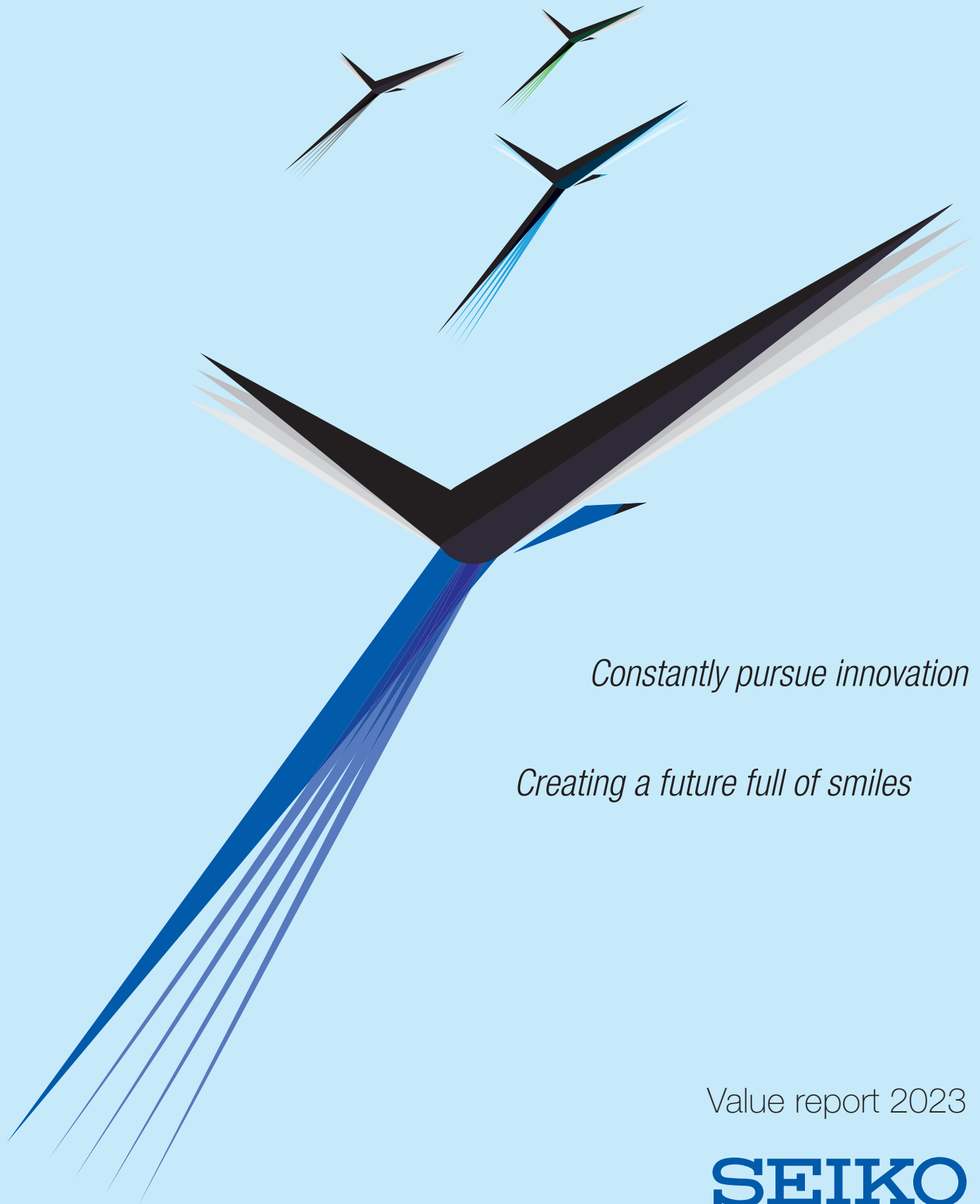


# SEIKO GROUP



*Constantly pursue innovation*

*Creating a future full of smiles*

Value report 2023

**SEIKO**

# SEIKO GROUP PURPOSE

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

## **Cover Inspiration**

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

# Corporate PHILOSOPHY

## A Company that is Trusted by Society

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# CEO Message





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

## Shinji Hattori

Chairman, Group CEO,  
and Group CCO

### To our stakeholders

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

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

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

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

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

## Promotion of SMILE145

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

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

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

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



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

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

## Creating human resources that support growth

People are the most important factor in promoting SMILE145 and bringing about our transformation into a solutions company. Nothing can be achieved unless each and every employee incorporates our Statement of Purpose in their daily work.

As our Group's Chief Culture Officer (CCO), it is my responsibility to spread the Statement of Purpose to every corner of the Group and to align employee growth with company growth. Only then can we become an organization that grows steadily as a solutions company.

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



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

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

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

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

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

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

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

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

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

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

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

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





their fellow employees.

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

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

## Becoming a solutions company

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

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

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

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



# History of Value Creation

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

Social background

## Industrial modernization

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

## Recovery from disruptions after the World War

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



## Emotional Value Solutions Domain

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

### Development of precision technology through watch manufacturing

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

### Building a foundation for global expansion

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

1892

Started manufacturing wall clocks



1913

Japan's first wristwatch, the Laurel



1964

Official timer of the Tokyo Olympics



1969

World's first quartz watch, the Quartz Astron



1894

First clock tower



1960

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



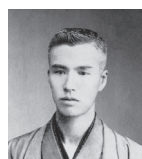
1968

Dominated the top prizes in the Observatory Competition in Switzerland



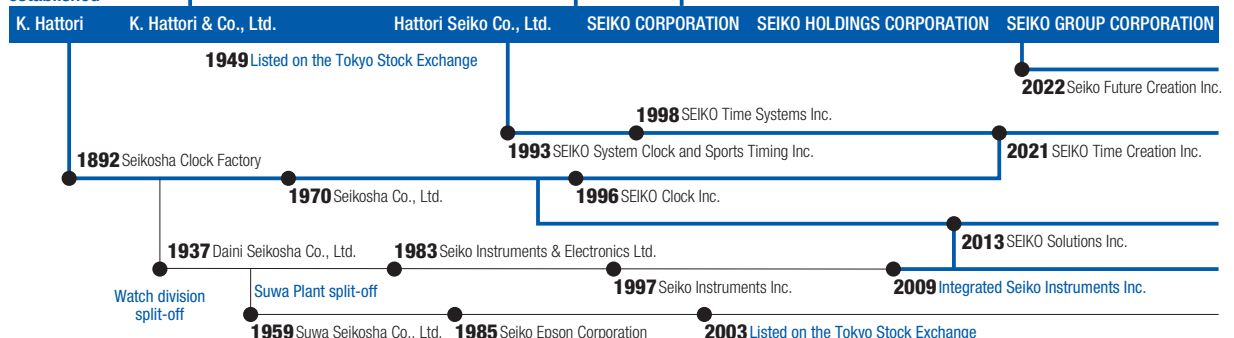
Solutions of the Seiko Group

## Historical background of the Seiko Group's business



Kintaro Hattori, the Founder

1881 Company established



## Dawning of the new era and transformation

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

## Providing excitement to customers

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

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

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



**1999**  
World's first Spring Drive watch



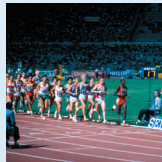
**2014**  
World's first satellite radio wave clock



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



**1987**  
Official timer of the World Athletics Championships (ongoing)



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



**2020**  
Opened Grand Seiko Studio Shizukuishi inside Shizukuishi Watch Studio



## Devices Solutions Domain

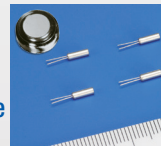
Providing high-function, high-quality products using watch manufacturing technology

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

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



**1975**  
Quartz crystals, silver oxide batteries



**2019**  
World's first reflowable MS Lithium Rechargeable Battery



\* "Craftsmanship" creates new value based on our advanced techniques and know-how. "Miniaturization" reduces product size through precision processing and high-density assembly technologies. "Efficiency" promotes the most efficient use of all resources including energy.

## Systems Solutions Domain

Providing sustainable value aligned with customer needs

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

**1985**  
Automated ordering system for the restaurant industry



**2002**  
Time stamp service



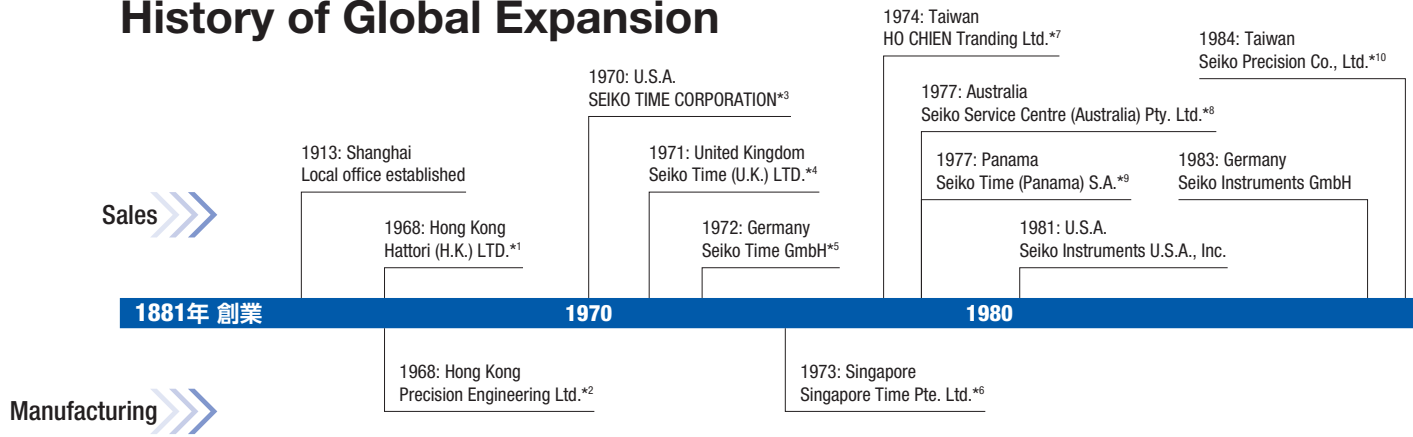
**2019**  
AI learning for sign prediction services, LUiNa



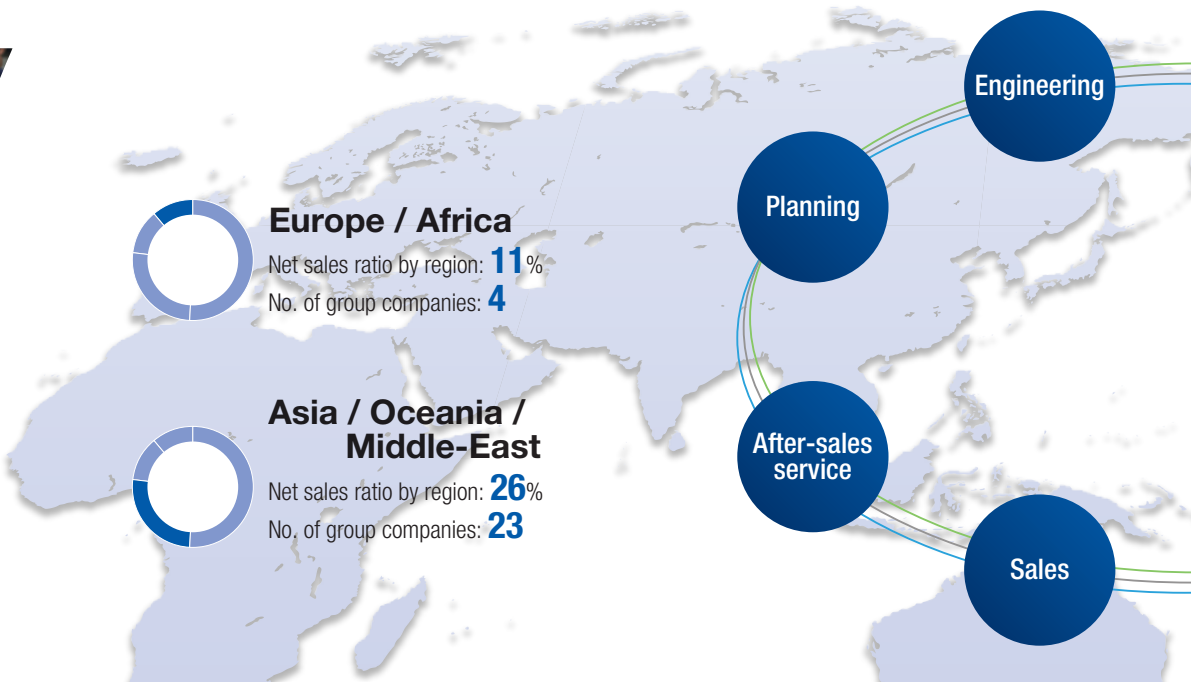
# Global Expansion

Seiko's network spans the world and leads the way to global expansion. It has been 111 years since we first expanded overseas. We are demonstrating diversity in a wide range of areas, from upstream to downstream businesses.

## History of Global Expansion



\*1 Currently SEIKO Hong Kong Ltd. \*2 Currently SEIKO Manufacturing (H.K.) Ltd. \*3 Currently Grand Seiko Corporation of America and Seiko Watch of America LLC  
 \*4 Currently SEIKO U.K. Limited \*5 Currently Seiko Germany, Branch of Seiko Watch Europe S.A.S. \*6 Currently SEIKO Manufacturing (Singapore) Pte. Ltd.  
 \*7 Currently SEIKO Taiwan Co., Ltd. \*8 Currently SEIKO Australia Pty. Ltd. \*9 Currently SEIKO Panama, S.A. \*10 Currently Seiko Instruments Taiwan Inc.  
 \*11 Currently Seiko Watch Europe S.A.S. \*12 Currently Seiko Benelux, Branch of Seiko Watch Europe S.A.S. \*13 Currently SEIKO Precision (Thailand) Co., Ltd.  
 \*14 Currently SEIKO (Thailand) Co., Ltd. \*15 Currently Seiko Italy, Branch of Seiko Watch Europe S.A.S.



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

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

\* Currently SEIKO Manufacturing (Singapore) Pte. Ltd.



**Chan Keng Mun**  
 Assistant General Manager

**Chong Hwa Heng**  
 General Manager

MOVEMENT MANUFACTURING DIVISION  
 SEIKO Manufacturing (Singapore) Pte. Ltd.

1986: France  
Compagnie Generale  
Horlogere S.A.\*11

1986: Netherlands  
SEIKO Nederland B.V.\*12

1988: Hong Kong  
SEIKO CLOCK (Hong Kong) Ltd.

1991: Thailand  
MUANG THONG SEIKO LTD.\*14

2005: P.R.China  
Seiko Instruments (Shanghai) Inc.

2006: P.R.China  
SEIKO Watch (Shanghai) Co., Ltd.

2007: India  
SEIKO Watch India Pvt. Ltd.

2011: P.R.China  
SEIKO CLOCK  
(Shenzhen) Co., Ltd.

2018: Italy  
Seiko Italia- sede secondaria italiana  
di Seiko France SAS\*15

2020: France  
Grand Seiko Europe S.A.S.

2022: Singapore  
Grand Seiko  
Asia-Pacific Pte. Ltd.

1987: Singapore  
Asian Electronic Technology  
Pte. Ltd.

1988: Thailand  
SEIKOSHA (THAILAND) CO., LTD.\*13  
Seiko Instruments (Thailand) Ltd.

1989: P.R.China  
Dalian Seiko Instruments Inc.

1989: Malaysia  
Instruments Technology (Johor)  
Sdn. Bhd.

2006: P.R.China  
Seiko Instruments Technology (Shanghai) Inc.

2002: P.R.China  
Guangzhou SII Watch Co., Ltd.

Development

Design

Manufacturing

Marketing

### North / Central / South America

Net sales ratio by region: **12%**  
No. of group companies: **5**

### Japan

Net sales ratio by region: **51%**  
No. of group companies: **29**

\* As of April 1, 2023. Net sales ratios by region are results of FY2022

### Providing reliable quality and services, sharing precious moments with customers

Seiko's commitment to precision and reliability is highly valued in Australia. Seiko watches do more than simply provide information on the time, they are accepted as valuable partners that share the most important moments with customers. We want to protect the trust Seiko has built over the years by providing services that exceed customer expectations and creating an exceptional customer experience. We also aim to deepen ties with local communities and make Seiko Boutique a destination for many watch lovers.

In addition, we aim to spread trust in Seiko among the people of Sydney, making Seiko Boutique a space where excellent watch manufacturing techniques that balance innovation and tradition come together. We believe that Seiko's watches make our customers' lives more special by delivering the quality of trust to our customers through watches and hospitality.



**Dewesh Parmar**  
Manager  
SEIKO Boutique Sydney



Grand Seiko Corporation of America



Seiko Instruments U.S.A., Inc.



Dalian Seiko Instruments Inc.



Grand Seiko Asia-Pacific Pte. Ltd.

# Value Creation Story

## SEIKO GROUP PURPOSE

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

### Management Resources



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

Note: The above quantitative information is for the fiscal year ended March 31, 2023.

\*1 A system under which the Minister of Health, Labour and Welfare annually awards craftsmen with exceptional skills who are considered leaders in their field.

\*2 Iwate Watch Meister is an annual mechanical watchmaker skills evaluation program that aims to revitalize Japanese mechanical watchmaking by disseminating and improving skills and passing them on to younger generations.

### Environment Recognition

(Opportunities & Risks)

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

### Sustainability Policy

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

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

### Growth Strategies

#### MVP Strategy

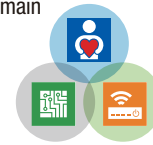
- M**oving: excitement
- V**aluable: high-added-value
- P**rofitable: substantial profits

#### Three Strategic Domains

Emotional Value Solutions Domain

Devices Solutions Domain

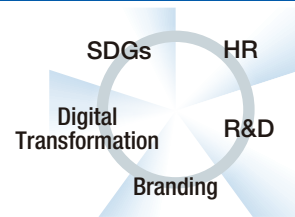
Systems Solutions Domain



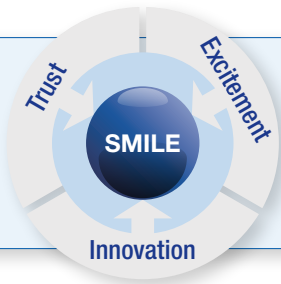
#### Four Business Opportunities



#### Five Group Core Strategies



\*3 Society 5.0 is defined by the Cabinet Office, Government of Japan as "a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space."



**Corporate Philosophy**  
**Group Slogan**  
**Spirit of the Founder**

A Company that is Trusted by Society  
 SEIKO Moving ahead, Touching hearts.  
 Always one step ahead of the rest

## Values created by business activities

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

## Values stakeholders gain

### To our customers and users

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

### To our business partners

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

### To our shareholders and investors

Improving profitability  
 Strengthening financial capital

### Together with employees

Improving employee engagement  
 Boosting employee competence and motivation  
 Promotion of diversity

### Together with society and local communities

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

## GROUP 10-YEAR VISION

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



## What We Aim to Be in 2026

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

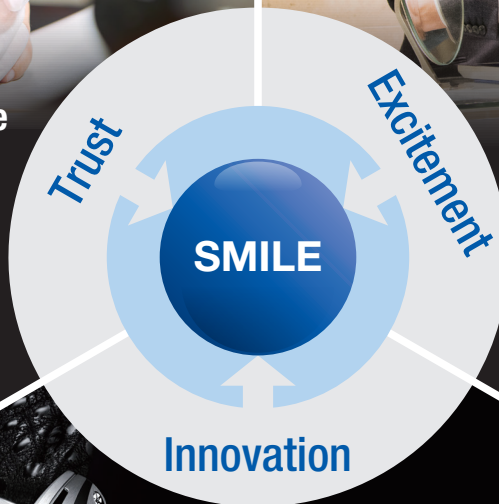
# Social Value Created by the Seiko Group

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



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

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



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

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



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

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



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





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

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

The result is the reliable quality that Seiko offers today.

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

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

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

## Seiko quality as a source of social value

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

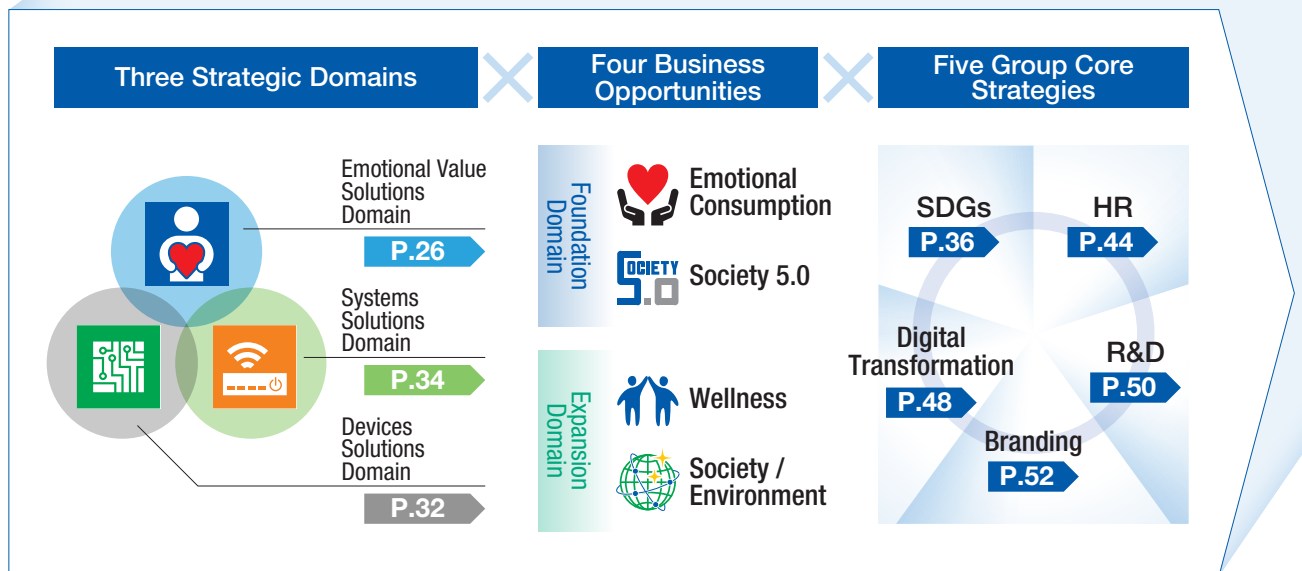
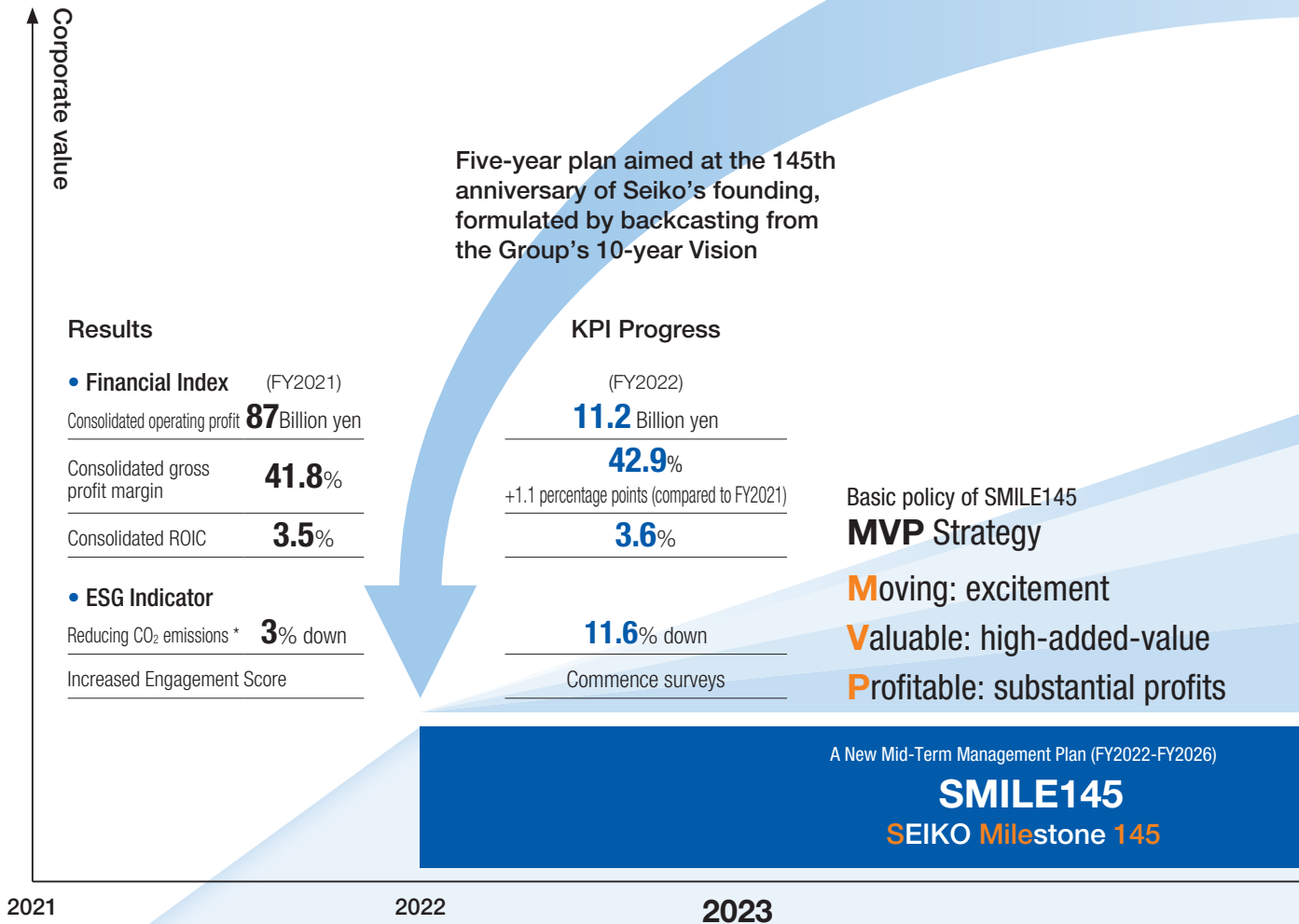
Rather than contenting ourselves with the current levels of Seiko quality, we continue striving in various ways to maintain and improve quality. We are working to carry on the technology and skills of our "Craftsmen," the technicians who support the manufacture of our high-end watches, and the engineers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

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

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

# 8th Mid-Term Management Plan “SMILE145”

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



## Group's 10-Year Vision

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

## What We Aim to Be in 2026

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

### Indicators (KPI)

• Financial Index		(FY2026)
Consolidated operating profit	180~200	Billion yen
Consolidated gross profit margin	+5.0	percentage points (compared to FY2021)
Consolidated ROIC	Over 6.5	%
• ESG Indicator		
Reducing CO <sub>2</sub> emissions *	25	% down
Increased Engagement Score		

\* ROIC = (Ordinary income after income taxes + Interest expense) / (Interest bearing debt + Net assets)  
\* CO<sub>2</sub> emission (SCOPE1·2) reduction rate compared to FY2020

2026

145th Anniversary of our Founding

2031

150th Anniversary of our Founding

### Environment Recognition in SMILE145

In recent years, the outlook of the global economy has become increasingly uncertain due to intensifying geopolitical tension, as epitomized by the COVID-19 pandemic, the situation in Russia and Ukraine, mounting tensions between the U.S. and China, and more. As for the environment, impact from environmental degradation and climate change, which extends to the whole ecosystem, is an issue that must be tackled on a global scale in order to realize a recycling-oriented society. In addition, in Japan and other developed countries, aging populations and falling birth rates, among other factors, are making it difficult to secure labor force, which, in turn, has given rise to the need to improve work efficiency and save on labor. Furthermore, the acceleration of IoT and digitalization in recent years is expected to fuel the transition to a data-driven society, as well as further automation and robotization through digital transformation (DX). Along with these changes, consumer values and lifestyles are becoming increasingly diverse. Based on this environment recognition, the Group will execute SMILE145 as we work to contribute to solving social issues through our business activities.

