, business security deposit are included in “Other” under non-current liabilities in the consolidated balance sheets.

3. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations (excluding the current portion) within five years after the consolidated balance sheet date.

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	15,027	13,801	2,605	240
Lease obligations	1,301	996	793	615

<Detailed schedule of asset retirement obligations>

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are one percent or less of the total liabilities and net assets at the beginning and the end of the current fiscal year. Accordingly, the preparation of the schedule of asset retirement obligations has been omitted.

(2) Other information

Quarterly financial information and others for the fiscal year

(Cumulative period)	First quarter (Three months ended June 30, 2023)	Second quarter (Six months ended September 30, 2023)	Third quarter (Nine months ended December 31, 2023)	Full year (Fiscal year ended March 31, 2024)
Net sales (Millions of yen)	62,949	131,295	205,672	276,807
Profit before income taxes (Millions of yen)	3,732	9,128	14,562	15,123
Profit attributable to owners of parent (Millions of yen)	2,411	6,281	10,643	10,051
Basic earnings per share (Yen)	58.43	152.13	257.96	244.33

(Accounting period)	First quarter (Three months ended June 30, 2023)	Second quarter (Three months ended September 30, 2023)	Third quarter (Three months ended December 31, 2023)	Fourth quarter (Three months ended March 31, 2024)
Basic earnings per share (Yen)	58.43	93.70	105.86	(14.53)

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

(a) Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	12,796	10,331
Prepaid expenses	782	632
Short-term loans receivable	*1 56,676	*1 55,440
Accounts receivable - other	*1 10,226	*1 6,118
Other	*1 637	*1 943
Total current assets	81,119	73,466
Non-current assets		
Property, plant and equipment		
Buildings	6,359	6,224
Tools, furniture and fixtures	1,443	1,231
Land	24,043	24,039
Leased assets	56	48
Total property, plant and equipment	31,902	31,544
Intangible assets		
Leasehold right	1,952	1,952
Trademark right	1	0
Software	682	569
Other	20	20
Total intangible assets	2,657	2,542
Investments and other assets		
Investment securities	22,968	32,095
Shares of subsidiaries and associates	*2 59,956	*2 59,956
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	*1 4,822	*1 4,500
Claims provable in bankruptcy, claims provable in rehabilitation and other	26	28
Long-term prepaid expenses	35	28
Guarantee deposits	1,717	1,699
Other	*1 490	*1 502
Allowance for doubtful accounts	(4,397)	(4,077)
Total investments and other assets	85,619	94,733
Total non-current assets	120,179	128,821
Total assets	201,299	202,287

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Short-term borrowings	61,745	55,549
Current portion of long-term borrowings	22,117	21,727
Lease obligations	11	10
Accounts payable - other	*1 2,611	*1 4,661
Accrued expenses	*1 319	*1 313
Income taxes payable	36	29
Deposits received	*1 6,979	*1 9,820
Unearned revenue	252	259
Provision for bonuses	195	172
Asset retirement obligations	-	17
Other	9	-
Total current liabilities	94,278	92,561
Non-current liabilities		
Long-term borrowings	37,525	31,674
Lease obligations	40	28
Deferred tax liabilities	4,398	7,355
Deferred tax liabilities for land revaluation	3,614	3,614
Provision for stock benefits	548	574
Asset retirement obligations	123	103
Guarantee deposits	*1 3,180	*1 3,245
Other	55	61
Total non-current liabilities	49,486	46,657
Total liabilities	143,765	139,218
Net assets		
Shareholders’ equity		
Share capital	10,000	10,000
Capital surplus		
Legal capital surplus	2,378	2,378
Other capital surplus	4,246	4,246
Total capital surplus	6,625	6,625
Retained earnings		
Legal retained earnings	121	121
Other retained earnings		
Retained earnings brought forward	22,357	22,857
Total retained earnings	22,478	22,979
Treasury shares	(221)	(1,558)
Total shareholders’ equity	38,882	38,046
Valuation and translation adjustments		
Valuation difference on available-for- sale securities	10,467	16,832
Deferred gains or losses on hedges	(5)	-
Revaluation reserve for land	8,190	8,190
Total valuation and translation adjustments	18,652	25,022
Total net assets	57,534	63,068
Total liabilities and net assets	201,299	202,287