#### Changing Demographic Composition, Heightened Geopolitical Risks



#### Environmental Problem



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



#### Evolution of Electronics Technology and Digitization



#### Support for the New Normal and after COVID-19

# Message from the President



**Shuji Takahashi**  
President and Group COO

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

## Review of the first year of SMILE145

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

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

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

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

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

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

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

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

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

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

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

Reflections on the First Year of SMILE145

Issues for the second year of SMILE145 and beyond



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

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



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

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



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

- Accelerate new business creation activities
- Accelerate M&A

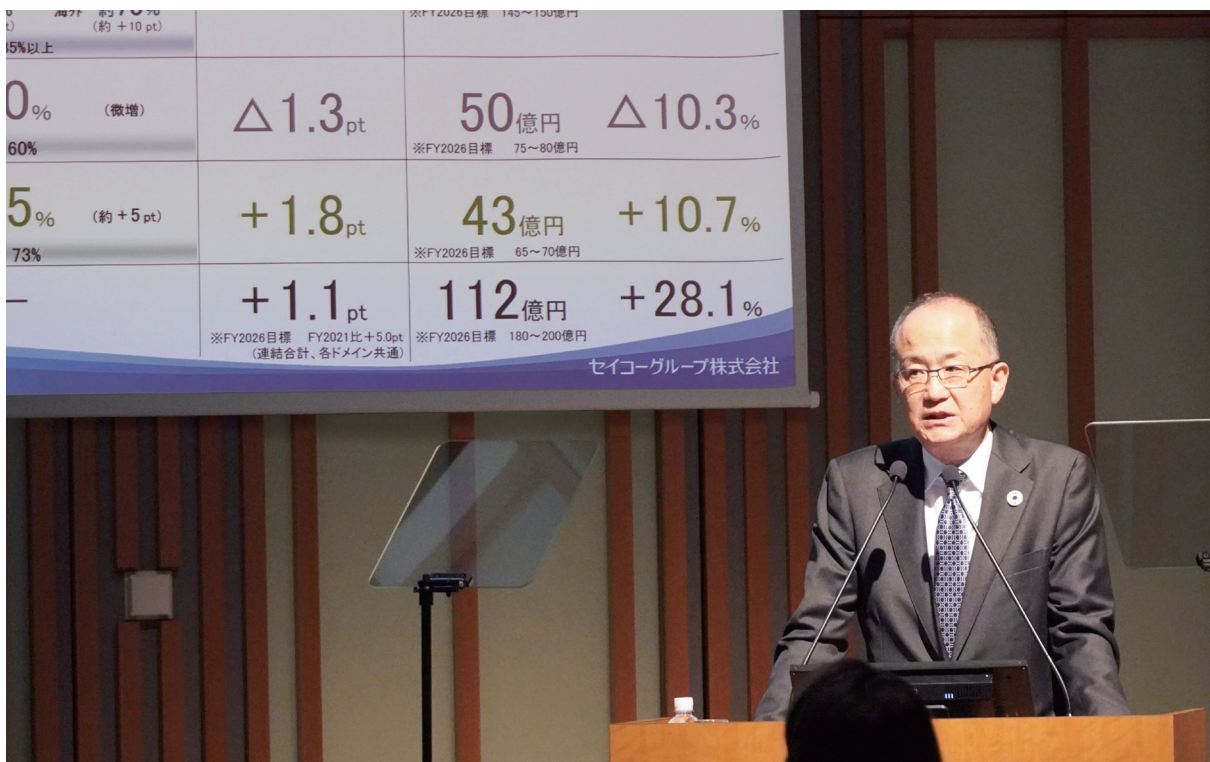
the total Group-wide results, each company also analyzed its own results and launched initiatives to address the key issues revealed therein. We are also promoting the “SWING Project” to accelerate the development of personnel who will contribute to the realization of SMILE145, through organizational culture reforms and inter-Group exchanges that enable the free flow of ideas and opinions within the Group.

Our digital transformation strategy includes data-driven business model transformations, such as improving customer experiences and promoting CRM. In addition to deepening digital sales marketing, we are working to create new businesses, such as e-commerce, that take advantage of metaverse channels. Our R&D strategy contributed to improved profitability when we increased the high-added-value of MVP products and services, mainly in the

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

## Strategies and measures to achieve SMILE145

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



that, we have examined the kinds of issues that appeared during the first year of the plan, and we are now actively addressing them.

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

customers in physical retail stores. In the WAKO Business, we will make additional improvements in profitability by emphasizing the unique value of WAKO and further developing the WAKO brand. In the Time Creation Business, which continues to face a difficult environment due to the yen depreciation, among other factors, we need to reviewing existing strategies and reform that segment's business structure.

In the DS Domain, we had been expecting to see increasing investments in cyber for 5G, IoT, etc., but the business environment changed drastically. This led us to review our basic strategies in accordance with both market and external business conditions. We see that it is time to move away from a dependence on China, and also to strengthen cross-organizational sales systems and operations. These and other steps will help us to





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

## Toward becoming a solutions company

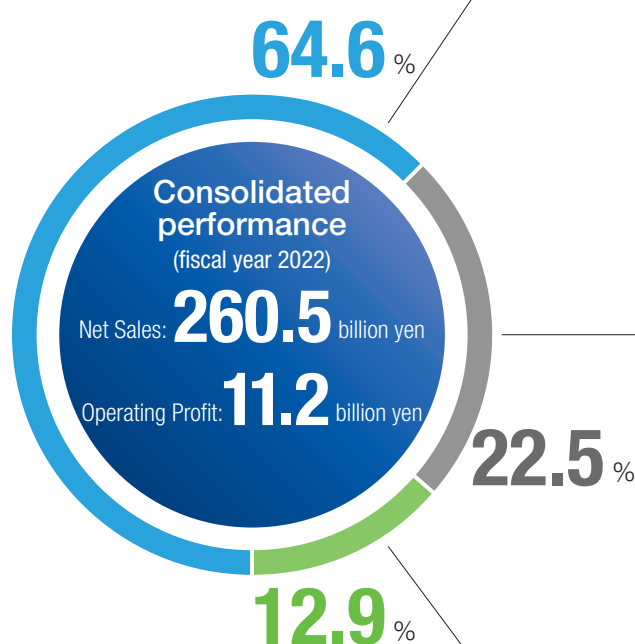
SMILE145's MVP Strategy aims to both address social issues and improve profitability. If the products and services offered by the Group contribute to improving social issues, their added value will be widely accepted, which will lead to increased profitability. This, in turn, will contribute to our growth as a more sustainable company. It is essential that we continue to create new, profitable MVP products always with the added value to society in mind.

To achieve these objectives, it is important that all employees understand and empathize with the concepts set forth in SMILE145, fully recognize their respective roles, and work together as one team to power growth. We will continue to share the concepts of SMILE145 with our employees, while explaining the need to become a solutions company to everyone in the Group. In addition, we will work together with society to ensure our continued sustainability.

We sincerely look forward to your ongoing support.



# At a glance



\* The above ratio is based on the sales composition ratio by domain, and is calculated based on sales to external customers

## Description of Business



### Emotional Value Solutions Business

Net Sales : **170.7** billion yen

Operating Profit : **11.5** billion yen

A domain that creates products and services with high functional, emotional, and social values while providing an excellent customer experience. The Watches Business is one of the few manufactures in the world that handles the entire process ranging from parts production to assembly and adjustment, and we have developed a wide range of watches manufactured by our own company worldwide. The Time Creation business manufactures and sells wall clocks and table clocks. It also handles system clocks and sports timing and measurement equipment used in public facilities and stadiums. Furthermore, at Wako, a luxury specialty store representing Ginza, we offer high-quality products and services.



### Devices Solutions Business

Net Sales : **64.5** billion yen

Operating Profit : **5** billion yen

A domain that provides high-functioning, high-quality products that society demands, based on the precision and reliable technology derived from watch manufacturing and development. The domains is engaged in the manufacturing and selling of high-performance, high-reliability micro batteries, quartz crystals and crystal oscillator ICs featuring low power consumption, precision processed parts that compete at the sub-micron level, as well as industrial inkjet print heads and thermal printers, supporting a society and industries that are becoming increasingly advanced across various fields such as medical, information systems, and automobiles.



### Systems Solutions Business

Net Sales : **36.6** billion yen

Operating Profit : **4.3** billion yen

In the era of digital transformation, this is a domain that offers one-stop ICT solutions for social innovation, ranging from consultation to system construction and operation management, to meet the increasingly complex needs of customers. This domain provides multifaceted solutions that support the IoT era, such as time stamps, electronic contracts, ordering systems, high-speed data communications, high-precision time synchronization, IT system performance management, AI predictive management, and contracted development and development support for software and hardware.

## Main Products and Services

## Main Operating Company

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### Watches

- Completed watches
- Watch movements

### Time Creation

- Luxury mechanical clocks
- Wall clocks
- Table clocks
- Alarm clocks
- Systems clocks
- Sports timing devices
- Digital signage
- Large display boards
- Baseball field scoreboards

### Wako

- Watches
- Clocks
- Jewelry
- Men's and women's products
- Handbags
- Interior decoration products
- Food, etc.

SEIKO WATCH CORPORATION

<https://www.seikowatches.com/global-en/>



SEIKO Time Creation Inc.

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



Wako Co., Ltd.

<https://www.wako.co.jp/translation/en.html>



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### Electronic devices

- Micro batteries/chip capacitors
- Crystal oscillators
- High-performance metal products
- Rare earth magnets

### Precision devices

- Hard disk drive components
- Automobile parts
- Other precision turned parts

### Printing Devices

- Inkjet print heads
- Thermal printers

### Others

- Integrated circuits for crystal oscillators
- Integrated circuits for sensors

Seiko Instruments Inc.

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



Seiko NPC Corporation

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



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### System-Related Business

- Network equipment / services,
- Financial / distribution products / services,
- IT system performance management

### IoT-Related Business

- IoT embedded devices,
- IT products / services for consumers  
(Mobile communication devices etc.)

### Payment-Related Business

- Payment products / services,
- Systems for restaurants

Seiko Solutions Inc.

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



# Emotional Value Solutions (EVS) Domain



**Akio Naito**

Director, Senior Executive Vice President  
Emotional Value Solutions Domain  
(President, SEIKO WATCH CORPORATION)

**By refining our strengths and differentiating ourselves from other companies, we aim to provide products and services of excellent quality and realize emotional value that is appreciated by our customers.**

The Emotional Value Solutions (EVS) Domain, which is comprised of SEIKO WATCH CORPORATION (SWC), SEIKO Time Creation Inc. (STC), and WAKO Co., Ltd. (WAKO), is a mainstay business of the Seiko Group that aims to create emotional value through high-quality products and services, inspire customers, and bring them joy. The restrictions on social activities during the pandemic gave rise to new values and significant changes in consumer behavior worldwide. As economic activities recovered in fiscal year 2023, we saw people returning to pre-pandemic patterns, but the social transformations brought about by the pandemic, such as the widespread acceleration of digitalization, are continuing into the post-COVID era.

Fiscal year 2022 was an eventful year for SWC. The company released the Grand Seiko Kodo Constant-force Tourbillon, which incorporates a complication mechanism that is the first of its kind in the world. The watch won the Chronometry Prize at the Grand Prix d'Horlogerie de Genève, marking the second consecutive year for Grand Seiko to win a major prize. The Atelier Ginza, a new creative studio where some of the finest designers, craftsmen, and watchmakers from the Seiko Group work together to create truly unique and innovative timepieces of the highest order, also opened. It is only fitting for the studio to be located in Ginza, the birthplace of Seiko. STC launched IBUKI, a high-end wall clock that features a new type of mechanical movement, the first new development of its kind in half a century, which attracted considerable attention. In addition, SEIKO GROUP CORPORATION has been chosen as the official timer of the World Athletics Championships for every event since 1987 and STC continues to provide the timing services for the Games and contributed to the success of last year's Oregon Championships by providing new timing and measurement technologies. WAKO received high praise from customers for expanding its lineup of luxury products, including watches, jewelry, and handbags, as well as SDGs-related products that take into consideration the creation of social value. In addition, the company's business performance recovered due to a post-pandemic increase in the number of customers, both domestic and foreign. The common lesson learned by the three EVS Domain companies through these activities in fiscal year 2022 is that only by refining their strengths and differentiating themselves from others can they provide genuine emotional value to their respective customers. The three EVS Domain companies will continue to promote the strategies set forth in SMILE145 and contribute to the realization of our Group Purpose.

## Vision

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

## KPI

	FY2021	FY2022	FY2026 (Target)
Operating Profit	<b>8.2</b> billion yen	<b>11.5</b> billion yen	<b>14.5 - 15.0</b> billion yen
Gross profit margin (GP%)	—	<b>+1.8</b> pt (compared to FY2021)	<b>+5.0</b> pt (compared to FY2021)
MVP Ratio *	approx. <b>45</b> %	approx. <b>50</b> %	<b>60</b> %

\* Luxury domain and products with high emotional value, such as GB, as % of net sales

## Social Needs

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

## MVP Strategy

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

## Synergies in the EVS Domain

The EVS Domain comprises three businesses: the Watches Business, which promotes the expansion of mid- and high-end products; the Time Creation Business, which is highly compatible with sports; and the WAKO Business, which operates high-end retail. We aim to create a synergy within the domain by leveraging and sharing the features and strengths of each business. We also provide customer experiences that are unique to the EVS Domain, which could not be achieved through one business alone, such as by utilizing data from each business through digital transformation (DX), sharing customer contact points through jointly held events, and strengthening product planning, development, and dissemination through collaborations with other companies and cooperation focused on Japanese culture. Along with the growth of each business, we will strive to improve the value of the Seiko brand in the EVS Domain and enhance our corporate value.



### Opening of a new creative studio, the “Atelier Ginza” in our birthplace, Ginza

Through the Atelier Ginza, we will share information about the manufacturing culture and craftsmanship rooted in a uniquely Japanese sense of beauty. Constructed within the Seiko House Ginza, we have positioned Atelier Ginza as a workshop dedicated to the creation of truly unique and innovative timepieces of the highest order. At this workshop, not only are watches assembled and adjusted by highly skilled craftsmen, but we also offer a special experience that allows customers who purchase select products to observe the craftsmanship up close.

Going forward, we aim for Atelier Ginza to become a workshop where watchmakers and designers with excellent craftsmanship work together in pursuit of developing innovative products that appeal to emotional value.



## Initiatives across domains

SWC SEIKO WATCH CORPORATION STC SEIKO Time Creation Inc.

### Strengthening touchpoints for our common customer base **SWC X WAKO**

Both the Watches Business and the WAKO Business are working to strengthen their high-end products business by holding collaborative events and providing special hospitality to customers. By providing customers with opportunities to discover new products and services through these initiatives, we can expand our points of contact with customers beyond our individual business fields and deepen our connections with them, thereby steadily expanding our customer base. In addition, we are promoting the expansion of high-added-value products in the Time Creation Business. Going forward, we will accelerate measures such as collaborative events between the three businesses.

### Partnership with Disney on its 100th anniversary

**STC X SWC X WAKO**

In celebration of Disney's 100th anniversary, the Group launched special products in the various businesses of the EVS Domain through a partnership with Disney, and also held exhibitions and sales events featuring these products at Seiko House Ginza. Furthermore, we have brought smiles to many people through a variety of initiatives with other brands, such as redesigning the dial on the clock tower, which is a beloved Ginza landmark, to a Mickey Mouse-inspired theme.



## Watches Business

### Growth Strategy

In the Watches Business, we have positioned the Global Brands (GB) strategy at the heart of our growth strategy for SMILE145. We aim to create solutions that deliver deep excitement and great satisfaction to people around the world with high-added-value products and services centered on Grand Seiko (GS), while continuing to provide highly profitable and sustainable products and services.

#### Global Brands (GB)\* Strategy:

We are developing products with high levels of technology and signature stories that bring joy and excitement to our customers around the world. Our marketing activities coincide with each product's signature story.

\* Global Brands (GB)  
Grand Seiko (GS), Seiko Prospex, Seiko Astron, Seiko Presage, King Seiko, Seiko 5 Sports

#### ● Watches Business KPI

		FY2021	FY2022	FY2026 (Target)
GB Ratio*	Japan	approx. 60%	approx. 70%	over 85%
	Overseas	approx. 65%	approx. 75%	

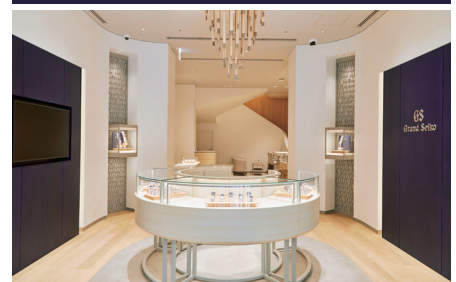
\* Percentage of GB sales to total completed watches sales

## Evolution of Grand Seiko <A uniquely Japanese luxury brand>

Since becoming an independent brand in 2017, GS has strengthened the development of its models, which embody a uniquely Japanese sense of beauty, as well as its market activities worldwide, while also achieving remarkable growth in overseas markets, based on the brand philosophy, "THE NATURE OF TIME." Currently, there are three overseas subsidiaries dedicated to GS. GS sales, which had previously comprised mainly domestic sales, saw overseas sales exceed domestic sales for the first time in fiscal year 2022.

In 2023, the second year of SMILE145, we are planning new methods of communication and deploying them worldwide with the aim of further growing GS. Our new brand message, "Alive in Time" represents GS's determination as a watch manufacturer to continue innovating and pushing back watchmaking boundaries. This new expression is also reflected in our visual presentations, including our storefronts, which now express a more contemporary façade.

In February 2023, we opened Singapore's first GS boutique in Marina Bay Sands, while in June 2023, we opened Japan's biggest GS flagship boutique in Ginza Namiki street. We will share the appeal of GS's evolution through the designs of these new boutiques.



Grand Seiko Flagship Boutique Ginza Namiki

#### Recent external evaluations of GS



In 2022, the brand's first complication watch, Grand Seiko Kodo Constant-force Tourbillon, won the Chronometry Prize, a prize given to watches with high precision timekeeping performance, at the Grand Prix d'Horlogerie de Genève. This was GS's second consecutive win, having received the Men's Watch Prize in fiscal year 2021. As the only Asian brand to continuously participate in Watches and Wonders Geneva, the world's largest high-end watch fair, where GS exhibited as a brand for the first time in 2022, GS is further increasing its presence in the global high-end watch market.

Currently, GS's development of high-end distribution has reached a sufficient stage in the U.S. As the pace of new store openings slows down, the overall U.S. high-end products market will be affected by market disruptions and inflation due to changes in demand following the end of the COVID-19 pandemic. Nevertheless, we will continue to disseminate our brand value and strengthen our distribution system, with the aim of achieving steady growth going forward.

While the Chinese market is also struggling due to delays in economic recovery caused by zero-COVID measures and turmoil in the real estate market, future potential is high, and we will continue to reform our business models in fiscal year 2023, from a medium- to long-term perspective.

The global high-end watch market is expected to remain steady in the medium term. We will accelerate our global strategies as a uniquely Japanese high-end watch brand by aiming to further improve the value of the GS brand worldwide, and by opening GS boutiques in major cities.



## GS's first mechanical chronograph, "Tentagraph"

Tentagraph is GS's first mechanical chronograph, and was developed in pursuit of the instant readability, high operability, and robustness required of a GS sports watch. It is equipped with the new automatic chronograph movement, Caliber 9SC5, which ensures high precision thanks to its ten beats per second movement. Tentagraph also has a long power reserve of three days, which makes Tentagraph the most powerful 10-beat automatic chronograph in the industry today (based on GS's research, as of March 2023).

To achieve high readability, the tips of the minute hand and chronograph seconds hand are gently curved down by skilled craftsmen, to bring them as close to the markings as possible. Furthermore, the dial features a delicate pattern inspired by Mt. Iwate, a symbol of the area where the watch was manufactured, with a blue hue that expresses the night sky above Mt. Iwate.

Since its release in March 2023, Tentagraph, which represents a new step forward for GS, has received high praise from the media and retailers both in Japan and overseas.



### Technicians who support after-sales service

Repair technicians with highly advanced specialized knowledge and technologies are responsible for GS after-sales service. We have a system in place to meet customer needs as much as possible, without placing limits on response periods for repairs. The condition of a watch owned by a customer will vary depending on how the watch was used, and therefore the defective areas and the parts that need to be repaired will also vary. Accordingly, excellent technical capabilities are necessary in order to perform accurate work based on an understanding of the characteristics of each product and how customers use their watches. Osamu Sasagawa, who works at SEIKO TIME LABS CO., LTD., the company responsible for GS after-sales service, achieved consecutive wins at the National Watch Repairing Contest, and then went on to continue improving his repair skills and techniques while actively training the next generation of the company's repair technicians. In 2013, he became the first person in the after-sales service department of a watch manufacturing company to be awarded the title of "Contemporary Master Craftsman," and in 2022, he was awarded the Medal with Yellow Ribbon. In order to strengthen the continuous training of excellent technicians, SEIKO TIME LABS CO., LTD. has introduced a unique meister system, and established a structure in which skilled technicians train young technicians. We will continue to deliver excitement and satisfaction to our customers by enhancing our services to provide watches that will be loved and used forever, keeping time with memories.



## Strengthening high-added-value products in Global Brands (GB)

Equipped with the new caliber “6R54,” the Seiko Prospex diver’s watch, which is a global advertising model for the Seiko brand, has a long power reserve of three days (approximately 72 hours) and features a GMT function. The watch has received high praise for its design and continues to enjoy popularity worldwide.

In addition to increasing functional value, we will continue to work on increasing sales both in Japan and overseas by expanding our target range through the enhancement of our lineup and developing higher-level distribution worldwide.



## Sharing the appeal of watches with the younger generation

In 2022, we opened Seiko Seed in Harajuku as a base to foster new possibilities for watches, and to offer various enjoyable experiences to customers. Through events and activities that embody the products born from Seiko’s manufacturing as well as our dreams for the future, we have created a place where people can experience the Seiko Group’s slogan of “Moving Ahead, Touching Hearts.”

Seiko Seed held the Forest of Mechanism exhibition and the Power Design Project, which offered new possibilities for design, as well as the Seiko 5 Sports Exhibition, which allowed visitors to experience the world of Seiko 5 Sports. All of these events were attended and enjoyed by many people from both Japan and overseas.

Going forward, we will share the appeal of watches with the younger generations through experiences that allow people to come into contact with Seiko’s watch culture, thereby striving to create new Seiko fans.



Power Design Project Design Exhibition "REBIRTH"

### Aiming for a decarbonized society

In June 2022, the Group achieved 100% renewable energy usage at its domestic watch factories (Morioka Seiko Instruments Inc., Tono Seiki Co., Ltd., and Ninohe Tokei Kogyo Co., Ltd.).

In fiscal year 2023, we aim to achieve 100% renewable energy for the electricity used at our domestic bases, including at SEIKO WATCH CORPORATION offices and stores directly managed by Group companies in the Watches Business, by purchasing non-fossil certificates that track the annual amounts of electricity used.

Going forward, we will continue to strengthen initiatives aimed at the realization of a decarbonized society, while striving to further improve our value as a brand that responds to market needs that show an increasing interest in sustainability.

### Sustainable use of forest resources

We actively use environmentally friendly materials in some of our products, including fabric straps made from 100% recycled plastic bottles, “Lab-grown diamonds” and “Apple Leather,” a type of synthetic leather featured in Seiko Lukia creations. In addition, we will gradually stop the use of paper for our manuals and warranties and strive to reduce environmental impact by using environmentally friendly paper for our product boxes.



Fabric strap made from 100% recycled plastic bottles

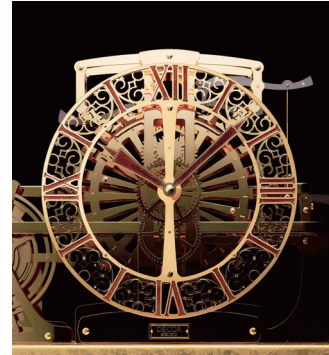


## Time Creation Business

In the Time Creation Business, we are promoting the realization of “time plus alpha” in various spaces.

We are making efforts toward providing products and services that contribute to regional revitalization and the promotion of sports. We will achieve this aim by promoting the development of products that enrich people’s lives through the addition of design, sound, and movement, as well as products that support comfortable lifestyles and the foundations of society through analog and digital synergies, and maximizing the added value that can be provided through the latest technologies.

We aim to inspire our customers and deliver smiles to them by providing plus alpha value through our wide variety of clocks that decorate spaces, Network Time Protocol (NTP) clocks that provide accurate time information, signage and large display boards capable of providing a wide range of information, sports timing devices, and timing services.



## WAKO Business

In the WAKO Business, we are carrying out rebranding under SMILE145, with the aim of becoming a “Japanese luxury brand.” The main products that are being focused on include watches, jewelry, bags, and atelier sweets. In particular, WAKO has incorporated ASHOKA diamonds, which are only available at WAKO in Japan, into their jewelry, and is currently promoting this jewelry in earnest as “WAKO x ASHOKA.” The visual advertising impact of adding ASHOKA diamonds to the Seiko House Ginza, which is a symbol of Ginza, has led to a rise in interest not only toward jewelry, but also toward WAKO in general.

Each item handled by WAKO has a unique story, and we strive to manufacture products and provide services while addressing the SDGs.



### Contributing to regional revitalization and the promotion of sports

The Group is increasing added value by equipping system clocks in public facilities and large display devices in stadiums, etc. with the latest technologies, in addition to the aim of contributing to regional revitalization and the promotion of sports. We offer proposals that place an emphasis on this point, and as these products will be used for long periods of time, we incorporate the ideas of reuse and recycling throughout the repair and maintenance process, with the aim of providing environmentally friendly services. Our proposals, which comprehensively include these factors, have been commended, and in August 2023, we received an order to repair the scoreboard at the Fuji Sports Park Baseball Stadium.



### Environmentally friendly product manufacturing that fulfills the soul

WAKO develops many products that take the environment into consideration when selecting materials. For example, from our in-house bag series, “MANACO,” we have launched “MANACO FRIENDS,” a set of colorful and playful leather accessories made from leather scraps produced during the manufacturing process. We pursue WAKO’s unique, people-friendly and social-friendly products and services, in order to reduce waste as much as possible, enrich the hearts of consumers with fun products, and contribute to nature and a recycling-oriented society.



# Devices Solutions (DS) Domain



**Takahiro Naito**

Director, Senior Executive Vice President  
Devices Solutions Domain  
(President, Seiko Instruments Inc.)

## Creating new value through our “Quattro Strategy” and providing best-in-category device solutions

Against a backdrop of environmental issues, such as global warming, and social issues, such as declining populations in developed countries, we see an acceleration of efforts aimed at creating a more technically advanced, ultra-smart society that integrates cyberspace and physical space. In the Devices Solutions Domain, we have been growing our business in line with our mid-term vision of “always employing a thorough design-in approach while providing best-in-category device solutions to help create this new, digitally connected society.”

Although performance in the first half of fiscal year 2022 (the first year of SMILE145) was favorable due to a recovery in demand following the pandemic, the second half saw a decline in sales of devices for consumer-use products and general-purpose products. This was mainly a result of the economic downturn caused by worldwide financial tightening, the slump in the Chinese economy, and adjustments to excess inventory caused by disruptions to our supply chain. In addition, manufacturing and other expenses rose due to soaring raw materials and energy costs, resulting in higher revenue but lower profit compared to the previous fiscal year.

Despite this difficult market environment, we are working to strengthen sales of MVP items such as semiconductor-related products, data centers, medical & healthcare devices, and industrial devices. Looking toward the future, we are also expanding into new areas and creating new products, as well as growing sales in new countries and regions. Furthermore, we are actively promoting our “Quattro (4-layer) Strategy,” which aims to create more higher added-value business by transitioning away from the sale of individual devices and instead pursuing higher functionality, modularization, and total device solutions.

Over the years we have developed numerous outstanding technologies, such as our highly reliable semiconductor technologies, based on the themes of “Craftsmanship, Miniaturization, and Efficiency.”\*

We are acutely aware that our name contains the word “solutions,” and we believe that this means a constant focus on customer needs. Going forward, we aim to provide best-in-category device solutions by carefully listening to our customers, inquiring about their problems, and responding appropriately to their needs.

\* “Craftsmanship” creates new value based on our advanced techniques and know-how. “Miniaturization” reduces product size through precision processing and high-density assembly technologies. “Efficiency” promotes the most efficient use of all resources including energy.

### Vision

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

### KPI

	FY2021	FY2022	FY2026 (Target)
Operating Profit	<b>5.6</b> billion yen	<b>5.0</b> billion yen	<b>7.5 - 8.0</b> billion yen
Gross profit margin (GP%)	—	<b>-1.3pt</b> (compared to FY2021)	<b>+5.0pt</b> (compared to FY2021)
MVP Ratio *	approx. <b>40%</b>	approx. <b>40%</b>	<b>60%</b>

\* Sales to digital economy and green economy markets as % of net sales

### Social Needs

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

### MVP Strategy

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

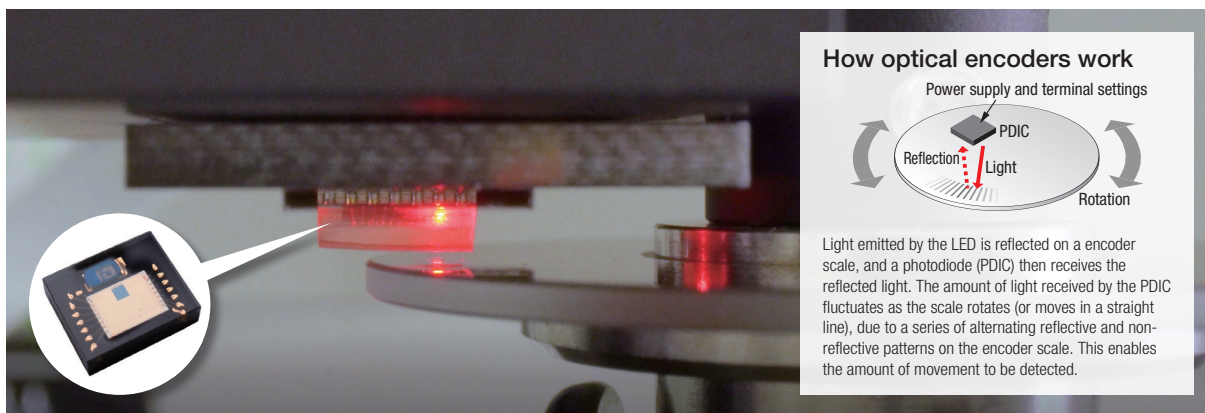
## Partnering with NGK to strengthen our proposal capabilities

In August 2023, a Group company, Seiko Instruments Inc., entered into a dealership agreement with NGK Insulators, Ltd. (“NGK”) relating to NGK’s EnerCera Li-ion rechargeable batteries. EnerCera is a semi-solid state battery that uses NGK’s original crystal oriented ceramic plate as electrodes. It offers high capacity, high output, and high heat resistance, a combination of characteristics that has long been difficult to achieve. The Group has for many years manufactured MS (manganese-silicon) lithium rechargeable batteries that are compact, high capacity, and slow to deteriorate with repeated charging and discharging. In recent years, these have been sold around the world as backup power sources for devices such as security cameras and drive recorders. Through this partnership with NGK, we will expand the products we handle, as well as further strengthen our proposal capabilities by using our abundant sales network and expertise in the small battery market, thereby responding to needs for miniaturization and high functionality in various devices that support the digital society. We will also explore the possibility of new product development and technical cooperation that draw from the strengths of both companies.



## Value creation story of our encoder products

In various manufacturing sites, the need to improve production efficiency and respond to labor shortages has fueled demand for automation and unmanned operations. This has led to greater adoption of industrial equipment such as robots. For more than 10 years, the Group has been developing encoders for servo motors, which are essential for the operation of the diarthrosis parts of robots. These components detect the amount of rotation and movement of servo motors, making it possible to control a robot’s movement. The encoders that the Group provides have industry-leading technology, which enables our customers to achieve high precision movement in their various application equipments. From the specification review stage when introducing the product to troubleshooting during use, we work closely with our customers, supporting them as needed on problem solving. With our advanced technology development capabilities and thorough support system, we will continue to respond to customer needs.



## Keeping children safe with a portable solar beacon

In 2022, a tragic accident occurred in which a three-year-old child was left behind on a kindergarten bus and died of heat stroke. Similar accidents have followed, making their prevention a matter of public concern. YEC Solutions Inc., a system development company, has developed a service called the Relief Nap Beacon Watch, which uses ICT to prevent children from being left behind on kindergarten buses. The device adopted in the service is the portable solar beacon T-WA10 manufactured by our Group. In this service, kindergarten children wear beacon devices, whose signals are received with a dedicated smartphone application. Users can check when children board or disembark from the kindergarten bus, data that is automatically recorded by the service. At only 11g, the beacon is lightweight. Since this beacon has solar powered, there is no need to replace batteries. This service was recognized for its quality when it won the BabyTech® Awards Japan 2023 Qualified at a contest that recognizes excellent ICT products and services for childcare. The Group is contributing to solving social issues through the provision of devices that make use of the miniaturization and power-saving control technology that we have developed through watch manufacturing.





# Systems Solutions (SS) Domain



**Jun Sekine**

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

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

The Systems Solutions Domain (SS Domain) views “long-term, continuous growth in both revenue and profit” as the key to its management strategy. We will strive to achieve this goal by strengthening our stock business and promoting further diversification of our operations.

To achieve continuous growth over the long term, we must also focus on the individual growth of our own employees. Through their growth, it becomes possible for us as a company to sustainably provide ever more advanced products and services. We believe that these combined efforts will produce growth for our customers, which will ultimately lead to our own continued growth.

In fiscal year 2022, in order to accelerate our push for new solutions, we carried out M&A activity and welcomed three new companies under our roof (Instruction Co., Ltd., BackStore Co., Ltd., and Prestige Co., Ltd.). By taking advantage of the synergies generated from these acquisitions, we are building a strong foundation for further growth.

The beginning of fiscal year 2023, the second year of “SMILE145”, showed a rise in new value creation due to the easing of COVID-related restrictions. In such a positive environment, we will continue to create new businesses and focus our efforts on new project development. For example, in response to the ongoing growth and acceptance of digital channels, we developed smartphone-based digital solutions to support our customers.

By continuing to provide new solutions that meet social needs, the SS Domain has achieved 29 consecutive quarters (more than seven years) of growth in both revenue and profit (as of FY2023 1Q). All of the themes that are handled in the SS Domain, such as communication with new customers and a metaverse that adapts to various work styles, are directly connected to social issues. By carefully addressing social and digital issues one by one, and realizing new solutions through the use of digital technologies, we hope to contribute to a healthier, more humane, and more connected society, as outlined in the United Nations’ SDGs. In short, our vision is to help bring about a society that promotes the continuous growth of customers, employees, and other stakeholders.

## Vision

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

## KPI

	FY2021	FY2022	FY2026 (Target)
Operating Profit	<b>3.9</b> billion yen	<b>4.3</b> billion yen	<b>6.5 - 7.0</b> billion yen
Gross profit margin (GP%)	—	<b>+1.8pt</b> (compared to FY2021)	<b>+5.0pt</b> (compared to FY2021)
MVP Ratio *	approx. <b>60%</b>	approx. <b>65%</b>	<b>73%</b>

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

## Social Needs

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

## MVP Strategy

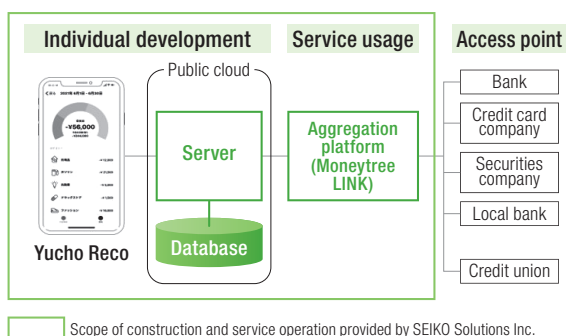
- Further advance the transition to the stock business
- Diversify further through M&As and alliances
- Expansion of digital transformation platforms

## Realizing digital transformation (DX) for customers in response to diversifying needs

We built a household expense accounting smartphone app, “Yucho Reco” for JAPAN POST BANK Co., Ltd., and started providing services in February 2023. JAPAN POST BANK Co., Ltd. aims to build a “Co-creation Platform” as a digital strategy in its Medium-term Management Plan. By adding new advanced technologies to our wide range of knowledge and experience, and using the latest development methods, we built a highly scalable smartphone app in less than one year.

The app allows users to manage assets that are scattered across multiple financial institutions, such as bank accounts, credit cards, securities accounts, electronic money, and points, as well as monthly income and expenditures. Going forward, we also plan to provide a service that offers personalized recommendations and advice (advertisements) to our customers.

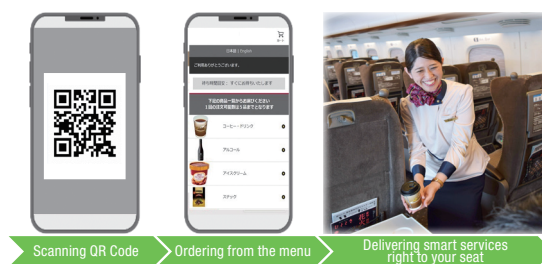
In addition to taking role in the operation of the app, we continue to support JAPAN POST BANK Co., Ltd. will accomplish their digital strategy by providing a variety of services that meet diversifying needs of customers, through an expansion of functions that are not limited to household expense accounting.



## Realizing improved experience-based value using digital technology

We built a Tokaido Shinkansen mobile ordering system which will be available to customers boarding Green Cars on the Tokaido Shinkansen (Nozomi and Hikari) from November 2023.

“Linkto Mobile Order” developed by our Group, was adopted by Central Japan Railway Company (JR Central) in order them to improve their services with picking up the diverse needs of customers, innovating new perspectives and flexible ideas, which are the part of their future vision of railways. JR Central has approached for future decline of labor force by proactively incorporating advanced technologies and fundamentally transforming the ways in which transportation services operate. Based on our extensive experience and solid technical capabilities we have cultivated through services such as our smartphone ordering system and Mobile Order, we will continuously support to the promotion of their digital strategies. In addition to expanding and improving our customers’ experience-based value by leveraging digital technologies, we will realize more advanced services and support our customers in building sustainable businesses by enhancing employee experience.



## Contributing to the resolution of the shortage of human resources who support social infrastructure

With the easing of restrictions brought about by the COVID-19 pandemic and the recovery in services, shortages of human resources have become evident in a wide range of industries. Furthermore, Japan is facing a declining birth rate and an aging population. In particular, the shortage of human resources in highly public services, such as electricity and gas, which support our infrastructures, has become a serious social issue. For the solution of these social issues, we are developing smart security solutions in the SS Domain through co-creation among SEIKO Solutions Inc.’s wireless communication technology, IIM Corporation’s AI analysis technology, and CSM SOLUTION CO., LTD.’s sensor utilization technology. Until now, experienced technicians themselves had to check each equipment on by one in order to collect information as to signs and causes of abnormalities in equipment. Now, we can accomplish more efficient maintenance of equipment, since providing our smart security solutions. The solutions have a service to prevent and predict diagnosis of equipment failures by detecting data monitored in real time via wireless communication, using sensors installed in remote equipment. By increase of accuracy of AI analysis technology, we will not only reduce the number of dispatches of technicians and eliminate the shortage of human resources, but also incorporate the sense of master technicians into digital technologies, and contribute to reproduce their knowledge and experience in the next generation.

# SDGs Strategy





## Sustainability Policy

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

**WITH** ( **W** : Well-being-A Better Life / **I** : Inclusion-for all people / **T** : Trust-Certainty and Trust / **H** : Harmony-with the Earth )

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

### Well-being A Better Life

Materiality Overview	Key Actions	Major Initiatives
 <b>Contribute to greater job satisfaction and active participation by diverse individuals</b>	Develop human resources as a pillar of our growth strategy, and work to improve engagement and promote diversity	<ul style="list-style-type: none"> <li>Develop human resources (take measures to develop entrepreneurial and digital transformation resources, and environmental improvement, including systems)</li> <li>Conduct engagement surveys</li> <li>Emphasize diversity in hiring and set goals to promote active adoption</li> <li>Promote health management</li> </ul>
 <b>Promote mental and physical health and achieve social welfare</b>	Develop products to enter medical and healthcare businesses	<ul style="list-style-type: none"> <li>Enter healthcare field through the development and sale of devices and materials for medical applications in cooperation with third parties</li> </ul>
 <b>Implement initiatives for respecting human rights</b>	Conduct thorough investigations regarding human rights	<ul style="list-style-type: none"> <li>Establish and continuously promote a due diligence system for human rights</li> <li>Promote in-house education on human rights</li> </ul>
 <b>Cultivate and support the next generation</b>	Support the growth and development of the next generation through hands-on events, classes, etc.	<ul style="list-style-type: none"> <li>Ongoing implementation of the Seiko Exciting School</li> <li>Hold Seiko Jazz Camp</li> </ul>




### Inclusion for all people

 <b>Contribute to the creation of a safe, secure, and inclusive social infrastructure</b>	Create and provide digital solutions to help realize a new age of society, where all people and goods are connected	<ul style="list-style-type: none"> <li>Provide Cloud- / AI- / IoT-enabled platforms to improve social infrastructure</li> <li>Provide products and services that bring about an inclusive world</li> </ul>
 <b>Contribute to a prosperous society through support for culture and sports</b>	Promote sports, music, and cultural activities that enrich people's lives and enhance our corporate value	<ul style="list-style-type: none"> <li>Sharing the Seiko Museum Ginza's concept of Time Culture with the world</li> <li>Continue sports timing activities, sponsorship of sporting events, and support for athletes</li> <li>Host concerts to support the recovery of East Japan</li> </ul>
 <b>Contribute to local communities</b>	Support activities in local communities that promote social revitalization at all our facilities, both inside and outside Japan	<ul style="list-style-type: none"> <li>Promote socially beneficial sports events and beautification activities in collaboration with local residents and communities</li> </ul>

### Trust Certainty and Trust

 <b>Provide high-quality products and services that are trusted by society</b>	Develop high-quality, high-added-value products and services by leveraging the strengths of each business domain to increase sustainable business activities	<ul style="list-style-type: none"> <li>Provide highly reliable products and service infrastructure that generates digital trust (trust in security, privacy, safety, etc. of our services)</li> <li>Enhance after-sales service system and expand quality improvement program globally</li> <li>Strengthen quality assurance system</li> <li>Pass down technical skills and techniques</li> </ul>
 <b>Promote responsible procurement and supply chains</b>	Establish and operate a sustainable supply chain management system that addresses social issues, including human rights and the environment	<ul style="list-style-type: none"> <li>Revise Procurement Policy</li> <li>Establish and implement procurement guidelines</li> </ul>
 <b>Strengthen corporate governance and the compliance structure</b>	Maintain and improve corporate governance and compliance operations based on respect for all relevant laws and regulations	<ul style="list-style-type: none"> <li>Further strengthen the operations of the Corporate Governance Committee, Corporate Ethics Committee, Risk Management Committee, and other bodies</li> </ul>

### Harmony with the Earth

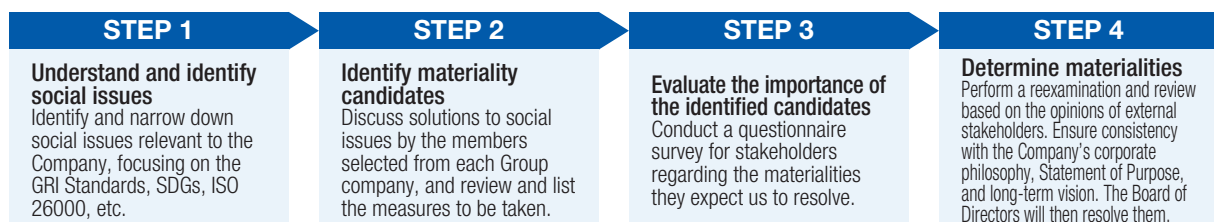
 <b>Implement initiatives for climate change and decarbonization</b>	Plan and promotion of reduction measures in line with the Seiko Group's long-term goal of reducing CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>Promote group-wide energy conservation and active introduction of renewable energy</li> </ul>
	Provide products and services that contribute to realizing a decarbonized society	<ul style="list-style-type: none"> <li>Introduce environmental support systems</li> </ul>
 <b>Help to realize a recycling-oriented society</b>	Create and expand lineup of environmentally friendly products and services	<ul style="list-style-type: none"> <li>Create resource-saving and eco-friendly products</li> <li>Simplify packaging materials and shift to using renewable materials</li> </ul>
	Promote 3Rs (Reduce, Reuse, Recycle)	<ul style="list-style-type: none"> <li>Reduce losses in raw materials and waste products</li> <li>Increase use of reusable parts and recycled materials</li> </ul>
 <b>Coexist and harmonize with nature</b>	Aim for coexistence with nature by increasing activities to conserve biodiversity and natural capital in each of our business locations	<ul style="list-style-type: none"> <li>Working together with local residents and outside experts to promote nature conservation (e.g., tree planting and preservation of marine resources)</li> </ul>



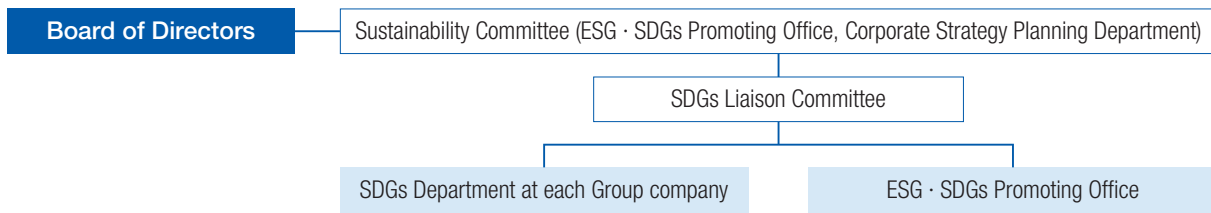
For more information on our sustainability initiatives, please refer to our website.