(b) Non-Consolidated Statement of Income

(Millions of yen)

	FY2022	FY2023
Operating revenue		
Dividend from subsidiaries and associates	9,563	8,922
Management fee income	2,786	2,945
Royalty income	2,962	3,352
Total operating revenue	*2 15,312	*2 15,220
Operating expenses	*1,*2 14,117	*1,*2 14,495
Operating profit (loss)	1,195	724
Non-operating income		
Interest income	*2 624	*2 813
Dividend income	745	937
Other	*2 373	*2 280
Total non-operating income	1,743	2,031
Non-operating expenses		
Interest expenses	*2 808	*2 890
Rental expenses on real estate	*2 330	*2 110
Other	239	277
Total non-operating expenses	1,378	1,278
Ordinary profit (loss)	1,560	1,477
Extraordinary income		
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	155	322
Reversal of allowance for investment loss of subsidiaries and affiliates	-	100
Total extraordinary income	155	422
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	*2,*3 294
Loss on valuation of shares of subsidiaries and associates	1,067	-
Total extraordinary losses	1,067	294
Profit before income taxes	648	1,605
Income taxes - current	(2,459)	(2,141)
Income taxes - deferred	546	146
Total income taxes	(1,913)	(1,995)
Profit	2,562	3,601

(c) Non-Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	2,378	4,246	6,625	121	22,379	22,500	(265)	38,860
Changes during period									
Dividends of surplus						(2,583)	(2,583)		(2,583)
Profit						2,562	2,562		2,562
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares by ownership plan trust								44	44
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	(21)	(21)	44	22
Balance at end of period	10,000	2,378	4,246	6,625	121	22,357	22,478	(221)	38,882

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	10,134	(64)	8,190	18,260	57,120
Changes during period					
Dividends of surplus					(2,583)
Profit					2,562
Purchase of treasury shares					(0)
Disposal of treasury shares by ownership plan trust					44
Net changes in items other than shareholders' equity	333	59	-	392	392
Total changes during period	333	59	-	392	414
Balance at end of period	10,467	(5)	8,190	18,652	57,534

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	2,378	4,246	6,625	121	22,357	22,478	(221)	38,882
Changes during period									
Dividends of surplus						(3,100)	(3,100)		(3,100)
Profit						3,601	3,601		3,601
Purchase of treasury shares								(2)	(2)
Purchase of treasury shares by ownership plan trust								(1,418)	(1,418)
Disposal of treasury shares by ownership plan trust								84	84
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	500	500	(1,336)	(836)
Balance at end of period	10,000	2,378	4,246	6,625	121	22,857	22,979	(1,558)	38,046

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	10,467	(5)	8,190	18,652	57,534
Changes during period					
Dividends of surplus					(3,5100
Profit					3,601
Purchase of treasury shares					(2)
Purchase of treasury shares by ownership plan trust					(1,418)
Disposal of treasury shares by ownership plan trust					84
Net changes in items other than shareholders' equity	6,364	5	-	6,369	6,369
Total changes during period	6,364	5	-	6,369	5,533
Balance at end of period	16,832	-	8,190	25,022	63,068

Notes to Non-Consolidated Financial Statements

(Significant accounting policies)

1. Standards and methods for evaluating securities

(1) Shares in subsidiaries and affiliates:

Moving-average cost method

(2) Available-for-sale securities:

1) Securities other than shares that do not have market prices: Market value method

2) Shares that do not have market prices: Essentially stated at cost using the moving-average method.

(3) Investment Limited Partnership:

Stated on a net basis equivalent to equity interests, based on the most recent financial statements available as of the financial reporting date stipulated in the partnership agreement.

2. Standards and methods for evaluating derivatives

(1) Derivatives:
Market value method

3. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding leased assets):

The straight-line method is used for buildings (excluding equipment attached to buildings), and equipment attached to buildings, and structures acquired on or after April 1, 2016, and the declining-balance method for other property, plant and equipment. For a useful life, the estimated economic life is used, which reflects the usable period, actual period of use, and other factors for each asset.

(2) Intangible assets (excluding leased assets)

The straight-line method is used. For software for in-house use, the straight-line method is applied with a useful life of 5 years.

(3) Leased assets

-Leased assets relating to finance lease with transfer of ownership:

The same depreciation method as applied to the property, etc. owned by the Company is used.

-Lease assets relating to finance lease without transfer of ownership:

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

4. Accounting standards for significant allowances and provisions

(1) Allowance for doubtful accounts:

In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.

(2) Provision for bonuses:

In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the fiscal year under review.

(3) Allowance for investment loss of subsidiaries and associates:

To prepare for possible losses on investments to subsidiaries and associates, a necessary amount is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and associates of 4 million yen is directly reduced from the amount of shares of subsidiaries and associates.

(4) Provision for stock benefits:

The Company has posted an estimated amount, as of the end of the fiscal year under review, for the obligation to deliver shares, as a provision for the delivery of its shares to its Executive Directors in accordance with the Rules for Delivery of Shares to Officers.

5. Accounting standards for income and expenses

The Company’s revenues consist of dividends from subsidiaries and associates, management fee income, and royalty income. Among these, management fee income represents the Company’s obligations to perform services related to consolidated management and the management of each associate based on contracts with them. Royalty income represents the Company’s obligation to license the use of trademarks based on contracts with associates. The performance obligations for management fee income and royalty income are recognized as revenue over the contract period.

6. Hedge accounting method

(1) Hedge accounting method

Deferred hedge accounting is employed. For forward exchange contracts and similar instruments that meet the requirements for deferral hedge accounting (*furiate-shori* in Japanese), deferral hedge accounting is applied; For interest-rate swaps that meet the requirements for exceptional accounting (*tokurei-shori* in Japanese), exceptional accounting is applied.

(2) Means of hedging and hedged items:

Forward exchange contracts and foreign currency deposits are used to hedge foreign exchange-rate fluctuation risks related to foreign currency-denominated trade payables and receivables. Additionally, interest-rate swaps are employed to mitigate fluctuation risks associated with borrowings on floating interest rates.

(3) Hedging policy

Forward exchange contracts, foreign currency deposits, and interest-rate swaps are used to hedge against exchange- and interest-rate fluctuation risks present in hedged items, in accordance with the Company’s internal rules, and no speculative transactions are conducted.

(4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by analyzing the correlation between the accumulated cash flow changes of hedged items and the accumulated cash flow changes of the hedged instruments. However, the assessment of hedge effectiveness is omitted if the material conditions of hedging instruments and the hedged items are the same.

7. Application of group tax sharing system

The group tax sharing system is applied.

(Significant accounting estimates)

Valuation of deferred tax assets

1. Amount posted in the financial statements for the fiscal year under review

(Millions of yen)

	Previous fiscal year	Current fiscal year
Deferred tax liabilities	4,398	7,355

In the previous fiscal year, deferred tax assets of 252 million yen were offset against deferred tax liabilities of 4,651 million yen. In the current fiscal year, deferred tax assets of 100 million yen were offset against deferred tax liabilities of 7,455 million yen.

2. Information useful for understanding the content of accounting estimates

Deferred tax assets are recognized if they are judged to be recoverable by making reasonable estimates of when and how much future taxable income will occur, based on business plans, etc. These estimates may be affected by changes in uncertain economic conditions, etc. in the future. If the actual timing of when and amount the taxable income differ from the estimates, it may significantly affect the amount of deferred tax assets in the financial statements for the following fiscal year.

The Company has applied the group tax sharing system. Accordingly, estimates for the income tax portion have been made for the entire Group.

(Supplementary information)

(Board Benefit Trust (BBT) for executive directors and senior vice presidents)

The Company has introduced a performance-linked stock compensation plan, the “Board Benefit Trust (BBT)” (hereinafter, “the Plan”), for the Company’s Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors) and Senior Vice Presidents (hereinafter, the “Directors, etc.”) The purpose is to raise awareness of the need to contribute to the improvement of the Company’s mid- to long-term performance and enhancement of corporate value.