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

## The Process to Determine Materialities



## Promotion System Diagram



Specific Initiatives and Progress		SDGs Goals
<p><b>SGC</b> Implementation of engagement surveys Recognized under the Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program (SWC, SGC: recognized for three consecutive years starting in 2020, STC, WAKO: recognized in 2022)</p> <p><b>HC</b> Actively promoting the employment of individuals with disabilities and developing human resources at Aoba Watch Service Co., Ltd.</p>	→ P.44	
<p><b>SII</b> Sales of medical devices and materials such as hip prostheses materials</p> <p><b>SWC</b> Sales of watches for the visually impaired (tactile watches, audio digital watches)</p> <p><b>SFC</b> Development of an oral sensor device (in clinical trials)</p>		
<p><b>SGC</b> Established a due diligence system for human rights across the entire Group (in 2022) and starting implementing human rights due diligence (from 2023) In-house education on human rights (seminars, regular educational activities, harassment training)</p>	→ P.42	
<p><b>SGC</b> Held classes, such as at our Exciting Time &amp; Timepieces School and Exciting Sports School (roughly 300 classes and 2,500 participants in FY2022) Held Seiko Jazz Camp</p>	→ P.52	
<p><b>SSOL</b> Development of AI smart maintenance services</p>	→ P.35	
<p><b>SGC</b> Shared the Seiko Museum Ginza's concept of Time Culture with the world through related events Official timer of the Tokyo Marathon (consecutively since 2007) Sound of "Wa" Concert to Support Eastern Japan (held on March 10, 2023 at Bunkamura Orchard Hall)</p>	→ P.52	
<p><b>WAKO</b> Participation in the Spring cleaning event on Ginza street / Harumi Street and [2023 Strolling on the Ginza with Yukata] sponsored by Ginza Street Association.</p> <p><b>NPC</b> Support for National Shiobara Onsen Yukemuri Marathon</p>		
<p><b>SSOL</b> Generating digital trust through the provision of services such as time stamps, electronic contracts, invoicing</p> <p><b>SII</b> Manufacture and sale of wireless sensor network products and batteries for medical devices, etc.</p>	→ P.32	
<p><b>SGC</b> Established the Procurement Guidelines (November 2022), operational rules for supplier engagement, the Responsible Procurement Liaison Meeting (July 2023), and the Responsible Mineral Sourcing Policy (October 2023)</p>	→ P.41	
<p><b>SGC</b> Harassment training is to be held in the form of a workshop Enhancing the understanding of and communication with Outside Directors (via tours of major facilities, meetings to exchange opinions with employees, etc.)</p>		
<p><b>WAKO</b> Achieved 100% renewable electricity consumption at all stores and offices</p> <p><b>SWC</b> Planning to achieve 100% renewable electricity consumption at all factories, stores, and offices in Japan (2023)</p> <p><b>SGC</b> Formulation of a brought-forward plan to achieve 100% renewable energy consumption at all of the Group's domestic locations (to be introduced in FY2026)</p>	→ P.38	
<p><b>SII</b> Manufacture and sale of automotive parts for NEVs</p>		
<p><b>SWC</b> Reduction of paper and plastic in products' auxiliary materials (instruction manuals, warranty cards, boxes, etc.)</p> <p><b>WAKO</b> Development and sale of original products using materials from REDA, the first textile company to obtain B Corp Certification</p> <p><b>SPT</b> Expand sales of cassette molds that significantly reduce CO<sub>2</sub> emissions</p>		
<p><b>SSOL</b> Optimization of inventory levels and reduction of food loss by collecting and analyzing restaurant order information</p> <p><b>WAKO</b> Launch of upcycled products made from leather scraps (MANACO FRIENDS, momiji)</p> <p><b>STC</b> Reuse of scoreboards used in sports competition (update system equipment parts by utilizing the reusable parts of existing equipment)</p>		
<p><b>SWC</b> Support for and employee participation in environmental conservation activities under our comprehensive cooperation agreement with Iwate Prefecture Sponsorship of and employee participation in conservation activities for the PADI Marine Debris Program Environment School run by Morioka Seiko Instruments</p>		

**SGC** Seiko Group Corporation   
 **SWC** Seiko Watch Corporation   
 **STC** Seiko Time Creation Inc.   
 **WAKO** WAKO CO., LTD.   
 **SII** Seiko Instruments Inc.   
 **NPC** Seiko NPC Corporation  
**SFC** Seiko Future Creation Inc.   
**SSOL** Seiko Solutions Inc.   
**HC** Human Capital   
**SPT** SEIKO Precision (Thailand) Co., Ltd.

## International and Domestic Initiatives

WE SUPPORT



For more information on our international and domestic initiatives, please refer to our website.  
<https://www.seiko.co.jp/en/csr/>

## Initiatives for climate change and decarbonization

In recent years, the damage and effects of climate change have become increasingly serious. Following the United Nations Climate Change Conference (COP26) in November 2021, the movement to limit the global average temperature rise to 1.5°C over pre-industrial levels has accelerated, and companies are under pressure to take more proactive and long-term measures to realize a decarbonized future.

Against this backdrop, the Group vowed to further strengthen its efforts to help achieve a decarbonized society by setting long-term targets for reducing greenhouse gas emissions.

## Reduction of Scope 1 and 2 emissions

The Group has set long-term targets for reducing greenhouse gas emissions and is further stepping up its efforts to realize a decarbonized society. To date, we have worked to reduce greenhouse gas emissions through all our business activities, including energy conservation activities at offices and manufacturing sites, and improving the energy-saving performance of our products and services. Recently, we have been actively promoting the introduction of renewable energy throughout the entire Group, such as installing solar panels, entering into Power Purchase Agreements (PPA), and switching electricity contracts.

### Main Measures

- Review/improvement of manufacturing processes
- Expanding use of renewable energy
- Working with suppliers and customers
- Providing environmentally-friendly products, services, and solutions (improved energy efficiency, etc.)
- Introduction/renewal of highly efficient equipment
- Development of energy-related technologies

## CO<sub>2</sub> emissions results in fiscal year 2022 (Scope 1, 2)

We exceeded our fiscal year 2022 target of an 8.4% reduction, achieving an **11.6%** reduction (from fiscal year 2020 levels).

### SGC Group Long-Term Targets for Reducing CO<sub>2</sub> Emissions

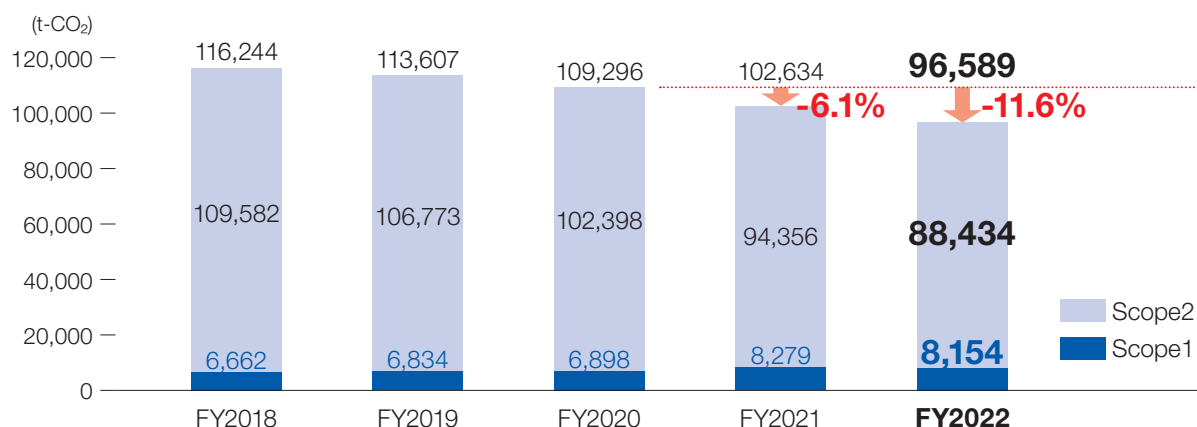
Reduction targets for 2030

Scope 1 & 2 : **42%** reduction from 2020 level

Scope 3 : **25%** reduction from 2020 level

Aim to achieve **carbon neutrality** by 2050.

	FY2020	FY2022 (target)	FY2022 (results)
Scope1	6,898		8,154
Scope2	102,398		88,434
Total	109,296	100,115 -8.4%	96,589 -11.6%

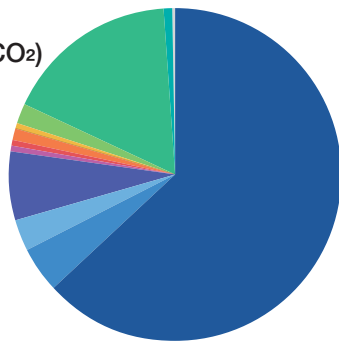




## Calculation for Scope 3 emissions

In addition to Scope 1 and 2 emissions, the Group has been calculating Scope 3 emissions for the entire Group since FY2021 to ascertain the CO<sub>2</sub> emissions of the entire supply chain. Our long-term target is to reduce Scope 3 emissions by 25% (from fiscal year 2020 levels) by 2030.

**Scope 3  
CO<sub>2</sub> emissions (t-CO<sub>2</sub>)  
Result  
FY2022**

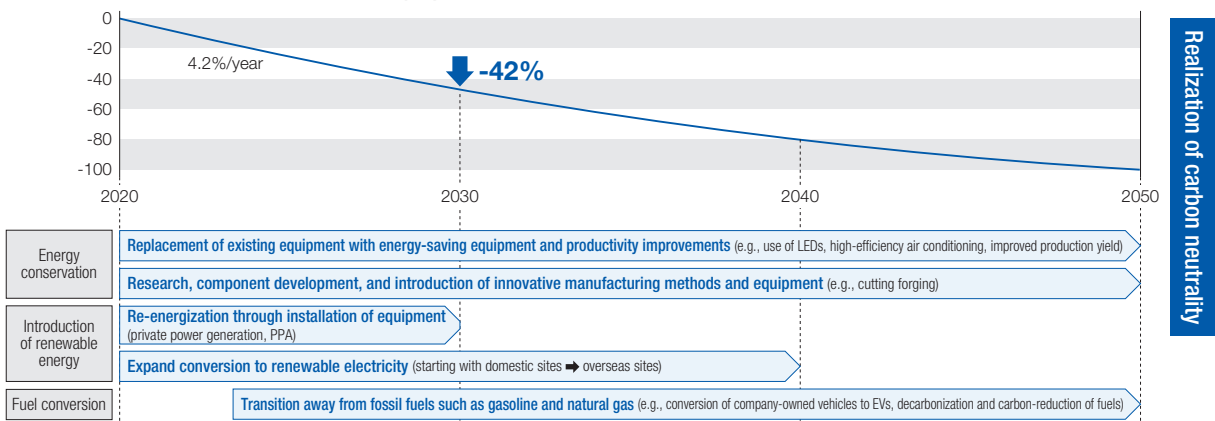


Category	Item	CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	%
Category 1	Products and services purchased	362,206	63.3%
Category 2	Capital goods	25,690	4.5%
Category 3	Fuel and energy-related activities not included in Scope 1, 2	16,129	2.8%
Category 4	Transportation and distribution (upstream)	39,073	6.8%
Category 5	Waste from business activities	2,888	0.5%
Category 6	Business travel	3,680	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	95,739	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		572,367	100.0%

## Decarbonization transition plan

Through efforts to conserve energy and introduce renewable energy, we achieved an 11.6% reduction (from fiscal year 2020 levels) in Scope 1 and 2 emissions in fiscal year 2022, exceeding our target. The Group is currently pushing forward to achieve our long-term targets for reducing CO<sub>2</sub> emissions ahead of schedule, aiming to achieve 100% renewable energy use at all domestic sites by fiscal year 2026, at all sites including overseas sites by 2040, and to achieve carbon neutrality, including Scope 3 emissions, by 2050.

### CO<sub>2</sub> emissions reduction rate (%)



## Applying for SBT Certification

In April 2023, the Group submitted a commitment letter to SBT initiative, an accreditation body, in order to gain the Science Based Targets (SBT) certification, which certifies that a company's greenhouse gas reduction targets are in line with the Paris Agreement goals. Going forward, we will work to obtain SBT certification in fiscal year 2024 and strive to further reduce greenhouse gas emissions.

## CDP



In response to the CDP's request for information disclosure, the Group responded to the climate change questionnaire, and in 2022 obtained a "B score", the third out of eight levels. Going forward, we will continue to promote measures to address environmental risks, aim to further improve the score in the climate change questionnaire, and prepare answers to the water security questionnaire.



## Information Disclosure Based on TCFD Recommendations

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



### Risk Management

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



#### Management Structure

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

### Strategy

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

### Scenario analysis process

We used the 4°C scenario and less than 2°C scenario as the premises of our risk and opportunity analysis. We conducted our scenario analysis according to the following steps. In Step 1, we assessed the importance of the identified climate-related risks and opportunities, picked out the high-significance climate-related risks and opportunities, and set parameters related to them. Then in Step 2, based on the information in Step 1, we identified the scenarios that are closely related to our business among the existing scenarios and set them as climate-related scenarios, and evaluated the financial impact of each of these scenarios in Step 3. In particular, we recognized that increased costs due to the introduction of a carbon tax could have a notably significant impact, and went on to calculate this impact. Finally, in Step 4, we assessed the resilience of our strategy against climate-related risks and opportunities, and considered further response measures.

In fiscal year 2021, we conducted scenario analysis for its main business areas, and in fiscal year 2022, the scope was expanded to include all businesses.



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

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

### Governance

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

In addition, the reduction rate of CO<sub>2</sub> emissions is included as a “non-financial (ESG) assessment” in the performance evaluation index as a KPI for performance-linked compensation for officers.



#### Governance Structure

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

## Procurement

By working together with our suppliers on sustainability issues throughout the supply chain, we believe that we can build a long-term relationship of trust with society and contribute to the realization of a sustainable society in harmony with local communities. In November 2022, we revised the “Seiko Group Procurement Policy” and formulated the “Seiko Group Procurement Guidelines” as a document to supplement said procurement policy, having been engaged in the procurement activities with our suppliers.



**Seiko Group Procurement Policy and Procurement Guidelines**  
<https://www.seiko.co.jp/en/csr/society/supplier/#supplier-title>

In 2023, we established the Responsible Procurement Liaison Meeting under the Sustainability Committee to further promote supplier engagement. Based on this promotion structure, we formulated operational rules for the guidelines in the first half of 2023, and from the second half, we have been identifying key suppliers and high-risk human rights suppliers, holding briefings for suppliers, obtaining signatures for agreements, and conducting SAQ (Self-Assessment Questionnaire) surveys. Going forward, if risks stemming from procurement activities arise, the entire Group will work together with our suppliers to mitigate these risks, such as implementing and requesting corrective measures from the perspective of preventing and mitigating adverse impact on human rights and the environment. We will continue to practice sustainable procurement and work together with our suppliers to solve sustainability issues.

## Responsible sourcing of minerals

Minerals mined in conflict-affected areas around the world have become a source of funds for the activities of local armed groups. These armed groups are said to force local residents to work in inhumane ways. In order to avoid becoming complicit in human rights violations and conflicts by armed groups through these business activities, companies must carefully examine their supply chains to avoid and mitigate this risk. In October 2023, the Group formulated the Seiko Group Responsible Mineral Sourcing Policy to ensure we do not use minerals that are complicit in human rights violations.

Going forward, we will carry out initiatives to identify, assess, alleviate, and reduce risk based on this policy.

### ● Initiatives of Each Operating Company

#### Toward biodiversity conservation

Global biodiversity is in a critical situation. Thousands of species are becoming extinct every year, the quality of our natural world is declining, and ecosystems are being destroyed. As a result, it is becoming increasingly important for companies to engage in biodiversity conservation.

At our Group, each operating company promotes its own biodiversity activities. We strive to realize a “society in harmony with Nature” by engaging in a variety of initiatives, including biodiversity-friendly land use, consideration of biodiversity in products, planting activities, collaboration with stakeholders, and educational awareness. Morioka Seiko Instruments Inc. has created an insect hotel in Waku-Waku (Exciting) Forest on its premises and is promoting biodiversity initiatives together with the local community.

#### WAKO's efforts

WAKO held “WAKO's SDGs Month” from July to August 2023. Under the title of “Sustainable A ⇔ Z,” WAKO introduced its sustainable services and products, likening them to the 26 letters of the alphabet. In “C/Clean Energy,” the company introduced how it uses the renewable energy generated at the Namie Sakai No. 1 Solar Power Plant in the town of Namie, Fukushima Prefecture. In August 2023, WAKO achieved 100% renewable electricity across all its stores and offices. To commemorate this, the Wako Clock Tower was lit up with green lights from sunset to 10 PM during the period of this event. Also, in “N=Next Generation,” WAKO introduced how it has spent many years curating items that will be passed down to the next generation, and in “U=Upcycling,” how it creatively upcycles the leather offcuts generated in the production process of its original bags.



## Human Rights

Following the globalization of economic activities in recent years, the responsibility of companies to respect human rights has expanded even further. In addition to addressing issues such as long working hours and harassment directly coming from the companies themselves, companies are also expected to tackle a variety of human rights violations, including child labor and forced labor in overseas supply chains that indirectly promote or contribute to adverse impact.

In May 2022, the Group formulated the Seiko Group Human Rights Policy with the aim of fulfilling its responsibility to respect fundamental human rights in order to create “a future full of smiles,” as stated in our Group Purpose, and to realize our Corporate Philosophy of being “a company that is trusted by society.” The Human Rights Policy is based on the United Nations Guiding Principles on Business and Human Rights, and applies to all officers and employees of the Group. It stipulates that we will make every effort to ensure that our business activities do not infringe on the human rights of others, and if we discover any negative impact on human rights, we will immediately take steps to correct that situation.



**Seiko Group Human Rights Policy**

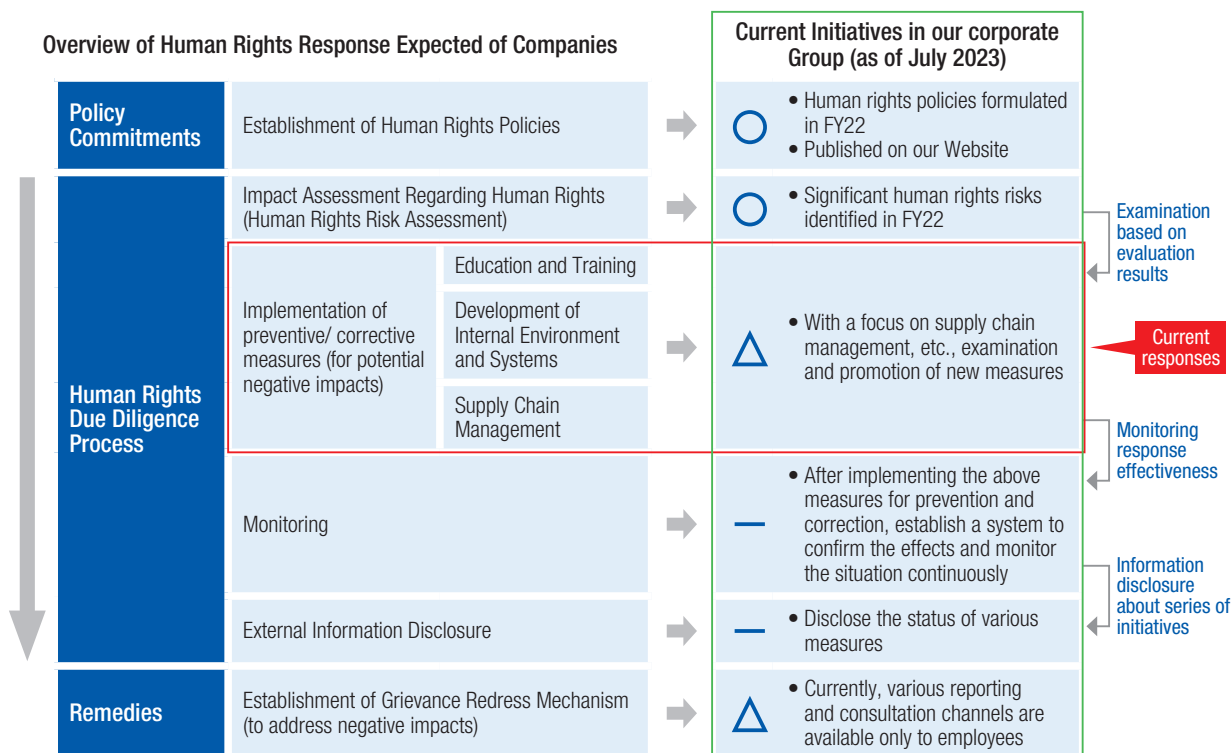
[https://www.seiko.co.jp/en/csr/sustainability\\_policy/human\\_rights.html](https://www.seiko.co.jp/en/csr/sustainability_policy/human_rights.html)

## Human Rights Due Diligence

In fiscal year 2022, we began creating and operating a human rights due diligence system based on the Seiko Group Human Rights Policy.

Human rights due diligence includes identifying, preventing, and mitigating any negative impacts on human rights that are related to our business activities, as well as taking corrective measures and disclosing our human rights initiatives to third parties. In fiscal year 2022, we conducted the Human Rights Risk Assessment (assessing impact on human rights) to identify particularly significant human rights risks that require special attention. We also established policies to prevent and to rectify these important human rights problems.

Going forward, we will not only continue to work to address these risks, but also actively advance human rights due diligence by monitoring improvements, disclosing information to third parties, and establishing a grievance redress mechanism.



## Significant Human Rights Risks and Response Policies

Using our Human Rights Risk Assessment, in order to conduct an initial assessment of the significance of human rights issues that could occur in the Group's supply chain, we identified all the human rights risks (including potential and actual risks) that the Group should consider based on (1) the results of interviews and questionnaires to assess the risk perceptions of each operating company, (2) the issues pointed out by international organizations and NGOs, and (3) examples of risks that have materialized within the industry. After that, we identified 14 highly significant human rights risks that require special attention in terms of severity (severity of damage to human rights if risks materialize) and likelihood (likelihood of occurring within the Group), and established response policies for the prevention and remediation of each one. Among these, we are prioritizing responses to 7 significant human rights risks that require immediate preventive and corrective measures. At the same time, the Group conducts regular monitoring and reports on the progress of our efforts on our website.

We will continue to carry out the process of conducting human rights risk assessments, implementing preventive and corrective measures, monitoring our progress, and disclosing information to third parties.

**● In addition to existing measures, we have classified new initiatives for the prevention and/or correction of each significant risk**

Significant Human Rights Risks Requiring Special Attention (potential & actual risks)		Prevention and Remediation Policies
Our Company	<b>Working Hours</b> Long working hours and excessive overtime	Strengthening efforts to mitigate long working hours and excessive overtime (existing initiatives)
	<b>Power harassment</b> Power harassment and moral harassment	<b>A</b> Expanding and strengthening training related to harassment awareness
	<b>Occupational Health and safety</b> Inadequate safety and hygiene in the work environment	Continued and enhanced efforts to provide product explanations to recipients (existing initiatives)
	<b>Consumer Safety and Right to Know</b> Consumer health and safety risks due to defects in our products or services	Strengthening efforts to improve labor safety and hygiene (current initiatives)
	<b>Discriminatory Practices</b> Discriminatory treatment of customers during the provision of company service	<b>B</b> Identification and mitigation of indirect human rights risks associated with our B2B products
	<b>Discriminatory Practices</b> Discriminatory practices towards company employees in terms of job evaluation, compensation, promotions, etc.	<b>C</b> Promotion of Diversity, Equity, and Inclusion (DEI) in all customer interactions
Suppliers and Contractors	<b>Complicity in Conflicts, etc.</b> Contributing to conflicts and human rights abuses through the use of conflict minerals	<b>D</b> Expanding and reinforcing programs aimed at increasing the number of women in leadership positions
	<b>Forced Labor</b> Significant forced labor and slave labor conditions at suppliers and contractors (mainly overseas)	<b>E</b> Strengthening and expanding initiatives to recruit and motivate a diverse workforce
	<b>Child Labor</b> Serious child labor abuses in supplier and contractor factories (mainly overseas)	<b>F</b> Establishment of supplier management systems based on procurement guidelines
	<b>Working Hours</b> Long working hours and excessive overtime at supplier and contractor facilities	<b>F</b> -1. Promotion and full implementation of procurement guidelines for suppliers <b>F</b> -2. Using Self-Assessment Questionnaires (SAQ) and similar measures to monitor compliance with procurement guidelines
Raw Materials Suppliers	<b>Forced Labor</b> Significant forced labor and slave labor at raw materials production sites (mainly overseas)	<b>G</b> Strengthening measures to identify and eliminate high-risk raw materials
	<b>Child Labor</b> Significant child labor at raw materials production sites (mainly overseas)	<b>G</b> -1. Promoting and implementing responsible mineral sourcing practices <b>G</b> -2. Developing and distributing to suppliers a "Watchlist of Critical Materials"
	<b>Occupational Health and Safety</b> Inadequate safety and hygiene at raw materials production sites (overseas)	
Sales Channels, etc.	<b>Complicity in Conflicts, etc.</b> Complicity in conflicts and human rights violations through the use of our company's products	<b>B</b> Identification and mitigation of indirect human rights risks associated with our B2B products

Specific response policies from **A** to **G**.  
[https://www.seiko.co.jp/en/csr/sustainability\\_policy/human\\_rights.html](https://www.seiko.co.jp/en/csr/sustainability_policy/human_rights.html)

# Human Resource Strategy

For working together as one Group toward our aim of becoming a solutions company, we drive innovation through boosting employee satisfaction. In order to do that, we actively work to develop human resources, improve diversity, build our organizational culture.