1. Outline of transactions

The Plan is a structure to deliver the Company’s shares to the Company’s Directors, etc., who meet certain requirements pursuant to the “Rules for Delivery of Shares to Officers” prescribed by the Company.

The Company grants points to the Company’s Directors, etc., based on their position and the degree of achievement of the mid- to long-term performance indices, etc. in the relevant fiscal year. The Company’s shares are then delivered to them according to the determined points at the time of retirement of the Directors who execute business duties and Senior Vice Presidents. However, if a Director, etc. meets the requirements stipulated in the “Rules for Delivery of Shares to Officers,” the Company may pay him or her cash equivalent to the market value of the Company’s shares for a certain percentage of his or her points, instead of delivering such shares. The shares to be delivered to the Company’s Directors, etc. shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

2. Shares of the Company remaining in trust

The Company’s shares remaining in trust are posted as treasury shares in the “Net assets” section based on the book value in the trust (excluding incidental costs). The book value and number of shares of such treasury shares as of March 31, 2023 and 2024 are 79 million yen and 50,400 shares, and 1,413 million yen and 557,100 shares, respectively.

(Notes - Non-consolidated balance sheets)

*1. Receivables from and payables to subsidiaries and associates

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Short-term receivables	64,883	61,367
Short-term payables	8,836	12,588
Long-term receivables	5,146	4,847
Long-term payables	1,616	1,705

*2. Shares of subsidiaries and associates provided for lending shares are as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Shares of subsidiaries and associates	46	46

3. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital. The status of the commitments as of the end of the fiscal year is as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Total availability of loan commitment	28,500	36,500
Outstanding balance	13,800	11,800
Unused balance	14,700	24,700

(Notes -Non-consolidated statement of income)

*1 Major components of operating expenses are as follows:

The Company is a holding company and does not sell any products.

(Millions of yen)

	Previous fiscal year (From April 1, 2022 To March 31, 2023)	Current fiscal year (From April 1, 2023 To March 31, 2024)
Advertising and promotion expenses	5,620	5,940
Depreciation	238	278
Provision for bonuses	195	172
Salaries and wages	2,272	2,220
Outsourcing expenses	3,273	3,356

*2. Transactions with subsidiaries and associates

(Millions of yen)

	Previous fiscal year (From April 1, 2022 To March 31, 2023)	Current fiscal year (From April 1, 2023 To March 31, 2024)
Operating revenue	14,958	14,816
Operating expenses	6,457	5,823
Non-operating transactions	4,970	5,057

*3. Information security expenses:

The Company has recorded the costs incurred for the investigation and recovery efforts related to the unauthorized access by a third party to its servers and those of its subsidiaries in July 2023 as information security expenses.

(Securities)

Investments in subsidiaries and affiliates

Previous fiscal year (As of March 31, 2023) (Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	-	-	-
2. Affiliates' shares	2,177	5,520	3,343
Total	2,177	5,520	3,343

(Note) The amounts recorded in the non-consolidated balance sheet of shares that do not have market prices not included in the table above:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)
Subsidiaries' shares	56,001
Affiliates' shares	1,777

Current fiscal year (As of March 31, 2024) (Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	-	-	-
2. Affiliates' shares	2,177	6,329	4,151
Total	2,177	6,329	4,151

(Note) The amounts recorded in the non-consolidated balance sheet of shares that do not have market prices not included in the table above:

(Millions of yen)

	Current fiscal year (As of March 31, 2024)
Subsidiaries' shares	56,001
Affiliates' shares	1,777

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Deferred tax assets		
Provision for bonuses	59	52
Allowance for doubtful accounts	1,346	1,248
Loss on valuation of shares in subsidiaries	5,406	5,406
Allowance for investment loss of subsidiaries and associates	1	1
Impaired loss on non-current assets	713	713
Assets for adjustment of profit and loss due to transfer	1,192	1,187
Long-term accounts payable - other	6	4
Loss carried forward	3,148	3,349
Other	153	134
Deferred tax assets - subtotal	12,029	12,098
Valuation-related reserves concerning loss carried forward	(2,967)	(3,349)
Valuation-related reserves concerning the sum of deductible temporary differences	(8,809)	(8,649)
Valuation-related reserves-subtotal	(11,777)	(11,998)
Deferred tax assets – total	252	100
Deferred tax liabilities		
Assets for adjustment of profit and loss due to transfer	20	20
Valuation difference on available-for-sale securities	4,619	7,428
Other	11	6
Deferred tax liabilities – total	4,651	7,455
Net deferred tax assets (liabilities)	(4,398)	(7,355)

Previous fiscal year (As of March 31, 2023)

Other than the above items, “deferred tax liabilities” concerning “revaluation reserve for land” was 3,614 million yen.