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

Human resource strategy is one of the Group’s core strategies. Our human resource strategy involves various initiatives centered on three priority themes: developing human resources who can navigate complex social issues to create new value; promoting diversity and inclusion to build an organization adapts to change; and improving employee engagement to maximize employee motivation and ability.

### Progress in fiscal year 2022

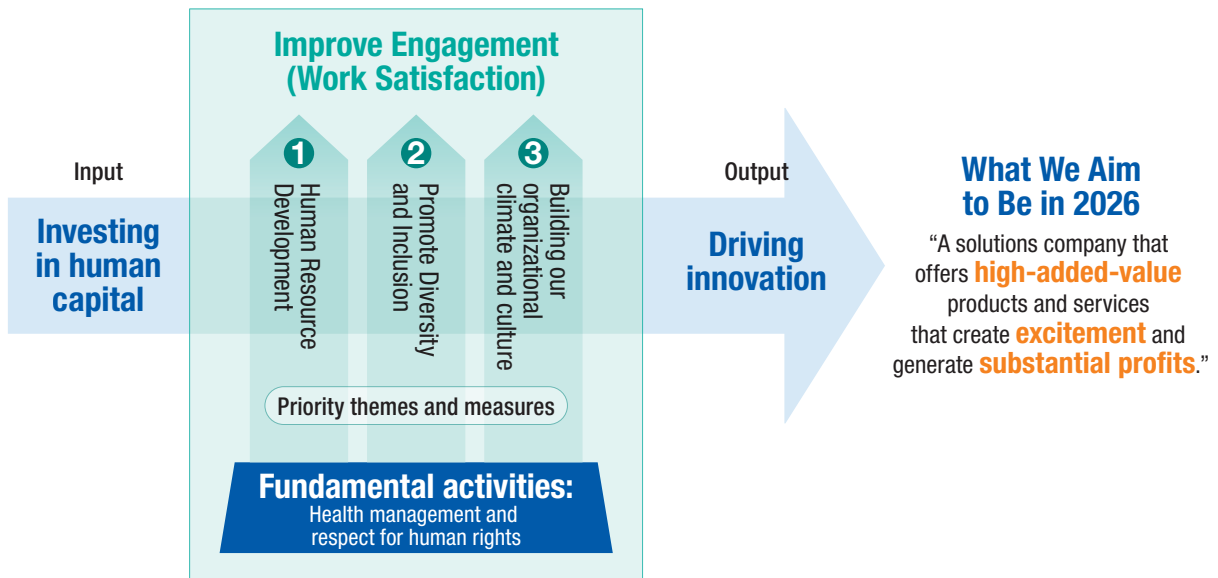
In fiscal year 2022, we formulated separate plans, aligned to our basic policy, for initiatives by the entire Group and by each operating company. When implementing each plan, we carried out an engagement survey on human resource issues. Assessing the current situation in this way allowed us to spot any gaps for improvement and act quickly to address those areas.

### Initiatives for fiscal year 2023

The engagement survey results indicated a need for reform of our organizational culture and for even stronger cooperation within and outside the Group, which are necessary conditions for driving new innovation. We also saw a need to support middle management, a core function of the organization that works to promote management plans. Based on these findings, we have newly added building our organizational climate and culture development as pillars of our human resource strategy, and have reflected these into our priority themes for this fiscal year and beyond.

We have positioned health management and respect for human rights, areas that we have been actively addressing in our activities so far, as the framework for our human resource strategy for a solutions company. We have reorganized our human resource strategy around these fundamental activities.

### ● Framework of our human resource strategy for realizing what we aim to be

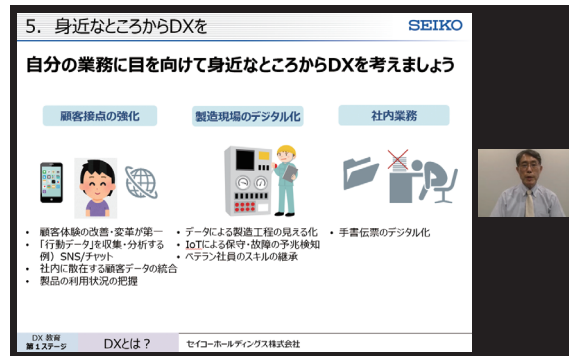


Human resources are the most important asset underpinning the Group’s value creation story. With this in mind, we will continue working to create a structure and environment that will allow Group employees to use their abilities to the full and achieve personal growth and self-realization.

## Priority themes ① : Human Resource Development

### Digital Transformation (DX) skills enhancement program

Starting in fiscal year 2022, we launched a program aimed at raising the level of DX skills among all our employees in Japan. Following completion of a 10-hour fundamental course in the first year, this program will cover additional trends in the rapidly evolving DX field, with courses in data-driven and generative AI technologies from the second year onward. We are sequentially planning and implementing this program to strengthen our foundational digital transformation skills throughout the Group. We are also introducing practical programs that integrate digital with business to support the creation of new businesses. In doing so, we aim to develop human resources who can help accelerate our creation of new businesses.



A session of the DX Skills enhancement program fundamentals training

### Initiatives for strengthening management skills

Since fiscal year 2021, we have been implementing a management skill training program for managers in the workplace. The program aims to equip managers with the skills they need to maximize the results of their team. Such skills are key to ensuring that each employee understands the team's objectives and goals and how they align with overall management and business plans. We also plan to introduce a program aimed at strengthening the communication and facilitation skills of managers. The aim is to enable them to draw out positive opinions and ideas from their subordinates, with a view to increasing employees' sense of ownership over their work.



A session of the management skills enhancement program

### Developing human resources as potential candidates for senior management

To increase corporate value and achieve sustainable growth in a complex management environment, it is vital to systematically develop management human resources who can be responsible for the management of the Group and the promotion of each business. Going forward, we will work to build a system that systematically instills the literacy necessary for management while affording employees the type of experience that they would need in a senior management position.

## Actively investing in human capital to boost employee work satisfaction and together pursue the goal of becoming a solutions company

Through its history of pursuing the creation of new value, the Seiko Group has developed a wide range of businesses. Many of our employees throughout the Group bring advanced expertise in their fields, which they apply to their work. We believe that for the Group to work as one team to generate new innovations, such diverse employees need to be able to move beyond organizational barriers both physically and mentally. They need to be able to discuss their ideas freely and openly so that they can create new value without fear of failure.

To build a foundation and environment for such human resources to perform at their best, the Seiko Group will commit more than ever before to actively investing in human capital. This will include areas such as human resource development, organizational culture development, and diversity improvement. We will work to increase employee work satisfaction and create an environment where everyone works together toward our aim of becoming a solutions company.

Senior Vice President **Naoki Tajima**



Priority themes ② : Promote Diversity and Inclusion

**Initiatives to support women’s empowerment**

Since fiscal year 2013, the Group has been working to promote the empowerment of women in various ways including introducing various systems for improving the working environment and changing attitudes. We believe that it is important to reform the consciousness of all employees, not just women. That is why in our approach to promoting the advancement of women, we carry out educational programs that target all employees. In fiscal year 2023, in addition to the introduction of a staggered working hours system, we expanded our work from home system. As part of our educational program, we plan to conduct unconscious bias training and e-learning for all employees, including officers. We will continue working to create a working environment that supports female employees as they advance their careers.

**Efforts to support work-life balance**

The Group is also actively providing support for balancing work and childcare. In fiscal year 2022, to encourage male employees to take childcare leave, we introduced paid childcare leave at birth. We also carried out various activities aimed at encouraging men to take childcare leave, such as communication from top management to Group employees and seminars on that theme. By promoting understanding among supervisors and colleagues, we are working to build a culture that supports a balance between work and childcare. As a result of these efforts, the rate of men taking childcare leave in fiscal year 2022 was 46.7%, a year-on-year increase of 23.6%.

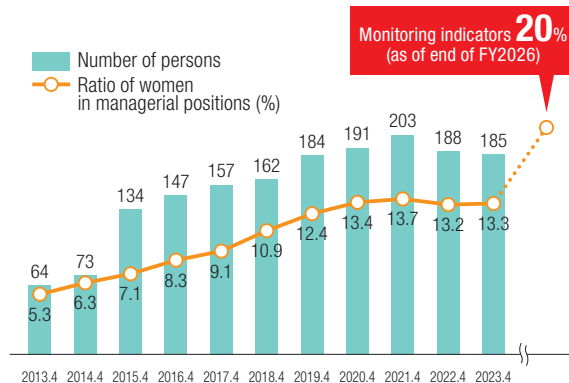
**Developing a system for work flexibility**

As values toward working styles diversify, it is more important than ever to build an environment and system that allows employees to work productively, whenever and wherever suits them best. That flexibility is key to enabling employees to have a strong sense of motivation and energy to their work. As well as introducing a work-from-home system that enables remote work, we piloted and introduced the use of shared offices, which enable efficient working. This also offers an opportunity for employees to interact with other professionals in a way that beyond the boundaries between companies.

**Recruiting and hiring employees with external experience**

Many of our more experienced employees are active in fields that require advanced knowledge, such as business creation and digital promotion. They apply diverse experience from outside the Company to creating new value. Many of these employees are appointed to management positions, with the result that the number of such employees involved in making important Company decisions has been growing year by year. We have also introduced a regular follow-up system to support employees after they join the Company. This creates a support system for enabling employees to quickly contribute while also aiding retention. To promote value creation that applies knowledge from inside and outside the Company, we will further work to ensure fair and impartial hiring based on individual merits, and promote the success of experienced hires.

**Ratio of women in managerial positions**



Childcare system guidebook



A remote work meeting



Priority themes ③ : Building our organizational climate and culture

**Reforming our organizational culture throughout the Company**

Starting in fiscal year 2023, we launched the SWING Project for organizational culture reform. The aim of the project is to build the organizational culture needed for driving new innovation and further strengthening cooperation within and outside the Group.

The name “SWING” is taken from the initials of the following words: Seiko (Seiko Group), Will, Identity, Natural, and Glory. It also captures the idea of swinging the organizational culture and climate (like a wave that shakes and changes it).

As a first step, we carried out measures for removing physical barriers. These included relaxing policy on office attire, abolishing positions and honorific titles within the Group, and building a new workplace that enlivens communication.

As part of building a new workplace that enlivens communication, we took onboard the opinions of employees at each Group company, introducing free addressing and refresh areas and abolishing private offices for officers.

We have also established opportunities for dialogue with senior management in an effort to help employees take more ownership of management and business strategies through direct dialogue with Group management executives.

Going forward, we will continue to develop initiatives that help build an organizational climate and culture of free and open communication across organizations and positions.



Lunch meeting with senior management



Introduction of standing spaces

Fundamental activities : Health management

The Seiko Group made the “Declaration of Health Management” in fiscal year 2019, and since then have been promoting initiatives for the health maintenance and improvement of all employees across the Group.

The Seiko Group has been recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large-Enterprise Category) for four consecutive years starting in fiscal year 2019. Five other Group companies have been the same recognition.

Going forward, we will continue to conduct health seminars and work with health insurance societies and occupational health staff to further improve employee health awareness.



**Declaration of Health Management**

Each and every one of our employees is the driving force that enables Seiko to continue its relentless pursuit of innovation.

Without our people, Seiko would not be able to produce such strong emotions in our customers or such a high level of trust in society.

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

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

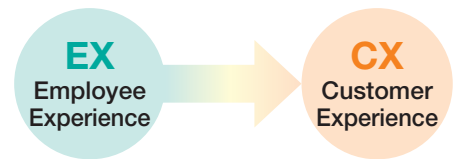
**Shuji Takahashi**  
President  
SEIKO GROUP CORPORATION

# Digital Transformation Strategy

We use digital technology to deliver products and services from the perspective of customers that provide a better customer experience (CX).

**Basic Policy** 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

The Group believes that digital transformation (DX) consists of understanding customers' pains and gains and using digital technology to improve assets, both internal and external, to supply products and services with even better customer experience (CX). Enriching employee experience (EX) is vital to providing superior CX. Led by our basic policy, we are more dedicated than ever to digital technologies and data. We will thus focus our efforts on achieving what the Group aims to be in the following six areas.



## Areas related to our businesses

### B2C

Promote OMO\*1 measures to enrich customer experiences, and provide high-value-added products and services

### B2B

Further refine our customer-oriented sales activities and create new high-value-added services, while working to create a highly productive and flexible manufacturing system

### Data driven

Respond to the rapidly changing environment and continue to achieve sustainable growth by leveraging digital technology and data to refine our business processes

## Areas related to IT infrastructure

### Infrastructure/Security

Operate our IT infrastructure stably and without interruption while enhancing its information security to take our IT operations to a higher level

### Digitalization

Improve productivity and review/revise our operation processes through the digitalization of business processes

### Business systems

Develop and upgrade core business systems to support the stable and uninterrupted operation of our IT systems

\* 1 OMO : Online Merges with Offline

## Progress in fiscal year 2022

In fiscal year 2022, we made efforts to enhance the competitiveness of our businesses by developing our human resources and skills and utilizing digital technology as we work toward achieving what we aim to be in 2026. As one measure to achieve this goal, in our B2C business we aimed to integrate online and offline customer data and promote digital marketing based on this. In order to meet the growing demand in online sales channels, we also enhance our Boutique Online and other services. With regard to developing digitally skilled human resources, we have set the goal of fostering our corporate culture for developing of human resources that gain a further understanding of DX and carry out it as innovators. To this end, we have established the DX Lab as an initiative to enhance the basic skills and motivation of all employees to enable them to conduct DX on their own.

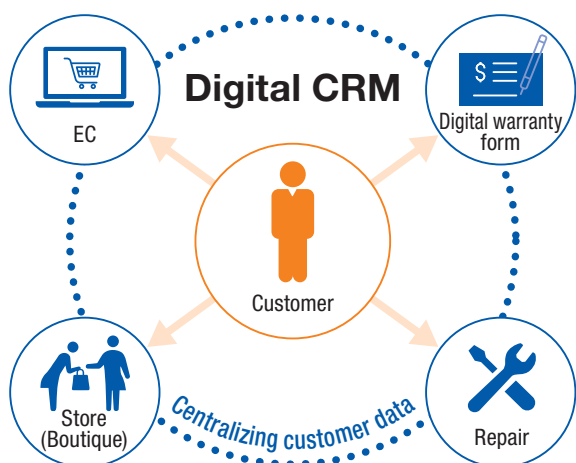
## Initiatives for fiscal year 2023

In fiscal year 2023, we will continue to carry out measures for our B2C business and develop digitally skilled human resources. In our B2C business, under the concept of strengthening relationships with target customers and improving the quality of our customer service based on centralized customer data, we will carry out measures to promote digital marketing, such as promoting digital CRM\*2 and strengthening customer management systems. Alongside the DX Lab, we are promoting DX Core initiatives, under which we are aiming to develop human resources that can engage in digital transformation on their own.

\*2 CRM : Customer Relationship Management

## Promotion of digital marketing by centralizing customer data

Each Group company is working to enhance their marketing activities by utilizing digital CRM to strengthen their relationships with target customers and improve the quality of their customer service.



In order to provide customers with better products and services, SEIKO WATCH CORPORATION is aiming to promote digital CRM by centralizing customer data, such as digitizing and registering warranty forms via QR codes in addition to regular sales data, making it possible to update the database immediately. In fiscal year 2023, we will continue to strengthen our Boutique Online, an online sales channel, and enhance our use of accumulated data to provide a better customer experience.



Using a tablet to view customer purchase and other data at the store

By using a unified customer data platform that integrates online and offline customer data, WAKO Co., Ltd. has deepened its understanding of customers through OMO measures, such as sending direct messages (eDMs) to target customers and sending questionnaires to customers that have purchased products, then analyzing their responses collected. WAKO is also working to provide services tailored to individual customers and products to be purchased, and to increase opportunities to approach customers, such as enabling sales personnel to view customer information on tablets at stores.

## Developing innovative human resources through DX Core

The creation of new businesses using digital technology is becoming increasingly important. In fiscal year 2022, we conducted “DX Lab” training for all Group employees in Japan to improve their basic DX skills and motivation.

In fiscal year 2023, we will also conduct “DX Core” training to create new businesses based on actual experiences rather than classroom lectures, as we work to create new businesses that leverage Group synergies and digital technologies.

Going forward, we will strive to develop innovative human resources and create new businesses while further strengthening our partnerships with third parties.



# R&D Strategy

We aim to be a solution company that inspire people and society through the development of high-added-value products.

## Basic Policy

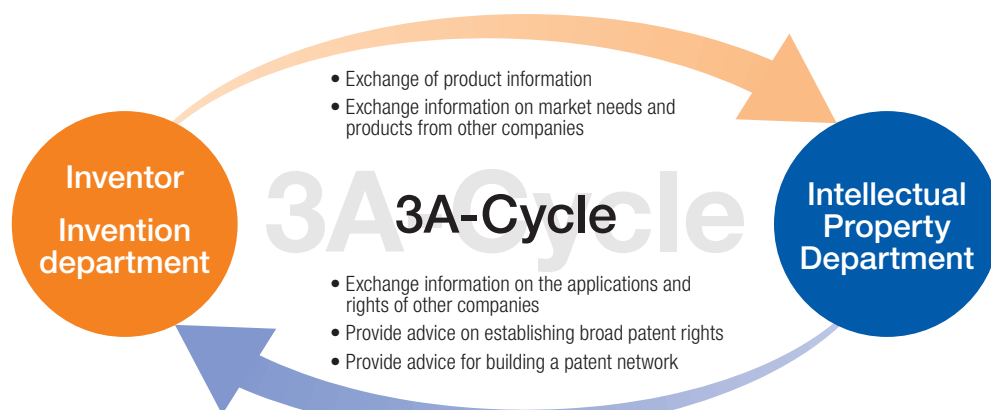
Further evolve its technology and create new value by combining its long-cultivated technological philosophy of “Craftsmanship, Miniaturization, and Efficiency” with digital technology

Under the basic policy of our R&D strategy set forth in SMILE145, we will establish product development and production technologies as a solutions company. We will strive to develop high-added-value products and services that create excitement and generate substantial profits, as well as technology that will contribute to growth in the Society 5.0 field. To this end, we will strengthen cooperation with the planning divisions of each operating company to promote the MVP strategies of each business domain. In addition, to remain a sustainable company together with society, we are actively working to reduce the environmental impact of our operations by conserving resources and manpower, a strength of the Group, as well as by streamlining and improving the efficiency of our processes.

## Group intellectual property activities

Led by our Statement of Purpose, as a solutions company, the Group promotes intellectual property (IP) activities based on the idea that our creative IP activities support innovation and business activities, which in turn contribute to the sustainable growth of society. With the aim of ensuring the acquisition of IP rights that support the sustainable growth of our business and minimizing business risks, we are working to prevent and resolve disputes, thoroughly review IP contracts, and strengthen the protection of our products.

Close cooperation with the invention department and the inventors is vital in ensuring a company can acquire IP rights that contribute to their business. To this end, the Group works closely with inventors to examine the true technical effects of the invention at the patent application stage. At the acquisition stage, the Group thoroughly examines multiple means of obtaining rights from both legal and technical standpoints, and decides on the most optimal plan. Then, at the final stage we review the specifications of our product, market needs, and trends of other companies, after which we establish a patent network that protects our product on multiple fronts. As a result of these efforts and a thorough investigation of prior art, the Seiko Group’s average patent allowance rate has remained above 90%, compared with the national average of 75.9% (for fiscal year 2022; as announced by the Japan Patent Office). In order to support the execution of the Mid-term Management Plan, SMILE145, by means of our IP strategy, from fiscal year 2022 we started “3A-Cycle” (Analysis, Assistance, Acceleration) activities. We first analyze information collected from the market and the invention department together with IP information. We then assist said department with research to ensure sustainable product development, and with the establishment of IP rights to enhance the product’s market superiority and added value. Finally, we strengthen cooperation between the department and our Intellectual Property Department to accelerate business activities. In order to protect Group MVP products and realize sustainable development, we will strive to thoroughly conduct patent searches. In order to strengthen MVP products, we will also work to build a comprehensive patent network to increase added value, and to obtain patent rights for peripheral technologies and future use.



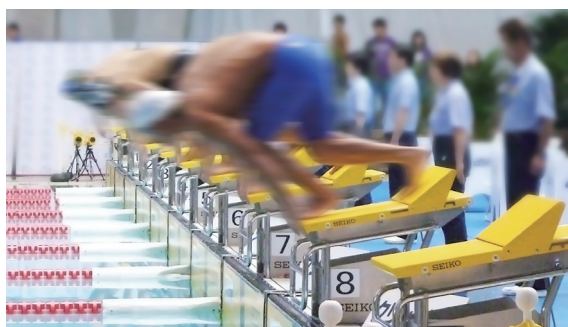
## The timing technology Seiko is working towards

Seiko is working on the development of timing and measurement technologies and result display equipment for various sports, with a focus on sports events such as track and field, swimming, and alpine skiing where results can vary by as little as one hundredth of a second. One of our key objectives is to contribute to the promotion of sports.

The rules of a sport are often changed to make the sport more interesting, to aim for higher technical levels, or to improve the safety of athletes. Seiko makes sure to always understand the latest rules and applies them in our product development in order to provide accurate and fair results regardless of any rule changes. There have recently been major rule changes in sports such as artistic swimming and water polo.

We are carrying out development activities even if a sport's rules haven't changed with the aim of popularizing said sport. Efforts on this front include developing technologies that can contribute to the breaking of a sport's record, and enabling athletes to enjoy competing in an atmosphere produced by top-level timing and measurement technology and result display. Our past achievements include the development of communication technology that can accurately measure individual records in units of 5 kilometers for civil marathons with over 30,000 runners, a camera that rectifies the image distortion caused by refraction in and above the water, and more recently, our Jump Management System (JMS), an image measurement device developed for the measurement of long and triple jumps. JMS captures and measures the images of take-off and landing moments. By combining the latest camera technology with data recognition technology, we made it possible to capture these moments instantly. In addition to being able to determine whether a take-off is a foul with greater accuracy than ever before, athletes can quickly check their take-off point and make adjustments to their starting point for the next jump, thereby helping them to achieve a good result. Moreover, by helping the competition move at a smooth pace, we help athletes maintain their rhythm and thus contribute to the prevention of injuries.

Seiko aims to provide timing solutions that support the operation of major sporting competitions and the activities and development of athletes, and also contribute to expanding the size of the athlete population through timing and measurement, and result display.



### Jump Management System

A high-speed camera installed on the extended line of take-off line detects the moment of an athlete's take-off using Seiko's proprietary algorithm, and measures whether the jump is valid or a foul. If the jump is valid, a lamp installed next to the take-off board flashes green; if invalid, the lamp flashes red.



Images of the take-off are displayed on a monitor



photo by aflo sport  
If the lamp is green, the attempt is successful. If red, it is a foul.

# Branding Strategy

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

## Basic Policy

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

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

## Three axes of value that support Seiko's branding strategy

Technical value

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

Social value

A brand that contributes to a sustainable society

**Well-being**  
A better life

**Inclusion**  
For all people

**Trust**  
Certainty and Trust

**Harmony**  
Harmony with the Earth

Emotional value

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

### Progress in fiscal year 2022

In the first year of the Mid-Term Management Plan, we took on the challenge of strengthening initiatives with a particular focus on embodying the Group Purpose. Specifically, instead of sticking to increasing the exposure of our brand logo, we promoted unique branding activities such as sports and music activities that offer excitement and bring smiles to people's faces, and spreading information using Seiko House Ginza.

### Initiatives for fiscal year 2023

We believe a key task going forward is enhancing the ability to communicate our branding activities. After overcoming the COVID-19 pandemic, sports and music events are being resumed around the world without infection control measures or restrictions. We plan to further enhance our own in-person events with a focus on offering excitement and creating smiles. We are also aiming to increase our brand value and realize SMILE145 by garnering recognition for our activities and gaining trust and empathy from as many people as possible around the world. To this end, we will put more power into promoting ourselves globally and in new ways through Seiko House Ginza.