Current fiscal year (As of March 31, 2024)

Other than the above items, “deferred tax liabilities” concerning “revaluation reserve for land” was 3,614 million yen.

2. The reconciliation of significant differences between the statutory tax rate and effective income tax rate after application of tax-effect accounting

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Statutory tax rate	30.62 %	30.62 %
Reconciliations:		
Non-deductible amount (Entertainment expenses, etc.)	4.03 %	1.71 %
Non-taxable items (dividend income, etc.)	(458.11) %	(173.61) %
Valuation allowance	136.42 %	18.49 %
Other	(7.79) %	(1.45) %
Actual effective income tax rate after application of tax-effect accounting	(294.83) %	(124.24) %

3. Accounting treatment of income taxes and local income taxes, or tax-effect accounting thereof

From the fiscal year under review, the Company transitioned to the group tax sharing system. Accordingly, the Company conducts accounting treatment of income taxes and local income taxes or tax-effect accounting thereof based on the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021).

(Business combinations, etc.)

Description is omitted due to its insignificance.

(Revenue recognition)

Useful information in understanding revenue arising from contracts with customers:

Useful information in understanding revenue arising from contracts with customers is as presented in “Notes to Non-consolidated Financial Statements (Significant accounting policies), 5. Accounting standards for income and expenses.”

(Significant subsequent events)

Not applicable.

d. Non-consolidated supplemental schedules

<Detailed schedule of fixed assets>

(Millions of yen)

Category	Type of assets	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Depreciation or amortization for the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation or amortization
Property, plant and equipment	Buildings	6,359	419	45	508	6,224	7,307
	Tools, furniture and fixtures	1,443	269	163	317	1,231	3,322
	Land	24,043 (11,804)	-	4	-	24,039 (11,804)	-
	Leased assets	56	-	-	7	48	10
	Total	31,902 (11,804)	689	213	833	31,544 (11,804)	10,641
Intangible assets	Leasehold right	1,952	-	-	-	1,952	-
	Trademark right	1	-	-	1	0	-
	Software	682	102	1	215	569	-
	Other	20	-	-	-	20	-
	Total	2,657	102	1	216	2,542	-

(Note) The amounts in parentheses in the "Balance at beginning of the current fiscal year" and "Balance at end of the current fiscal year" columns represent the revaluation reserve for land, which the land for business use was revaluated pursuant to the *Act on Revaluation of Land* (Act No. 34 promulgated on March 31, 1998.)

<Detailed schedule of allowances>

(Millions of yen)

Account	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Balance at the end of the current fiscal year
Allowance for doubtful accounts	4,397	869	1,190	4,077
Allowance for investment loss of subsidiaries and associates	4	-	-	4
Provision for bonuses	195	172	195	172
Provision for stock benefits	548	249	222	574

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Information on Transfer and Repurchase of the Company's Stock

Fiscal year	From April 1 To March 31
General meeting of shareholders	June
Record date for dividend	March 31
Record dates for dividend of surplus	September 30 and March 31
Number of shares per unit of the Company's stock	100 shares
Repurchase and sale of stocks of less than a standard unit	
Address where repurchases are processed	(Special account) 3-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Head Office Mizuho Trust & Banking Co., Ltd.
Administrator of shareholders' register	(Special account) 3-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Offices available for repurchase	-
Charges for repurchase or sale	Amount specifically determined as brokerage fees for the purchase and sale of shares
Method of public notice	Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the *Nihon Keizai Shimbun*. The electronic public notice is presented on the Company's Web site at https://www.seiko.co.jp
Special benefits to shareholders	None

(Note) Pursuant to the provisions of SEIKO GROUP CORPORATION's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following; (i) rights listed in the items of Article 189, paragraph 2 of the *Companies Act*, (ii) rights to requests to SEIKO GROUP CORPORATION in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights other than the right to request to SEIKO GROUP CORPORATION to sell shares less than one unit.

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company has no parent company or equivalent as prescribed in Article 24-7, Paragraph 1 of the *Financial Instruments and Exchange Act*.

2. Other reference information

The Company filed the following documents between the beginning of the fiscal year ended March 31, 2023 and the date when this Securities Report (*Yukashoken-Hokokusho*) was filed.

(1) Securities Report and Accompanying Documents and Confirmation Note

Fiscal Year (the 162nd) From April 1, 2022 to March 31, 2023

Submitted to the director of the Kanto Local Finance Bureau on June 29, 2023.

(2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on June 29, 2023.

(3) Quarterly Securities Reports and Confirmation Notes

(The 1st quarter of the 163rd business term) From April 1, 2023 to June 30, 2023

Submitted to the director of the Kanto Local Finance Bureau on August 10, 2023.

(The 2nd quarter of the 163rd business term) From July 1, 2023 to September 30, 2023

Submitted to the director of the Kanto Local Finance Bureau on November 14, 2023.

(The 3rd quarter of the 163rd business term) From October 1, 2023 to December 31, 2023

Submitted to the director of the Kanto Local Finance Bureau on February 14, 2024.

(4) Extraordinary Reports

Submitted to the director of the Kanto Local Finance Bureau on July 3, 2023.

An extraordinary report according to the provision of Article 24-5, Paragraph 4, of the *Financial Instruments and Exchange Act* and Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders), of the *Cabinet Office Ordinance on Disclosure of Corporate Information, etc.*

Part II. Information on Guarantors for the Company

Not applicable

Independent Auditors’ Audit Report and Internal Control Audit Report (An English Translation)

June 27, 2024

The Board of Directors
SEIKO GROUP CORPORATION

KPMG AZSA LLC

Tokyo, Japan

Designated Limited Partner Engagement Partner	Certified Public Accountant	Akihiro Otani
Designated Limited Partner Engagement Partner	Certified Public Accountant	Toshiyuki Nishida
Designated Limited Partner Engagement Partner	Certified Public Accountant	Kenji Ueda

<Consolidated financial statements audit>

-Opinion-

We have audited the accompanying consolidated financial statements presented under “Financial Information” of SEIKO GROUP CORPORATION, which comprise the consolidated balance sheets as at March 31, 2024, and the consolidated statements of income and comprehensive income, statements of changes in net assets, and statements of cash flows for the years then ended, as well as a summary of significant accounting policies and other explanatory information. This audit was conducted to provide certification in accordance with the provision of Article 193-2, Paragraph 1 of the *Financial Instruments and Exchange Act*.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SEIKO GROUP CORPORATION and its consolidated subsidiaries as at March 31, 2024, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

-Basis of Opinion-

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

-Key Audit Matters-

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon. We do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Validity of valuation of inventories of the Emotional Value Solution Business</th></tr>
<tr><th>Description of Key Audit Matters and the Reasons for the Decision</th><th>Auditor’s Response</th></tr>
<tr><td>In the consolidated balance sheet for the current fiscal year of SEIKO GROUP CORPORATION, inventories of merchandise and finished goods, work in process, raw materials, and supplies totaling 84,382 million yen are recorded. As described in notes to consolidated financial statements “(Significant accounting estimates), 1. Valuation of inventories,” 59,530 million yen of the total amount is inventories of the Emotional Value Solution Business, which accounts for 15.8% of consolidated total assets.

Inventories are evaluated by writing down the book values in response to decreased profitability. In the Emotional Value Solution Business, decreased profitability is reflected for products, etc. that have been removed from the operating cycle process beyond a certain holding period and holding volume, using a regular write-down method of book values determined mainly based on past sales and disposal performance. However, products, etc., that exceed a certain holding period and volume but are judged to be in the operating cycle process in light of recent sales performance and future sales forecasts are excluded from the regular write-down of book values, in whole or in part.