## Main Initiatives

### Branding for delivery of excitement to people all over the world through sports

We continue to serve as the official timer of the World Athletics Championships since 1987. At our 18th edition of said Championships, held in Budapest, Hungary, we introduced our Triple Jump Phase Measurement System, new equipment born from Seiko's innovation, to provide a new way to enjoy watching sports. We also invited local elementary school athletes to the venue and held sports classes by Seiko Smile Ambassador Chisato Fukushima. We also served as the official sponsor of the Japan national team for the first time at this championship, and encouraged the success of the Japanese athletes participating in the tournament. We will continue to deliver smiles and exciting moments to the world through accurate timing and measurement.



### Developing the next generation around the world

Our Exciting School program, a next-generation development program that aims to create a future full of smiles through authentic experiences that only Seiko can deliver, is now in its sixth year. The number of participants is also increasing year by year. In 2023, we held our first overseas Time & Timepieces School class in Taiwan. The event was a fun way for about 200 children to learn about time and watches. The school program also offers classes on sports, music, and the environment, and promotes brand value improvement while also conducting CSR activities through learning.



### Reconstruction support for “Connecting with Smiles” to the next generation

In March 2023, we held the 42nd Sound of “Wa” Concert to Support Eastern Japan. In order to keep memories of the Great East Japan Earthquake from fading and pass them on to the next generation, we continue to hold concerts even 12 years since the disaster. The theme for 2023 is “Connecting with Smiles.” Japanese actor NON and Ukrainian soprano opera singer Oksana Stepanyuk participated for the first time and livened up the venue. In 2024, we plan to hold the concert on March 10 at the Tokyo International Forum, and will continue our own efforts to support the reconstruction of Tohoku down the line.



Sound of “Wa”  
Concert to Support Eastern Japan



### Promoting the charm of Japanese culture from Ginza

The Group has always infused Japan's unique aesthetic sense into the designs of its watches and other products. In 2023, we launched the Time and Japanese Culture Project to rediscover and promote the appeal of Japanese culture. As the first step in this project, we presented a special exhibition, a collection of costumes belonging to the highly esteemed kabuki actor Tamasaburo Bando. Going forward, we will continue to host events at Seiko House Ginza on Japanese traditional culture, craftsmanship, art, and more, to provide opportunities for many people to experience the charms of Japanese culture.

### 🕒 Time and Japanese Culture Project



Photo: Naoya Ochiai

# CFO Message



Through the strategic planning inherent in SMILE145, we are aiming to improve ROIC while continuously investing in growth.

**Taku Yoneyama**

Director, Executive Vice President  
Group CFO

## Review of business performance

We began our 8th Mid-Term Management Plan, “SMILE145” in 2022, with the aim of becoming “a solutions company that offers high-added-value products and services that create excitement and generate substantial profits” by 2026, the year of our 145th anniversary. To achieve that target, we adopted our “MVP Strategy” (Moving, Valuable, and Profitable), which focuses on increasing high-added-value products and services that match the goals of SMILE145.

Fiscal year 2022 was the first year of SMILE145, and all three strategic domains showed consolidated net sales and operating profit growth. Consolidated OP exceeded our initial plan due to strong performance in the EVS and SS Domains, where we increased the sales ratio of MVP products. As a result, SMILE145 got off to a good start on its way to further growth by fiscal year 2026.

### Consolidated Net Sales

¥ **260.5** billion / Up **9.7** % YoY 

### Consolidated Gross Profit

¥ **111.7** billion / Up **12.7** % YoY 

### Consolidated Gross Profit Margin (GP%)

**42.9**% / Up **1.1** pt YoY 

### Consolidated Operating Profit

¥ **11.2** billion / Up **28.1** % YoY 

### Consolidated Net Interest Bearing Debt

¥ **138.8** billion / Up ¥ **17.1** billion YoY 

### Consolidated ROIC

**3.6**% / Up **0.1** pt YoY 



## Consolidated Management Indicators (KPI)

Our specific financial targets (KPIs) for the SMILE145 plan are as follows: By FY2026 we plan to achieve a consolidated operating profit of 18.0 to 20.0 billion yen, a consolidated gross profit margin (GP%) of +5.0 percentage points above the FY2021 level, and a consolidated ROIC (return on invested capital) of over 6.5%.

In fiscal year 2022, our consolidated gross profit margin rose 1.1 percentage points over the previous year due to the success of our MVP Strategy. In particular, in the EVS Domain's Watches Business, sales of Global Brands (which are MVP products) increased in both the domestic and overseas

markets, while in the WAKO Business, we also saw strong demand for high-end products. As a result, the MVP ratio for the entire EVS Domain grew significantly year-on-year. The MVP ratio in the SS Domain also steadily increased due to progress in expanding our stock business and increasing diversification.

On the other hand, consolidated ROIC remained flat year-on-year, which forces us to closely examine this metric if we are to hit our target of over 6.5% by fiscal year 2026. We are looking at issues such as insufficient inventory control due to supply chain disruptions during the pandemic, and various approaches to improve global cash management.

## Financial Strategy – Aiming to increase ROIC

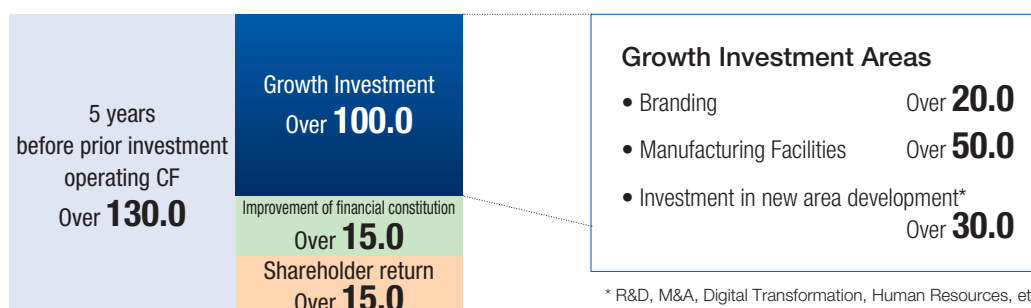
The main factor behind the lack of growth in consolidated ROIC was a year-on-year increase in interest-bearing debt. Therefore, our first priority is to reduce this debt. In order to do so, we will accumulate operating profit in each business and review each company's balance sheet, including cash control at overseas local subsidiaries, to generate free cash flows and strengthen global cash management. We are confident that these initiatives will lead to improvements in ROIC.

While continuously striving to improve ROIC, we will also steadily invest in our global growth in accordance with the investment policy set forth in SMILE145. However, I believe that we can only select investments after re-examining both our Group's business portfolio and the external business environment. For example, in order to increase the brand value of Grand Seiko in the Watches

Business, we will continue the global expansion of our network of boutiques, while at the same time working to optimize our manufacturing system. In the DS Domain, where the business environment is undergoing significant changes, we will identify growth areas where the Group can leverage its strengths, and pursue the selection and concentration of investments. In order to accelerate growth in the SS Domain, we must continue to expand the scale of the business, including the possibility of strategic M&A. We will also actively invest in human resources, which form the foundation of our management structure, as well as in digital transformation and the creation of new business opportunities.

Through these efforts and a revision of cash allocation, we aim to achieve a consolidated ROIC of over 6.5% by the end of FY2026.

### ● Financial Policy : Cash Allocation (Billions of yen)



\* R&D, M&A, Digital Transformation, Human Resources, etc.

# Introduction of Directors & Officers

(as of August, 2023)

## SEIKO GROUP CORPORATION

Director, Chairman, Group CEO, and Group CCO  
**Shinji Hattori**

Director,  
Senior Executive Vice President  
**Takahiro Naito**      Devices Solutions Domain

Outside Director  
**Yasuko Teraura**      Outside Director  
**Noboru Saito**

Outside Corporate Auditor  
**Masatoshi Yano**      Outside Corporate Auditor  
**Kenji Sakurai**

Senior Vice President  
**Naoki Tajima**

Director, President, and Group COO  
**Shuji Takahashi**

Director, Senior Executive Vice President,  
and Group CIO  
**Jun Sekine**      Systems Solutions Domain

Outside Director  
**Hideki Kobori**      Corporate Auditor  
**Haruhiko Takagi**

Executive Vice President  
**Kiyoko Niwasaki**

Senior Vice President  
**Hiromi Nakagawa**

Director, Senior Executive Vice President,  
and Group General Counsel  
**Akio Naito**      Emotional Value  
Solutions Domain

Director, Executive Vice President,  
and Group CFO  
**Taku Yoneyama**

Corporate Auditor  
**Takashi Nishimoto**      Outside Corporate Auditor  
**Hideki Amano**

Executive Vice President  
**Makoto Ichimura**

## SEIKO WATCH CORPORATION

Director, Chairman of the Board  
**Shinji Hattori**

Director,  
Senior Executive Vice President  
**Yoshikatsu Kawada**      Marketing Division I

Director, Senior Vice President  
**Akira Takakura**      Production Planning &  
Coordination Division

Director  
**Shuji Takahashi**      Director  
**Kiyoko Niwasaki**

Senior Vice President  
**Katsuyoshi Takizawa**      Planning &  
Development Division

Senior Vice President  
**Takeshi Ono**      Production Planning &  
Coordination Division

President  
**Akio Naito**

Director, Executive Vice President  
**Hiromi Kanagawa**      Marketing Division II

Director, Senior Vice President  
**Naoaki Tanimura**      Corporate Strategy &  
Planning Division

Corporate Auditor  
**Yoshiaki Hayashi**      Corporate Auditor  
**Haruhiko Takagi**

Senior Vice President  
**Shuichiro Seki**      Planning &  
Development Division

Representative Director,  
Deputy Chief Operating Officer  
**Minoru Ishiguro**      Planning &  
Development Division

Director, Senior Vice President  
**Teruyo Ishimaru**      Marketing Division II

Director, Senior Vice President  
**Munehisa Shibasaki**      Grand Seiko Marketing  
Communications Office,  
Public Relations Office and  
SDGs Planning Office

Senior Vice President  
**Kiyomi Tanemura**      Planning &  
Development Division

Senior Vice President  
**Tatsuya Asami**      Marketing Division I

## SEIKO Time Creation Inc.

President  
**Shimesu Takizawa**

Director, Senior Vice President  
**Osamu Sugita**      Clock Business Headquarters  
and Research &  
Technology Division

Director  
**Shuji Takahashi**      Director  
**Akio Naito**

Senior Vice President  
**Kenichi Muroya**      SDGs Promoting

Director, Senior Vice President  
**Satoshi Morita**      Time System &  
FA Business Headquarters  
and General Administration Division

Director, Senior Vice President  
**Mitsunaga Yata**      Time System & FA Business  
Headquarters and Production  
Engineering Management Division

Director  
**Taku Yoneyama**      Director  
**Atsutoshi Yamamoto**

Senior Vice President  
**Hisaya Mito**      Time System & FA Business Headquarters  
and Marketing Division and Head of  
Construction Management

Director, Senior Vice President  
**Susumu Kawanishi**      Clock Business Headquarters  
and International Marketing Division

Director, Senior Vice President  
**Yasunori Hagiwara**      Clock Business Headquarters and  
Domestic Marketing Division

Corporate Auditor  
**Kazuo Yamamura**      Corporate Auditor  
**Takashi Nishimoto**

## WAKO Co., Ltd.

Chairman  
**Shinji Hattori**

Director  
**Kiyoko Niwasaki**

Director  
**Shuji Takahashi**      Director  
**Akio Naito**

President  
**Shuntaro Ishii**

Director  
**Takeshi Endo**

Corporate Auditor  
**Haruhiko Takagi**

Senior Executive Director  
**Kazuhiko Sakamoto**

Director  
**Kotaro Okajima**

## Seiko Instruments Inc.

President  
**Takahiro Naito**

Director,  
Executive Vice President  
**Koji Tomitsuka**      General Manager, Micro-Energy Division /  
General Manager, Quartz Crystal Division /  
Electronic Components Sales head Office

Director  
**Taku Yoneyama**

Corporate Auditor  
**Takumi Yoshitomi**

Senior Vice President  
**Yoshihiro Takeda**

General Manager,  
Printek Division

Director,  
Chief Executive Vice President  
**Akihiro Okuma**      General Manager, Corporate  
Strategy Division / Facility Solution  
Dept. / Musical Instruments Dept.

Director,  
Senior Vice President  
**Kazuhisa Onishi**      General Manager, Precision Mechanical  
Device Division / PM Quality Assurance  
Dept. / PM Business Administration Dept.  
/ Motion Device Division

Corporate Auditor  
**Satoru Ochiai**

Corporate Auditor  
**Takashi Nishimoto**

Senior Vice President  
**Makoto Matsuda**

General Manager,  
Print System Division

Director,  
Senior Executive Vice President  
**Satoshi Yoshino**      General Manager,  
Administration Division

Director  
**Hideo Hattori**

Director  
**Shuji Takahashi**

Senior Vice President  
**Tatsuo Sagami**

Intellectual Property Dept. /  
Real Estate Management Dept.

Senior Vice President  
**Minoru Nakao**

General Manager,  
Accounting Dept.

## SEIKO NPC CORPORATION

President  
**Yoichi Endo**

Director, Senior Vice President  
**Kimio Yomogida**      Production &  
Administration Department,  
Human Resources

Director  
**Takahiro Naito**

Director  
**Taku Yoneyama**

Corporate Auditor  
**Haruhiko Takagi**

Senior Vice President  
**Hideaki Tadokoro**      Administration &  
Finance Department

Senior Vice President  
**Toshimitsu Ogasawara**      Sales Department

Senior Vice President  
**Norio Suzuki**      Production Department

## Seiko Future Creation Inc.

President  
**Tetsu Kobayashi**

Senior Executive Director  
**Makoto Ichimura**

Senior Executive Director  
**Yoshio Kobayashi**

Director  
**Masao Kasuga**

Director  
**Fumiharu Iwasaki**

Director  
**Taku Yoneyama**

Director  
**Akira Takakura**

Director  
**Takahiro Naito**

Corporate Auditor  
**Takashi Nishimoto**

## SEIKO Solutions Inc.

President  
**Jun Sekine**

Director,  
Senior Executive Vice President  
**Yoshio Kobayashi**      Strategic Business Unit

Director,  
Senior Executive Vice President  
**Yoshiyuki Hashimoto**      CFO

Director, Executive Vice President  
**Takeshi Ichikawa**      IoT Solutions Business Unit

Director  
**Shuji Takahashi**

Director  
**Makoto Ichimura**

Director  
**Naoki Tajima**

Director  
**Hideo Hattori**

Corporate Auditor  
**Hiroaki Onishi**

Corporate Auditor  
**Haruhiko Takagi**

Corporate Auditor  
**Tsutomu Konomura**

Executive Vice President  
**Hiroyuki Watanabe**

Executive Vice President  
**Toshimasa Ike**      Mobile Solutions Business Unit

Executive Vice President  
**Nobuchika Matsuoka**      Digital Transformation  
Solutions Business Unit

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

Senior Vice President  
**Tomoyuki Nakayama**

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

# Corporate Governance

## Basic Principle of Corporate Governance

Based on the principle “being a company that is trusted by society”, Seiko Group Corporation considers “compliance with relevant laws and regulations”, “implementation of management transparency and fairness”, and “honoring social ethics” as core

business goals. In order to achieve these goals, the Company will strengthen and promote its corporate governance framework and strive to achieve the Group’s sustainable growth and increase corporate value.

## Basic Policy

### (1) Securing the Rights and Equal Treatment of Shareholders

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

### (2) Appropriate Cooperation with Stakeholders other than Shareholders

The Company recognize that its social responsibility is to contribute to the realization of a sustainable society through implementation of the Group’s basic principle “being a company that is trusted by society”. Under such recognition, the Company strives to cooperate appropriately with its various stakeholders, including its shareholders, customers, business partners, members of local communities and employees.

### (3) Ensuring Appropriate Information Disclosure and Transparency

In order to obtain appropriate evaluation from its various stakeholders including its shareholders, and to engage in a constructive dialogue with shareholders, the Company strives

not only to disclose appropriate information in compliance with relevant laws and regulations, but also to disclose other information in a timely and appropriate manner so that such information would be clear and useful for the people who use it.

### (4) Responsibilities of the Board of Directors

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

### (5) Dialogue with Shareholders

The Company will promote constructive dialogue with its shareholders to contribute sustainable growth and enhancement of corporate value over the medium to long-term based on “Basic Policy on Constructive Dialogue with Shareholders”.



Basic Policy on Constructive Dialogue with Shareholders  
<https://www.seiko.co.jp/en/ir/management/governance/system.html>

## Initiatives to Strengthen Corporate Governance

	(~2015)	2016~	2019~	2022~
	Mid-Term Management Plan	6th	7th	8th
<b>Trends in corporate governance</b>		<ul style="list-style-type: none"> <li>Formulation of Stewardship Code (2014)</li> <li>Establishment of Corporate Governance Code (2015)</li> </ul>	<ul style="list-style-type: none"> <li>Revision (2017)</li> <li>Revision (2018)</li> </ul>	<ul style="list-style-type: none"> <li>Revision (2020)</li> <li>Revision (2021)</li> </ul>
<b>Institutional design, nomination, compensation, etc.</b>		<ul style="list-style-type: none"> <li>Inauguration of Corporate Governance Committee</li> <li>Introduction of performance-linked compensation system</li> <li>Formulation of successor development plan</li> <li>Start of evaluation of the effectiveness of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of performance-linked compensation system to some subsidiaries</li> <li>Establishment of group risk management system</li> </ul>	<ul style="list-style-type: none"> <li>Independent Outside Directors account for one-third of all Directors</li> <li>Introduction of the System of Executive Officer (Senior Vice President)</li> <li>Revision of the calculation method for performance-linked compensation (Performance-linked ratio raised, non-financial indicators added to KPIs)</li> <li>Review of Group risk management operations</li> </ul>
<b>Information transmission</b>		<ul style="list-style-type: none"> <li>Disclosure of notice of general meeting of shareholders (full text) in English</li> </ul>	<ul style="list-style-type: none"> <li>Issuance of Value Report</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of a hybrid virtual general meeting of shareholders (live streaming)</li> <li>Disclosure of Annual Securities Report (full text) in English</li> </ul>

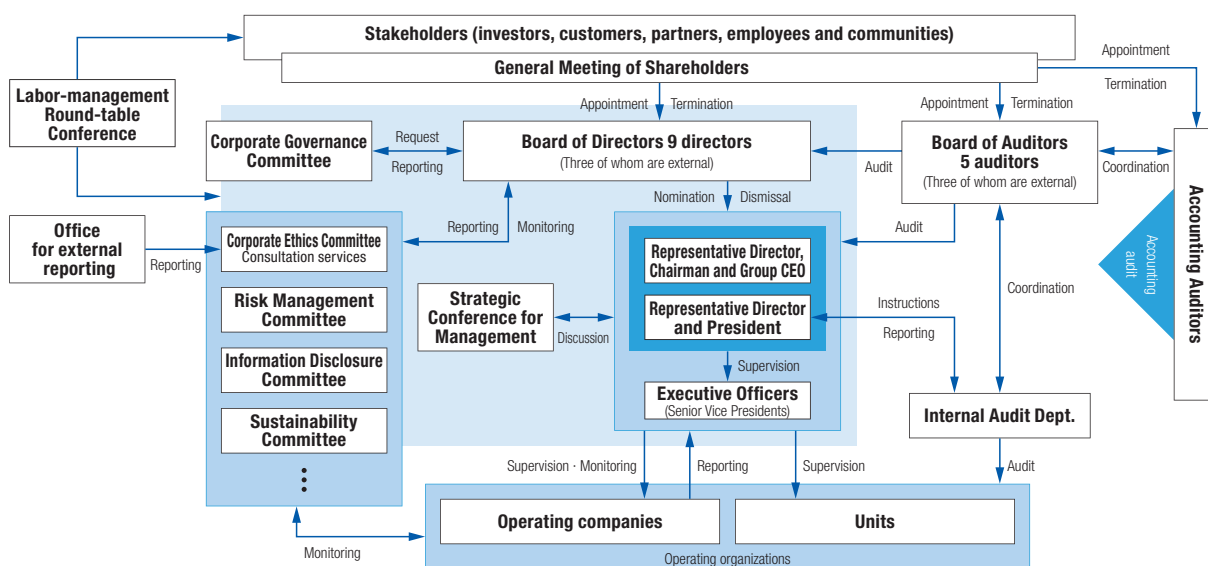
## Corporate Governance Structure

As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function.

The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when

necessary, as well as carries out quick and appropriate decision-making. The Company holds a Strategic Conference for Management comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company for the purpose of working to share the management policy and management information of the Group and discussing medium-to long-term business strategies.

### Corporate Governance Structure



#### Board of Directors

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

#### Board of Auditors

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

#### Corporate Governance Committee

In order to enhance the objectivity and transparency of management, the Company establishes the Corporate Governance Committee where Independent Outside Officers account for the majority of members, as an advisory body for the Board of Directors. The Committee deliberates on matters relating to compensation for officers, nomination of officer candidates including successor development plan, 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.



Corporate Ethics Committee · Risk Management Committee  
<https://www.seiko.co.jp/en/ir/management/governance/system.html>



Sustainability Committee  
[https://www.seiko.co.jp/en/csr/sustainability\\_policy/organization/](https://www.seiko.co.jp/en/csr/sustainability_policy/organization/)

## ● List of Directors and Corporate Auditors

Name	Positions	Length of service	Gender	Status of appointments to the Corporate Governance Committee	Skills and experience						
					Corporate management	Brand culture	Marketing	Technology	Finance & Accounting	Legal & Risk management	Global
Shinji Hattori	Chairman & Group CEO Group CCO	16	Male	Member	●	●	●				●
Shuji Takahashi	President	10	Male	Chairperson	●		●	●			●
Akio Naito	Director, Senior Executive Vice President	1	Male	—	●		●			●	●
Takahiro Naito	Director, Senior Executive Vice President	1	Male	—	●			●			●
Jun Sekine	Director, Senior Executive Vice President	2	Male	—	●		●	●			
Taku Yoneyama	Director, Executive Vice President	Newly appointed	Male	—			●	●	●	●	
Yasuko Teraura	Outside Director	4	Female	Member						●	●
Noboru Saito	Outside Director	1	Male	Member	●		●	●			●
Hideki Kobori	Outside Director	Newly appointed	Male	Member	●	●	●			●	
Haruhiko Takagi	Standing Corporate Auditor	7	Male	—					●		●
Takashi Nishimoto	Standing Corporate Auditor	3	Male	—					●	●	
Hideki Amano	Outside Corporate Auditor	4	Male	Member					●	●	●
Masatoshi Yano	Outside Corporate Auditor	4	Male	Member	●					●	
Kenji Sakurai	Outside Corporate Auditor	1	Male	Member	●		●				●

### ● Specific Deliberations by the Board of Directors

In fiscal year 2022, the Board of Directors focused on discussing initiatives for each strategic domain, core strategies centered on non-financial factors such as human capital and sustainability, new business strategies for future business expansion, and changes in institutional design aimed at further strengthening governance based on the 8th Mid-Term Management Plan (SMILE145) announced in May 2022.

### ● Specific deliberations of the Corporate Governance Committee

In fiscal year 2022, the Corporate Governance Committee focused on discussing the selection of candidates for positions including Directors, and the details of revisions to the compensation system for officers.

### ● Matters to be Considered by the Board of Auditors

In fiscal year 2022, the Board of Auditors mainly discussed the formulation of the audit policy and audit plan, and audit of the development and operational status of the internal control system, consent for the accounting auditor's compensation, evaluation of the accounting auditor, audit of business reports, financial statements, etc., preparation of audit reports, and discussion on Key Audit Matters (KAM), and preliminary agreements related to the non-assurance services provided by the auditing firm.

### ● Attendance rate of each meeting body

Board of Directors	100%
Board of Auditors	98%
Corporate Governance Committee	100%

Note: Attendance rate in fiscal year 2022

## Evaluation of the Effectiveness of the Board of Directors

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

### ● Analysis and Evaluation Methods

All Directors and Corporate Auditors were asked to fill out a questionnaire regarding the effectiveness of the Board of Directors, and replies were collected from all of them. The questionnaire was prepared based on initiatives and discussions on the Company's corporate governance to date, and the evaluation items ① to ⑤ on the right were set.

- ① The status of deliberations and operation of the Board of Directors
- ② The composition and roles of the Board of Directors
- ③ The support system for Outside Directors
- ④ The Corporate Governance Committee
- ⑤ Relationships with investors and shareholders

The Board of Directors conducted an analysis and evaluation of its effectiveness based on the replies to the questionnaire. According to the results of the evaluation above, it was confirmed that the Board of Directors of the Company was functioning properly and its effectiveness had mostly been assured. As for the issues raised in the previous fiscal year, due to taking the following measures, improvements to issues and were confirmed.