The Emotional Value Solution Business primarily deals with products directly related to personal consumption. Therefore, its business results and profitability of products are strongly affected by domestic and overseas economic trends, especially personal consumption. Economic trends, including personal consumption, may fluctuate significantly due to factors beyond management’s control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining a regular write-down method of book values to reflect profitability of inventories. Additionally, significant judgments regarding sales estimates are made as to determine whether products, etc., are in the operating cycle process and thus excluded from the regular write-down of book values. The valuation of inventories of the Emotional Value Solution Business is significantly affected by these judgments and assumptions, making the estimates highly uncertain.

As such, we determined that the validity of the valuation of inventories in the Emotional Value Solution Business was of particular importance to our audit of the consolidated financial statements for the current fiscal year and identified as a “Key Audit Matter.”</td><td>To examine the validity of the valuation of inventories in the Emotional Value Solution Business, we selected consolidated subsidiaries engaged in this business that are considered to have a particularly high degree of uncertainty in estimates. This selection was based on the materiality of the inventory balance, functions within the consolidated Group, products handled, and performance trends in previous fiscal years, business plans, etc. We primarily performed the following procedures for the inventories of the consolidated subsidiaries.

(1) Assessment of internal control

We assessed the effectiveness of the design and operation of internal control related to the valuation of inventories. This included the determination of a regular write-down method of book values and its basis provisions in the accounting rules, as well as the confirmation by superiors of the judgment as to whether products, etc. are in the operating cycle process and thus excluded from the write-down of book values.

(2) Examination of the appropriateness of the regular write-down method of book values

To evaluate the appropriateness of the regular write-down method of book values adopted by management, we primarily performed the following procedures.

・ For the write-down rate of book values applied at the end of the current fiscal year, we compared the amounts that would have been obtained if this rate had been applied to the inventory balance before the write-down of book values at the end of the previous fiscal year with the actual sales and disposal amounts for the current fiscal year.

・ We reviewed whether the significant judgments and assumptions made in determining the write-down rate of book values were consistent with the frequency of new product launches, distribution channels, management strategies for sales and disposal, and market forecast data published by external organizations.

(3) Examination of the validity of the judgment as to whether or not products, etc. are in the operating cycle process

We evaluated the accuracy of management’s sales estimates by comparing the past sales estimates of each product with actual sales in subsequent years and examining the causes of any differences. To evaluate the appropriateness of the judgments regarding the sales estimates that formed the basis for whether products, etc., are in the operating cycle process and thus excluded from the regular write-down of book values at the end of the current fiscal year, we primarily performed the following procedures for selected products, etc., considering their materiality, past sales performance, turnover period, and the number of months elapsed since their launches, etc.

・ We asked questions to appropriate authorities regarding sales estimates and reviewed relevant materials.

・ We examined whether the sales estimates of such products,</td></tr>
</table>

	etc., were consistent with the content of the management strategy, including the product strategy, and market forecast data published by external organizations.

Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of these other statements. Corporate auditors and the board of auditors are responsible for monitoring the execution of the directors' duties related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the consolidated financial statements, and we do not express an opinion on them.

Our responsibility with regard to the audit of the consolidated financial statements is to read through other statements and consider whether there are any material differences between them and the consolidated financial statements or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such facts.

We have found no matters to report regarding other statements.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of auditors are responsible for overseeing the directors' performance of their duties, including the design, implementation, and maintenance of the Group's financial reporting process.

Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

・Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

・Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We report to the auditors and the board of auditors that we have complied with the professional ethics regulations regarding independence in Japan. Additionally, if there are matters reasonably considered to affect our independence, and if measures have been taken to eliminate such impediments or safeguards have been applied to reduce the impediments to an acceptable level, we report on these matters.

Of matters discussed with corporate auditors and the board of auditors, we determine those we judge to be of particular importance to our audit of the consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because the disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

<Internal control audit>

Opinion

We also have audited, pursuant to the provisions of Article 193-2, paragraph 2 of the *Financial Instruments and Exchange Act of Japan*, the internal control report of the Company as of March 31, 2024.