Issues for FY2022	Status of Measures
(1) Enhance information sharing regarding the capital market's evaluation of the Company	<ul style="list-style-type: none"> <li>● Reporting the status of IR activities, including communication with investors, to the Board of Directors, and discussing future IR measures, etc.</li> <li>● Sharing analyst reports issued after financial results announcements with outside officers on a quarterly basis</li> </ul>
(2) Improvement of the Board's discussion on non-financial items such as human capital and sustainability	<ul style="list-style-type: none"> <li>● Reporting and discussing the progress of the Mid-Term Management Plan on human capital and sustainability to the Board of Directors</li> </ul>

As a future issue, it was confirmed that further enriching discussions at the Board of Directors for strengthening IR measures is necessary. In addition, in light of opinions observed that call for the enhancement of the understanding of the Company and communication of outside officers, the Company has decided to set these as new issues to be addressed in the future.

### ● Issues Raised so far

FY2019	FY2020	FY2021	FY2022	FY2023
<ul style="list-style-type: none"> <li>● Discussions of medium- and long-term issues by the Board of Directors</li> <li>● Further enhancing discussions at the Corporate Governance Committee</li> </ul>	<ul style="list-style-type: none"> <li>● Discussions of medium- and long-term issues by the Board of Directors</li> <li>● Enhancing communication and information sharing among outside officers</li> </ul>	<ul style="list-style-type: none"> <li>● Discussions of medium- and long-term issues by the Board of Directors</li> <li>● Composition of the Board of Directors as a whole</li> <li>● Feedback by investors on the Company's evaluation etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhance information sharing regarding the capital market's evaluation of the Company</li> <li>● Improvement of the Board's discussion on non-financial items such as human capital and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>● Enhancing discussions at the Board of Directors for further strengthening IR measures</li> <li>● Enhancing the understanding of the Company and communication of outside officers</li> </ul>

## Support system for Directors and Corporate Auditors

The Company provides, mediates, and provides monetary support for the necessary opportunities, such as seminars conducted by outside organizations, to Directors and Corporate Auditors, at their appointment and continuously after their appointment, in order for them to acquire the knowledge and information needed to fulfill their roles and responsibilities. As part of providing

information to Outside Directors and Corporate Auditors, the Company invites them to inspection tours of an exhibition of watches which proposes collection of new products and example of merchandise display at stores to customer watch retailers, as well as its business locations and stores, and holds gatherings for Directors and Corporate Auditors.

## Compensation for Officers

### ● Basic Policy of the Compensation for Officers

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

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

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

### ● Compensation System for Officers

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

Performance indicators related to performance-linked compensation shall consist of the significant management indicators set forth in the 8th Mid-Term Management Plan (SMILE145) for the five (5) years from fiscal year 2022 to fiscal year 2026.

Type of compensation, etc.		Policy for determining the contents and amounts of compensation, etc.	Performance indicators
Basic compensation	Fixed compensation	Basic compensation 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.	—
Performance-linked 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 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.	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Evaluation of individuals
	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%).	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Consolidated ROIC 4) Evaluation of ESG: CO <sub>2</sub> emissions reduction rate (SCOPE 1 and 2), etc.

### ● Compensation Ratio of Each Type

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 shown on the right (when the performance

achievement ratio and the payment ratio based on qualitative evaluations are 100%):



#### Representative Directors



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





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

The Company believes that it is essential that candidates for senior management, Directors and Corporate Auditors have the character and knowledge suitable for their respective duties.

Based on this concept, in the appointment of senior management and the nomination of candidates for internal Directors, comprehensive consideration is given from the standpoint of appointing the right person for the right position, so that talent is appointed in a well-balanced manner to cover functions of the Company as a holding company as well as the Group's business fields, while ensuring accurate and timely decision-making.

In the nomination of candidates for internal Corporate Auditors, comprehensive consideration is given from the standpoint of whether the candidate possesses knowledge of the Group's businesses as well as insight regarding finance, accounting and legal affairs, and whether the candidate can contribute to ensuring the soundness of management. In the nomination of candidates for Outside Directors, comprehensive consideration is given from the standpoint of whether the candidate possesses abundant experience and high degree of knowledge of

corporate management and specific fields.

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

Based on the above policy, the Board of Directors determines the candidates proposed by the representative directors, upon deliberation by the Corporate Governance Committee, the majority of which comprises independent outside officers.

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

### Appointment of Advisors, etc.

The Company, in accordance with internal rules, may appoint the former Representative Director and President, etc. as an Advisor, etc. The term of office of Advisors, etc. is one (1) year. The election/dismissal, (including reappointments), duties, compensation, and other treatments

are determined by the Board of Directors upon deliberations by the Corporate Governance Committee, the majority of the members of which comprise outside officers. Advisors, etc. are not involved in the management decision-making of the Company.

### Cross-Shareholdings

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

The Company's Board of Directors verifies each year the rationale for the holding of all listed shares held in cross-shareholding by the Group through examination of the importance of the issuer as a business partner and benefits and risks of shareholding in light of capital costs and other factors. Most recently, an individual verification was conducted at the meeting of the Board of Directors held in August 2023. With regard to certain shares, which were determined to be lacking in significance or rationale for continued holding, the Company proceeds with discussions toward their disposal. Based on the above policy on cross-shareholdings, the Company sold one stock among the shares held by its subsidiaries in the fiscal year 2022.

#### ● Standards for Exercising Voting Rights on Cross-Shareholdings

With regard to the exercise of voting rights on cross-shareholdings, the Company exercises its voting rights, upon fully respecting management policies and strategies, etc. of the issuing company, by comprehensively determining on whether the proposal contributes to the sustained growth and the mid-to long-term enhancement of corporate value of the issuing company, and whether or not it undermines shareholder value, among other factors. In addition, in making such decisions for particularly important proposals, the Company holds dialogue with the issuing company, as necessary. The proposals deemed important by the Company are as follows.

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

### Internal Control System

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

with laws and regulations, risk management and internal audits. Furthermore, the Company monitors the operation status of internal controls and periodically reports the results to the Board of Directors.

# Risk Management

## Group Risk Management Structure

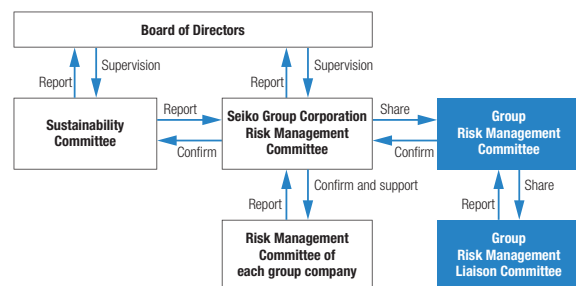
In order to perform centralized management of risks that could greatly influence the Group’s business, the Seiko Group is engaged in the development and strengthening of the risk management structure for the entire Group as well as responses to risks that must be addressed in a cross-organizational manner,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

The Company has also established the Crisis

Management Manual in preparation for when crises occur, and in normal times, has set out a system capable of responding to crises, such as prompt collection of the necessary information.

In addition, 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.

### ● Group Risk Management Structure



## Business Risks

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

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

## Information Security

Given the increasing threat of cyberattacks such as targeted email attacks and malware due to changes in the ICT usage environment, the Group is working on strengthening ongoing measures and improving employee awareness about information security by coordinating control across Group companies.

In addition, in the environment for utilizing information systems, we aim to provide a safe and stable environment by consolidating into data centers equipped with information security and disaster countermeasures, and also strive to improve server efficiency and redundancy through virtualization.



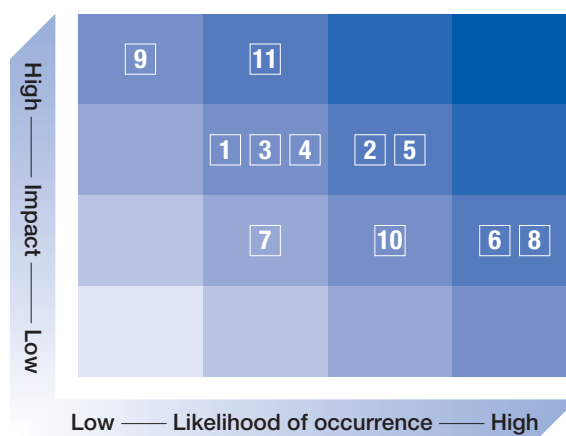
For details, please refer to our Annual Securities Report.

<https://www.seiko.co.jp/en/ir/library/securities.html>

## Initiatives to Address Significant Risks

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

### ● Risk map of Group Significant Risks



### ● Group Significant Risks in FY2023

Category	Risk details
Brand-impairment risks	<b>1</b> Compliance risk (including conduct risk)
	<b>2</b> IT problems (such as cyberattacks) and operational risks due to significant IT infrastructure issues
	<b>3</b> Significant legal violations, quality issues, etc. in the supply chain
	<b>4</b> Delays in and increased costs of decarbonization initiatives
	<b>5</b> Insufficient response to customer diversity, indirect human rights risks for the Group's B2B products
Business and financial risks	<b>6</b> Rising component and material costs, including energy costs
	<b>7</b> Impact on business activities due to worsening the U.S.-China relations
	<b>8</b> Impact on business activities due to conflicts including the Taiwan issue (including the situation in Russia and Ukraine)
	<b>9</b> Dependence on specific suppliers
	<b>10</b> Difficulties in securing human resources (development and recruitment)
	<b>11</b> Delays in innovating the business model

# Corporate Ethics / Compliance

## Basic Principles of Corporate Ethics

Seiko Group Corporation fulfills its corporate social responsibility by complying with statutes, respecting social ethics, and setting up healthy and sensible corporate ethics. Based on this approach, Seiko Group Corporation has established as its Basic Principles of Corporate Ethics. Seiko Group Corporation believes that it is vital for each and

every one of our executives and staff to adopt the basic stance stipulated in our Fundamental Philosophy on Corporate Ethics and to establish and put into practice ethical standards that are widely accepted by society. In order to put this approach into practice, we have established Corporate Ethics Action Guidelines for our executives and staff:



**Basic Principles of Corporate Ethics / Corporate Ethics Action Guidelines**  
<https://www.seiko.co.jp/en/group/philosophy/ethics.html>

## Structure for the Promotion of Corporate Ethics and Compliance

In accordance with the Basic Principles of Corporate Ethics, the Company has established the Corporate Ethics Committee and Action Guidelines for Corporate Ethics, and consistently promotes education and enlightenment, consultation and reporting, auditing, and evaluation, etc. to all its officers and employees. Each operating company of the Group has established its own system of corporate ethics and action guidelines in accordance

with characteristics of its business, relevant laws, regulations, and rules. Accordingly, when an incident involving corporate ethics occurs at an operating company, the operating company is responsible for resolving the issue. When requested by an operating company, the Company provides full cooperation and support toward resolving issues.

## Compliance Promotion Activities

### Corporate ethics seminars

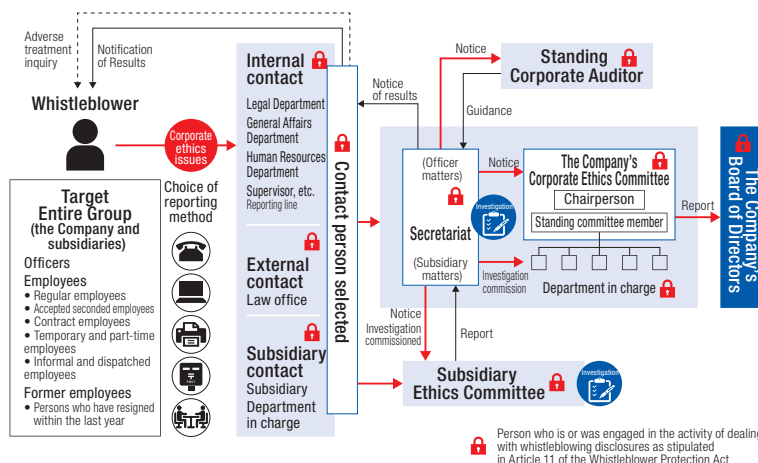
As an effort to strengthen corporate governance and compliance systems, which is defined in its materiality, the Company continually conducts corporate ethics training for officers and employees. In fiscal year 2022, seminars focusing on revised Whistleblower Protection Act and internal reporting regulations were held in the first half of the year for employees of the

Company, and seminars on effective whistleblowing systems were held in the second half for group executives and employees. In fiscal year 2023, to enhance education and awareness among management in particular, the Company is conducting participatory workshops on harassment targeted at managerial staff at its domestic Group companies, and it is working to strengthen the compliance systems of the Group.

## Internal Reporting System

The Company has established a “Corporate Ethics Helpline” as a contact point to receive consultations and reporting from employees regarding corporate ethics and compliance. In addition to the internal contact point, the Company has set up an external contact point at a law firm and provides an environment that facilitates consultation and reporting for the user. The Company accepts consultations and reports on compliance more broadly than the scope defined by this system and work to resolve issues. To ensure that whistleblowers are not treated unfavorably due to consulting or reporting, the Company strictly manages information concerning whistleblowers and the content of consultation and reports.

### Whistleblowing system (helpline) framework



# Dialogue with Shareholders and Investors

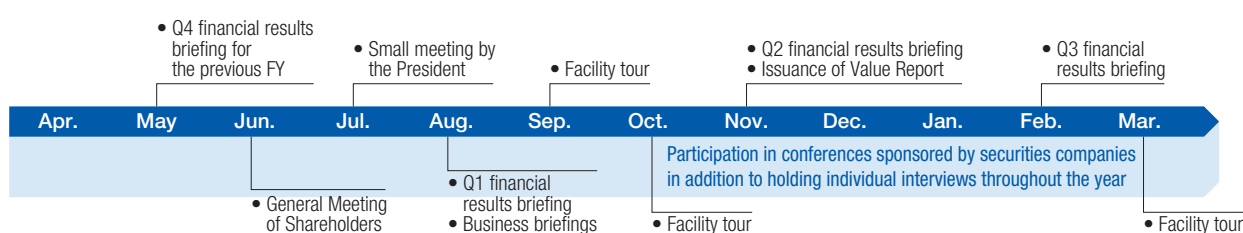
## Approach to dialogue with shareholders and investors

The Group is committed to engaging in dialogue with our shareholders and investors to contribute to sustainable growth and mid- to long-term corporate value improvement. In addition to disclosing information in a timely and appropriate manner, we also strive daily to improve the usefulness of this disclosed

information for everyone who uses it, keeping in mind honest and transparent communication.

Going forward, we will continue to build a strong trust relationship through dialogue with shareholders and investors.

### ● Main activities (FY2022)



Target	Activities	Achievements	Responsible person	Holding method, theme, etc.
Shareholders	General Meeting of Shareholders	June 2022	—	Implementation of a hybrid virtual general meeting of shareholders (live streaming)
Institutional investors / Analysts (Japan and overseas)	Financial results briefings	4 times	CEO, President, Senior Executive Vice President in charge of each domain, officer in charge of IR	<ul style="list-style-type: none"> <li>Held online</li> <li>Briefing materials and summary of Q&amp;A are disclosed on the Company's website (Japanese and English)</li> </ul>
	Small meeting by the President	1 time	President	(Theme) SMILE145
	Business briefings	1 time	President of an operating company	(Theme) Growth Strategy of SS Domain in SMILE145
	Individual Interviews	145 times	Officer in charge of IR	Online or face-to-face dialogue
	Conferences sponsored by securities companies	3 times	Officer in charge of IR	Every year, we participate in conferences held by securities companies in order to create opportunities for dialogue with new investors
	Facility visits	3 times	Facility manager	Various facility tours held to promote understanding of the Group (Track record) Grand Seiko Studio Shizukuishi, Seiko Museum Ginza

### Efforts to improve the effectiveness of dialogue and enhance information disclosure

- Increasing the number of facility tours held in response to requests from investors and analysts
- Reviewing the annual cycle for various IR activities aimed at constructive dialogue with investors and analysts
- Enhancing information provision through notices of the general meeting of shareholders, financial results briefing materials, value reports, etc.



Tour of Grand Seiko Studio Shizukuishi

## Feedback to management and response on dialogue with shareholders and investors

We share the content of questions and comments from individual interviews with investors and analysts with our managements and related departments on a monthly basis, and also share analyst reports issued by securities companies. Furthermore, IR activities are reported to the Board of Directors once a year.

Under the ongoing SMILE145, we have also considered the opinions of investors and analysts in setting the new disclosure of cash allocation and ROIC as a KPI, and we have worked to expand the disclosed information in financial results briefing materials and enhance the content in value reports.

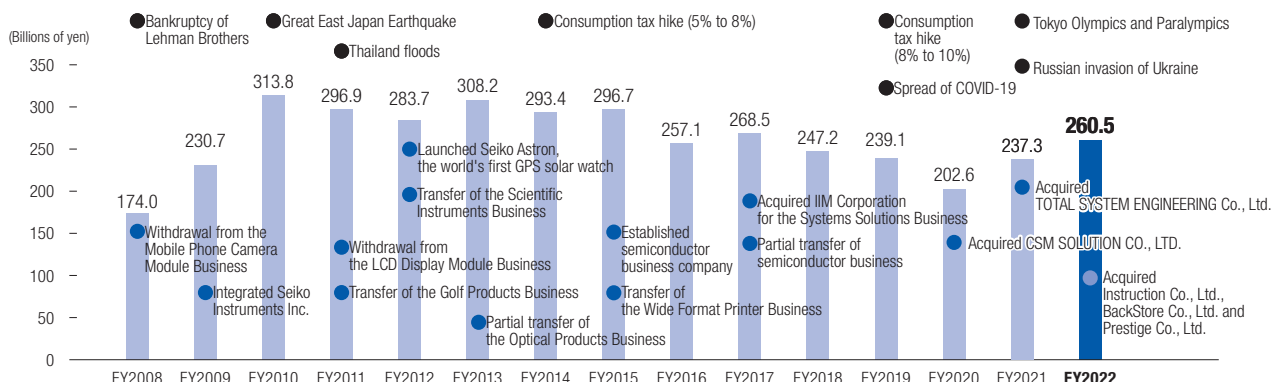


IR information is posted on our Investor Relations website.

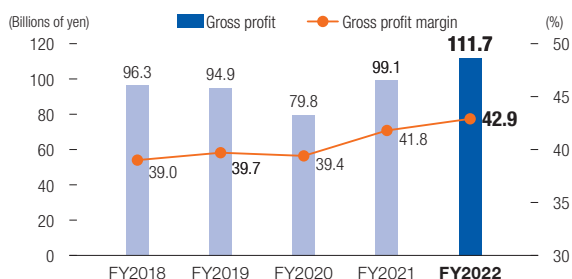
<https://www.seiko.co.jp/en/ir/>

# Financial Review

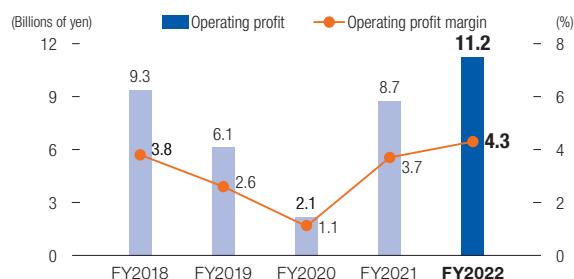
## 15 year net sales transition



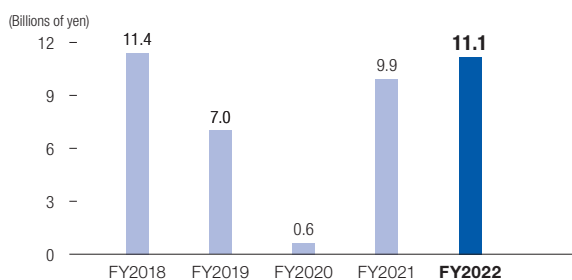
## Gross profit / Gross profit margin



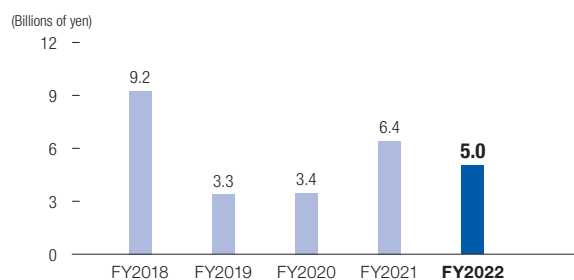
## Operating profit / Operating profit margin



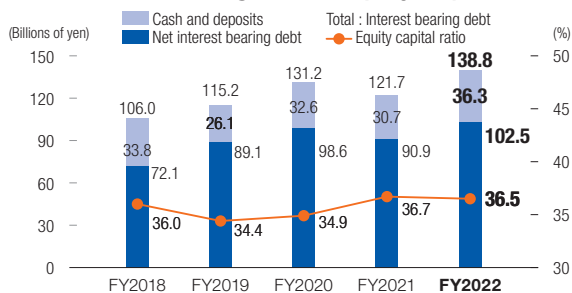
## Ordinary profit



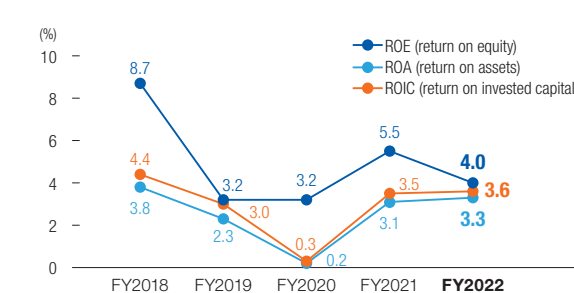
## Profit attributable to owners of parent



## Net interest bearing debt / Equity capital ratio



## ROE / ROA / ROIC



\* Net interest bearing debt = interest bearing debt - cash and deposits  
 \* Interest bearing debt = borrowings + lease obligations  
 \* The Company has applied IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from Q1, FY2019.  
 \* Equity capital ratio = equity capital / total assets x 100  
 \* The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) from the beginning of FY2018, and the indexes for FY2017 are presented after reclassification.

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

# Non-Financial Review

## Environment

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>CO<sub>2</sub> emissions *1,*2 (t-CO<sub>2</sub>)</b>					
SCOPE1 + SCOPE2	116,244	113,607	109,296	102,634	<b>96,589</b>
SCOPE1	6,662	6,834	6,898	8,279	<b>8,154</b>
SCOPE2	109,582	106,773	102,398	94,356	<b>88,434</b>
SCOPE3*3	—	—	383,027	532,764	<b>572,367</b>
<b>Energy consumption *1 (MWh)</b>	249,588	247,410	241,320	253,295	<b>243,573</b>
<b>Electricity usage *1 (MWh)</b>	218,497	215,515	209,422	217,018	<b>213,020</b>
Renewable energy consumption *4	—	—	—	15,948	<b>32,624</b>
Renewable energy ratio	—	—	—	7.3%	<b>15.3%</b>
<b>Industrial waste emissions *5 (t)</b>	6,080	5,124	5,232	5,686	<b>5,664</b>
<b>Water consumption *5 (1,000 m<sup>3</sup>)</b>	904	870	814	791	<b>761</b>

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

\*2 The following CO<sub>2</sub> emission coefficients are used:

Electricity: In Japan, we use emissions factors as determined by the emissions output for each separate electric power utility, as specified in the Act on Promotion of Global Warming Countermeasures.

Overseas, the International Energy Agency (IEA) emission factors for each country are the standard reference.

Fuel: Both in Japan and overseas, emissions are measured as the calorific value by type of fuel and emission factors for fuel use as specified in the Act on Promotion of Global Warming Countermeasures.

Chilled/heated water: Emission factors provided by suppliers are used.

\*3 The scope of the statistics for FY2020 covers the main 6 businesses of SEIKO WATCH CORPORATION and Seiko Instruments Inc.

\*4 Including purchases by certificate

\*5 Scope of calculation: Seiko Group Corporation and 22 operating companies in Japan and overseas

## Social

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Number of employees*1 (people) Total</b>	12,020	11,947	12,092	11,984	<b>11,843</b>
Emotional Value Solutions	8,140	7,917	7,267	7,063	<b>6,969</b>
Devices Solutions	2,991	2,810	3,405	3,484	<b>3,535</b>
Systems Solutions	713	746	1,027	1,045	<b>1,138</b>
Others	35	35	37	31	<b>30</b>
Corporate *2	141	439	356	361	<b>171</b>
<b>Ratio of male and female regular employees*3 (%)</b>					
Male	71.6	71.3	71.1	71.0	<b>70.4</b>
Female	28.4	28.7	28.9	29.0	<b>29.6</b>
<b>Ratio of women in managerial positions *3 (%)</b>	12.4	13.4	13.7	13.2	<b>13.3</b>
<b>Average years of employee service *4 (years)</b>	18.4	17.9	19.8	20.0	<b>19.5</b>
<b>Ratio of employees with disabilities *5 (%)</b>	2.4	2.3	2.7	2.3	<b>2.4</b>

\*1 Reported segments have been changed from FY2022. Accordingly, the number of employees from FY2019 through FY2021 has been reclassified to reflect the new disclosure segments.