In our opinion, the internal control report, in which SEIKO GROUP CORPORATION indicated that internal control over financial reporting as at March 31, 2024, was effective, fairly represents, in all material respects, evaluation results of internal control over financial reporting in accordance with evaluation standards generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Internal Control Report" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards generally accepted in Japan. Corporate auditors and the board of auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility for the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion. As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, based on the auditor's judgment, considering the significance of their effect on the reliability of financial reporting.

・Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures, and results of the assessments that management presents.

・Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision, and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit, and those that were remediated.

We report to the auditors and the board of auditors that we have complied with the professional ethics regulations regarding independence in Japan. Additionally, if there are matters reasonably considered to affect our independence, and if measures have been taken to eliminate such impediments or safeguards have been applied to reduce the impediments to an acceptable level, we report on these matters.

Compensation-related information

The amounts of compensation for audit certification services and non-audit services provided to the Company and its subsidiaries by the audit firm and entities belonging to the same network as the audit firm are stated in “Information about Reporting Company,” Corporate Governance, (3) [Audit Status.]

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company and its subsidiaries, which should be disclosed in compliance with the *Certified Public Accountants Act*.

The English translation has no legal force and is provided for convenience only.

1. The original version of the Independent Auditors’ Audit Report and Internal Control Audit Report presented above is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of the audit.

Independent Auditors’ Audit Report (An English Translation)

June 27, 2024

The Board of Directors
SEIKO GROUP CORPORATION

KPMG AZSA LLC

Tokyo, Japan

Designated Limited Partner Engagement Partner	Certified Public Accountant Akihiro Otani
Designated Limited Partner Engagement Partner	Certified Public Accountant Toshiyuki Nishida
Designated Limited Partner Engagement Partner	Certified Public Accountant Kenji Ueda

Financial statements audit

Opinion

We have audited the accompanying the non-consolidated financial statements presented under “Financial Information” of SEIKO GROUP CORPORATION. These statements include the non-consolidated balance sheets as of March 31, 2024, the non-consolidated statements of income, the non-consolidated statements of changes in net assets, significant accounting policies and other notes, and the non-consolidated supplemental schedules. Our audit was conducted to provide certification in accordance with the provision of Article 193-2, Paragraph 1 of the *Financial Instruments and Exchange Act*.

In our opinion, the non-consolidated financial statements fairly present, in all material respects, the financial position of SEIKO GROUP CORPORATION as of March 31, 2024, and its financial performance for the years then ended, in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements for the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to report in our auditor’s report.

Other Statements

Other statements comprise the information included in the Annual Securities Report, excluding the consolidated and non-consolidated financial statements and our auditor’s report thereon. Management is responsible for the preparation and disclosure of other statements. Corporate auditors and the board of auditors are responsible for monitoring the execution of directors’ duties related to design and operation of the reporting process for these statements.

These other statements are not included in the scope of our audit opinion regarding the consolidated financial statements, and we do not express an opinion on them.

Our responsibility regarding the audit of the consolidated financial statements is to read through the other statements and consider whether there are any material inconsistency between the other statements and the consolidated financial statements or the knowledge we have obtained through our audit. Additionally, we are responsible for noting any signs of material errors in these other statements.

If we identify material errors in the other statements through our audit work, we are required to report this.

We have found no matters to report regarding the other statements.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes designing and operating internal controls as necessary to ensure the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is also responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of auditors are responsible for overseeing the directors' performance of their duties, including the design, implementation, and maintenance of the Company's financial reporting process.

Auditor's Responsibility for the non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users based on these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.

・Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

・Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of auditors regarding, among other matters, the planned scope and timing of the audit, and significant audit findings, including any significant deficiencies in internal control during our audit.

We report to the auditors and the board of auditors that we have complied with the professional ethics regulations regarding independence in Japan. Additionally, if there are matters reasonably considered to affect our independence, and if measures have been taken to eliminate such impediments or safeguards have been applied to reduce the impediments to an acceptable level, we report on these matters.

Of matters discussed with corporate auditors and the board of auditors, we determine those of particular importance to our audit of the non-consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure, or in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests.

Compensation-related information

The compensation-related information is included in the audit report of the consolidated financial statements.

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company which should be disclosed in compliance with the *Certified Public Accountants Act*.

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