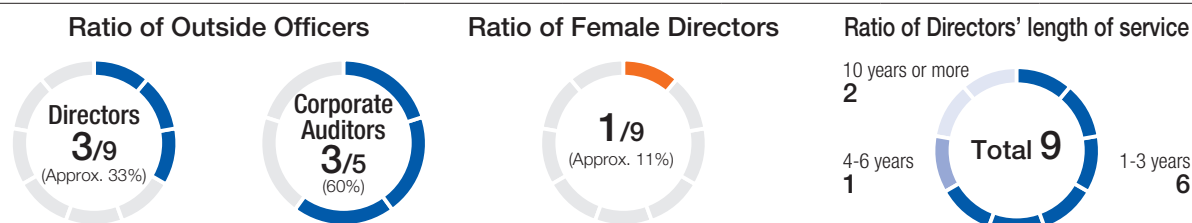
\*2 From FY2019, a method of considering expenses related to headquarters have changed in order to appropriately evaluate the results of each reported segment. Following this change, the classification of the number of employees has been changed.

\*3 The ratio for April 1 in the following fiscal year is displayed as the ratio as of the end of that fiscal year. Scope of calculation: Seiko Group Corporation and 18 operating companies in Japan

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

\*5 The ratio of employees with disabilities for June 1 in the following fiscal year is displayed as the ratio as of the end of that fiscal year. Scope of calculation: Seiko Group Corporation and 8 companies certified as group companies including special subsidiaries

## Governance (as of June 29, 2023)



<b>Ratio of Attendance at Board of Directors</b>	FY2018	FY2019	FY2020	FY2021	FY2022
Average attendance rates of all Directors	97.9%	97.9%	100.0%	100.0%	<b>100.0%</b>
Average attendance rates of all Corporate Auditors	96.9%	98.5%	100.0%	98.5%	<b>100.0%</b>
Attendance rates of Outside Officers	95.4%	93.8%	100.0%	98.5%	<b>100.0%</b>
Average attendance rates of all Officers	97.6%	98.1%	100.0%	99.5%	<b>100.0%</b>

# Ten-Year Financial Table

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Consolidated Statement of Income</b>							
Net sales (by segment)*1							
Emotional Value Solutions	179,470	188,525	195,141	161,796	168,049	169,833	163,444
Watches*2	150,739	159,075	164,453	134,592	140,156	141,788	135,475
Others - Adjustments	28,730	29,450	30,687	27,204	27,892	28,044	27,969
Devices Solutions*4	86,299	88,684	87,351	78,662	76,632	50,133	46,962
Systems Solutions	22,868	21,142	19,455	20,287	27,411	30,809	32,839
Others*5	26,329	1,264	1,235	961	1,047	1,218	1,222
Adjustments	(6,681)	(6,144)	(6,478)	(4,591)	(4,610)	(4,701)	(5,319)
Consolidated total	308,286	293,472	296,705	257,115	268,529	247,293	239,150
Gross profit	103,540	104,266	108,540	96,292	102,297	96,338	94,928
Gross profit to sales ratio (%)	33.6%	35.5%	36.6%	37.5%	38.1%	39.0%	39.7%
Selling, general and administrative expenses	89,526	92,599	95,233	88,804	91,461	86,943	88,794
Operating profit (by segment)*1							
Emotional Value Solutions	11,002	11,746	12,934	7,185	8,166	11,086	10,138
Watches*2	12,253	12,334	12,722	7,615	7,902	10,391	10,158
Others - Adjustments	(1,251)	(587)	211	(429)	264	695	(19)
Devices Solutions*4	2,330	2,741	3,382	4,291	5,917	1,129	668
Systems Solutions	349	327	364	1,283	1,605	2,401	3,010
Others*5	944	249	160	159	229	229	264
Adjustments	(611)	(3,398)	(3,532)	(5,432)	(5,082)	(5,452)	(7,947)
Consolidated total	14,014	11,667	13,307	7,487	10,836	9,394	6,134
Operating profit to sales ratio (%)	4.5%	4.0%	4.5%	2.9%	4.0%	3.8%	2.6%
Ordinary profit	10,165	12,373	11,879	6,671	10,911	11,410	7,004
Ordinary profit to sales ratio (%)	3.3%	4.2%	4.0%	2.6%	4.1%	4.6%	2.9%
Profit attributable to owners of parent	7,422	21,778	12,142	5,392	11,541	9,249	3,394
Profit attributable to owners of parent to sales ratio (%)	2.4%	7.4%	4.1%	2.1%	4.3%	3.7%	1.4%
Advertising and sales promotion expenses	13,343	16,624	18,366	15,882	16,393	16,905	18,845
Salaries and wages	36,139	36,060	37,200	34,819	34,639	32,454	32,163
Provision for bonuses	2,007	2,202	2,074	1,867	1,986	1,879	1,913
Retirement benefit expenses	1,034	1,928	1,610	770	1,383	1,470	1,371
Research and development expenses*6	3,851	4,112	4,023	3,901	4,669	4,190	4,607
<b>Consolidated Balance Sheet</b>							
Cash and deposits	43,002	41,292	39,131	35,355	34,229	33,844	26,112
Inventories	57,022	62,910	65,196	66,177	57,011	58,305	65,734
Interest bearing debt*7	200,881	137,250	127,560	136,586	113,387	106,022	115,261
Net assets	64,766	92,589	102,692	107,161	105,170	110,415	104,273
Total assets	366,753	333,701	329,115	328,857	305,297	303,036	299,990
<b>Consolidated Statement of Cash Flows</b>							
Net cash provided (used in) operating activities	15,598	16,562	15,096	4,209	27,885	17,508	2,704
Net cash provided (used in) investing activities	(10,917)	46,254	(8,334)	(13,200)	(17,430)	(7,093)	(10,688)
Net cash provided (used in) financing activities	(3,517)	(66,816)	(6,645)	5,713	(11,759)	(10,670)	678
Free cash flow	4,681	62,816	6,762	(8,991)	10,455	10,414	(7,983)
Depreciation	12,242	10,892	10,325	10,959	10,128	8,980	10,315
Purchase of property, plant and equipment	(11,006)	(9,350)	(13,054)	(12,138)	(6,954)	(6,341)	(8,852)
<b>Management Indices</b>							
Overseas net sales	160,206	154,025	150,864	122,285	125,499	107,296	101,635
Overseas net sales ratio (%)	52.0%	52.5%	50.8%	47.6%	46.7%	43.4%	42.5%
ROE (return on equity) (%)	14.6%	28.4%	13.1%	5.6%	11.4%	8.7%	3.2%
ROA (return on assets) (%)	2.8%	3.5%	3.6%	2.0%	3.4%	3.8%	2.3%
ROIC (return on invested capital) (%)	3.3%	4.5%	4.5%	2.6%	4.1%	4.4%	3.0%
PER (price earnings ratio) (times)	11.4	5.8	7.6	17.4	9.2	11.7	21.2
PBR (price book-value ratio) (times)	1.4	1.4	1.0	1.0	1.0	1.0	0.7
Equity capital	62,871	90,410	94,521	98,119	104,010	109,221	103,050
Equity capital ratio (%)	17.1%	27.1%	28.7%	29.8%	34.1%	36.0%	34.4%
Net interest bearing debt	157,879	95,957	88,428	101,230	79,158	72,178	89,148
Net D/E ratio (times)	2.4	1.0	0.8	0.9	0.7	0.6	0.8
Basic earnings per share (yen)	179.58	526.95	293.81	130.71	280.01	224.42	82.36
Net assets per share (yen)	1,521.18	2,187.60	2,287.18	2,380.50	2,523.54	2,649.99	2,499.97
Dividend per share (yen)	25.00	50.00	62.50	75.00	75.00	75.00	75.00
Dividend payout ratio (%)	13.9%	9.5%	21.3%	57.4%	26.8%	33.4%	91.1%
<b>Exchange rate (fiscal year average) (JPY)</b>							
USD	100.2	109.9	120.1	108.4	110.8	110.9	108.7
EUR	134.3	138.7	132.6	118.8	129.7	128.4	120.8



(Millions of yen)

FY2020	FY2021	FY2022
127,835	150,890	<b>170,795</b>
105,054	125,744	<b>144,220</b>
22,781	25,146	<b>26,575</b>
47,536	61,060	<b>64,530</b>
34,114	34,413	<b>36,626</b>
1,274	1,052	<b>1,109</b>
(8,090)	(10,035)	<b>(12,557)</b>
202,671	237,382	<b>260,504</b>
79,866	99,178	<b>111,798</b>
39.4%	41.8%	<b>42.9%</b>
77,672	90,408	<b>100,564</b>
5,206	8,295	<b>11,575</b>
5,600	7,638	<b>11,123</b>
(393)	656	<b>452</b>
1,365	5,638	<b>5,059</b>
3,538	3,946	<b>4,367</b>
284	216	<b>171</b>
(8,200)	(9,326)	<b>(9,940)</b>
2,194	8,770	<b>11,233</b>
1.1%	3.7%	<b>4.3%</b>
633	9,939	<b>11,167</b>
0.3%	4.2%	<b>4.3%</b>
3,475	6,415	<b>5,028</b>
1.7%	2.7%	<b>1.9%</b>
14,929	15,985	<b>18,348</b>
28,827	32,970	<b>36,890</b>
2,023	2,365	<b>2,820</b>
1,224	1,294	<b>1,149</b>
4,095	4,106	<b>3,980</b>
32,611	30,740	<b>36,324</b>
68,424	73,048	<b>83,776</b>
131,242	121,728	<b>138,861</b>
113,082	121,624	<b>131,748</b>
319,671	327,533	<b>355,915</b>
2,874	20,358	<b>9,261</b>
(7,838)	(9,318)	<b>(15,535)</b>
10,465	(13,909)	<b>10,564</b>
(4,963)	11,040	<b>(6,274)</b>
10,690	10,879	<b>12,359</b>
(17,735)	(8,797)	<b>(12,182)</b>
89,561	112,978	<b>127,897</b>
44.2%	47.6%	<b>49.1%</b>
3.2%	5.5%	<b>4.0%</b>
0.2%	3.1%	<b>3.3%</b>
0.3%	3.5%	<b>3.6%</b>
22.3	14.7	<b>23.8</b>
0.7	0.8	<b>0.9</b>
111,695	120,067	<b>129,792</b>
34.9%	36.7%	<b>36.5%</b>
98,631	90,988	<b>102,536</b>
0.8	0.7	<b>0.7</b>
84.30	155.56	<b>121.86</b>
2,709.17	2,911.17	<b>3,144.81</b>
37.50	50.00	<b>75.00</b>
44.5%	32.1%	<b>61.5%</b>
106.1	112.4	<b>135.5</b>
123.8	130.6	<b>141.0</b>

## Overview

The Watches Business in the Emotional Value Solutions (EVS) Business performed favorably after FY2013, mainly in the Japanese market. However, from FY2016, the operating profit in the Watches Business slumped due to changes in market conditions, including shifts in theretofore booming consumption by foreign tourists in Japan and global stagnation in the market for affordable watches. In addition, consolidated operating profit in the Devices Solutions (DS) Business also decreased as a result of the pursuit of selection and concentration. In response, in the Watch Business we started a new global brand strategy, focusing on brands with a story, aiming for expansion both in Japan and overseas. Since the fourth quarter of FY2019, all our businesses were significantly impacted by the COVID-19 pandemic. However, the EVS Business saw an improvement in operating profit due to the easing impact of the infection and a recovery in consumer spending both in Japan and overseas from FY2021. In the DS Business, although operating profit was growing due to progress in product portfolio transition to growing markets such as Society5.0 and a sudden increase in demand following the COVID-19 pandemic, a slowdown trend has been observed mainly in consumer devices from the third quarter of FY2022. The System Solutions Business has achieved increases in both revenue and profits for seven consecutive years thanks to efforts to diversify and expand the stock business. Interest bearing debt on invested capital was reduced by approximately 95.0 billion yen over the five years from FY2013 due to the sale of idle real estate and investment securities, liquidation of operating company office buildings, and the transfer of semiconductor business in FY2017. However, it has been increasing again due to the impact of COVID-19 from FY2019.

The consolidated ROIC for the past ten years had improved until FY2015 due to improved earnings and a reduction in interest bearing debt, but deteriorated temporarily due to the decline in profits in FY2016. Since FY2017, although business had begun to improve due to recovery in profits and a reduction of interest bearing debt following a business transfer, it significantly declined again due to the impact of COVID-19. "SMILE145" aims to improve profitability while also focusing on enhancing capital efficiency. Although the Group has significant variations in capital efficiency depending on the nature of each business, but taking into account the characteristics of the businesses, we will make balanced growth investments across the Group and aim to achieve our KPI of over 6.5% to realize what we aim to be in 2026.

## ROIC



- \*1 Due to the change in the reporting segments from FY2022, the results for FY2021 and earlier have been reclassified to reflect the new segments  
Figures after reclassification prior to FY2020 are unaudited reference values
- \*2 The previous Watches Business
- \*3 Including some of the businesses included in the previous Electronic Devices Business, the Time Creation Business and WAKO Business previously not included in reported segments, and adjustments in the Emotional Value Solutions Business
- \*4 The businesses previously in the Electronic Devices Business, other than those that have been changed to the Emotional Value Solutions Business
- \*5 Including the Optical Products Business until FY2013 (from FY2014, an equity method affiliated company)
- \*6 Total of research and development expenses included in general and administrative expenses and manufacturing cost
- \*7 Interest bearing debt = borrowings + lease obligations  
The Company has applied IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from Q1, FY2019.
- \*8 ROE = profit attributable to owners of parent / ((equity capital at beginning of fiscal year + equity capital at end of fiscal year) / 2) x 100
- \*9 ROA = ordinary profit / ((total assets at beginning of fiscal year + total assets at end of fiscal year) / 2) x 100
- \*10 ROIC = (ordinary income after income taxes + interest expense) / (interest bearing debt + net assets) x 100
- \*11 PER = stock price / basic earnings per share
- \*12 PBR = stock price / net assets per share
- \*13 Equity capital ratio = equity capital / total assets x 100  
The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) from the beginning of FY2018, and the indexes for FY2017 are presented after reclassification.
- \*14 Net interest bearing debt = interest bearing debt - cash and deposits
- \*15 Net D/E ratio = net interest bearing debt / net assets
- \*16 The Company conducted a share consolidation of every five shares of its common stock into one share as of October 1, 2017. The value on the left reflect the share consolidation.
- \*17 Profit attributable to owners of parent pertaining to common stock / average number of shares of common stock outstanding during the period
- \*18 Net assets at end of fiscal year related to common stock / number of common stock at end of fiscal year

# Financial Statement

## Cosolidated Balance Sheets

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Assets</b>					
<b>Current assets</b>					
Cash and deposits	33,844	26,112	32,611	30,740	<b>36,324</b>
Notes and accounts receivable-trade	37,456	34,397	37,185	—	—
Notes receivable-trade	—	—	—	2,730	<b>3,062</b>
Accounts receivable-trade	—	—	—	35,694	<b>35,187</b>
Contract assets	—	—	—	343	<b>397</b>
Merchandise and finished goods	38,119	42,964	42,365	42,847	<b>49,750</b>
Work in process	11,448	12,161	13,878	16,376	<b>18,117</b>
Raw materials and supplies	8,737	10,608	12,180	13,823	<b>15,908</b>
Accounts receivable-other	3,116	5,406	4,932	4,437	<b>6,577</b>
Other	7,419	7,790	8,306	9,102	<b>9,381</b>
Allowance for doubtful accounts	(1,153)	(1,317)	(1,421)	(1,310)	<b>(1,297)</b>
Total current assets	138,989	138,123	150,039	154,786	<b>173,410</b>
<b>Non-current assets</b>					
Property, plant and equipment					
Buildings and structures	71,913	72,189	74,459	77,046	<b>79,280</b>
Machinery, equipment and vehicles	81,388	78,307	79,098	82,590	<b>86,117</b>
Tools, furniture and fixtures	31,772	32,278	34,183	35,782	<b>39,233</b>
Other	1,820	7,183	8,831	9,909	<b>12,699</b>
Accumulated depreciation	(148,177)	(146,873)	(150,227)	(156,227)	<b>(163,232)</b>
Land	48,998	48,522	54,409	54,056	<b>54,182</b>
Construction in progress	924	2,434	2,422	1,942	<b>2,867</b>
Total property, plant and equipment	88,640	94,044	103,177	105,100	<b>111,149</b>
Intangible assets					
Goodwill	8,289	7,430	7,336	6,453	<b>6,901</b>
Other	8,957	8,572	8,493	8,391	<b>8,620</b>
Total intangible assets	17,247	16,003	15,830	14,844	<b>15,522</b>
Investments and other assets					
Investment securities	45,913	38,759	41,463	43,536	<b>45,490</b>
Retirement benefit asset	—	—	391	773	<b>1,820</b>
Deferred tax assets	4,243	4,441	2,273	2,200	<b>1,923</b>
Other	8,165	8,734	6,605	6,397	<b>6,752</b>
Allowance for doubtful accounts	(163)	(115)	(109)	(106)	<b>(153)</b>
Total Investments and other assets	58,159	51,820	50,625	52,802	<b>55,833</b>
Total non-current assets	164,047	161,867	169,632	172,747	<b>182,505</b>
<b>Total assets</b>	<b>303,036</b>	<b>299,990</b>	<b>319,671</b>	<b>327,533</b>	<b>355,915</b>

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Liabilities</b>					
<b>Current liabilities</b>					
Notes and accounts payable-trade	26,449	21,869	19,310	21,027	18,790
Electronically recorded obligations - operating	6,438	6,495	6,048	7,138	6,212
Short-term borrowings	49,610	59,140	72,611	63,709	72,598
Current portion of bonds payable	—	—	350	150	300
Current portion of long-term borrowings	19,698	16,843	17,315	23,719	22,117
Accounts payable-other	12,402	11,739	9,266	11,359	11,344
Income taxes payable	1,281	1,282	1,478	1,546	1,793
Contract liabilities	—	—	—	6,574	7,916
Provision for bonuses	3,644	3,477	3,634	4,174	4,879
Provision for goods warranties	440	462	367	409	488
Provision for loss on lease contracts	348	348	348	348	348
Provision for business restructuring	—	—	—	136	247
Other provisions	444	555	414	245	367
Asset retirement obligations	—	13	6	—	9
Other	12,213	13,929	14,528	13,873	14,743
<b>Total current liabilities</b>	<b>132,972</b>	<b>136,158</b>	<b>145,679</b>	<b>154,413</b>	<b>162,157</b>
<b>Non-current liabilities</b>					
Bonds payable	—	—	450	300	—
Long-term borrowings	35,106	33,637	35,263	28,752	37,525
Lease liabilities	1,246	4,288	4,499	4,096	5,667
Deferred tax liabilities	2,451	1,929	3,346	3,069	4,285
Deferred tax liabilities for land revaluation	3,614	3,614	3,614	3,614	3,614
Provision for stock benefits	89	133	161	232	538
Provision for long-term goods warranties	82	84	86	90	88
Provision for loss on lease contracts	1,483	1,134	785	436	87
Provision for retirement benefits for directors (and other officers)	36	35	35	19	4
Provision for gift certificate exchange losses	155	148	152	—	—
Provision for loss on business withdrawal	32	10	—	—	—
Provision for environmental measures	349	1	—	—	—
Other provisions	8	7	21	29	23
Retirement benefit liability	10,602	10,453	9,402	7,617	6,894
Asset retirement obligations	888	908	729	1,070	1,079
Other	3,501	3,171	2,361	2,166	2,199
<b>Total non-current liabilities</b>	<b>59,647</b>	<b>59,558</b>	<b>60,909</b>	<b>51,494</b>	<b>62,009</b>
<b>Total liabilities</b>	<b>192,620</b>	<b>195,717</b>	<b>206,589</b>	<b>205,908</b>	<b>224,166</b>
<b>Net Assets</b>					
<b>Shareholders' equity</b>					
Share capital	10,000	10,000	10,000	10,000	10,000
Capital surplus	7,245	7,245	7,245	7,245	7,245
Retained earnings	74,124	74,418	75,909	79,075	81,520
Treasury shares	(335)	(328)	(315)	(292)	(248)
<b>Total shareholders' equity</b>	<b>91,034</b>	<b>91,335</b>	<b>92,839</b>	<b>96,028</b>	<b>98,517</b>
<b>Accumulated other comprehensive income</b>					
Valuation difference on available-for-sale securities	10,099	5,486	10,431	10,942	11,464
Deferred gains or losses on hedges	(104)	11	(133)	(331)	(9)
Revaluation reserve for land	8,190	8,190	8,190	8,190	8,190
Foreign currency translation adjustment	878	(804)	1,055	5,116	10,638
Remeasurements of defined benefit plans	(876)	(1,169)	(687)	120	992
<b>Total accumulated other comprehensive income</b>	<b>18,186</b>	<b>11,714</b>	<b>18,856</b>	<b>24,038</b>	<b>31,275</b>
Non-controlling interests	1,194	1,223	1,387	1,557	1,956
<b>Total net assets</b>	<b>110,415</b>	<b>104,273</b>	<b>113,082</b>	<b>121,624</b>	<b>131,748</b>
<b>Total liabilities and net assets</b>	<b>303,036</b>	<b>299,990</b>	<b>319,671</b>	<b>327,533</b>	<b>355,915</b>

## Consolidated Statements of Income

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Net sales</b>	247,293	239,150	202,671	237,382	<b>260,504</b>
<b>Cost of sales</b>	150,955	144,221	122,804	138,203	<b>148,706</b>
<b>Gross profit</b>	96,338	94,928	79,866	99,178	<b>111,798</b>
Advertising and promotion expenses	16,905	18,845	14,929	15,985	<b>18,348</b>
Provision of allowance for doubtful accounts	71	210	90	50	<b>(3)</b>
Personel expenses	32,454	32,163	28,827	32,970	<b>36,890</b>
Provision for bonuses	1,879	1,913	2,023	2,365	<b>2,820</b>
Retirement benefit expenses	1,470	1,371	1,224	1,294	<b>1,149</b>
Other selling, general and administrative expenses	34,161	34,289	30,576	37,741	<b>41,360</b>
<b>Total selling, general and administrative expenses</b>	<b>86,943</b>	<b>88,794</b>	<b>77,672</b>	<b>90,408</b>	<b>100,564</b>
<b>Operating profit</b>	<b>9,394</b>	<b>6,134</b>	<b>2,194</b>	<b>8,770</b>	<b>11,233</b>
<b>Non-operating income</b>					
Interest income	188	171	55	67	<b>199</b>
Dividend income	774	763	771	774	<b>771</b>
Share of profit of entities accounted for using equity method	1,941	1,313	—	898	<b>1,224</b>
Foreign exchange gains	—	—	278	699	<b>—</b>
Royalty income	—	367	324	420	<b>—</b>
House rent and other rental revenues	—	340	350	—	<b>—</b>
Other	1,889	628	534	696	<b>858</b>
Total non-operating income	4,794	3,585	2,315	3,557	<b>3,053</b>
<b>Non-operating expenses</b>					
Interest expenses	985	982	899	896	<b>1,139</b>
Foreign exchange losses	79	291	—	—	<b>—</b>
Share of loss of entities accounted for using equity method	—	—	1,826	—	<b>—</b>
Other	1,712	1,441	1,149	1,492	<b>1,980</b>
Total non-operating expenses	2,777	2,715	3,876	2,388	<b>3,119</b>
<b>Ordinary profit</b>	<b>11,410</b>	<b>7,004</b>	<b>633</b>	<b>9,939</b>	<b>11,167</b>
<b>Extraordinary income</b>					
Gain on sale of non-current assets	257	346	1,043	—	<b>228</b>
Subsidy income	—	—	618	133	<b>—</b>
Gain on sale of investment securities	—	—	7,603	—	<b>—</b>
Gain on liquidation of subsidiaries and associates	—	—	140	—	<b>—</b>
Gain on sale of membership	106	—	—	—	<b>—</b>
Total extraordinary income	363	346	9,406	133	<b>228</b>
<b>Extraordinary losses</b>					
Business restructuring expenses	—	264	—	221	<b>968</b>
Loss on sale of investment securities	—	—	—	—	<b>548</b>
Loss on cancellation of agency agreement	—	—	—	—	<b>147</b>
Loss on the spread of infection disease	—	305	3,614	974	<b>90</b>
Impairment losses	—	240	—	—	<b>—</b>
Loss on retirement of non-current assets	—	179	—	—	<b>—</b>
Retirement benefit expenses	—	158	—	—	<b>—</b>
Total extraordinary losses	—	1,148	3,614	1,196	<b>1,753</b>
<b>Profit before income taxes</b>	<b>11,774</b>	<b>6,201</b>	<b>6,424</b>	<b>8,876</b>	<b>9,642</b>
<b>Income taxes - current</b>	<b>2,409</b>	<b>1,745</b>	<b>1,682</b>	<b>2,138</b>	<b>2,995</b>
<b>Income taxes - deferred</b>	<b>35</b>	<b>974</b>	<b>1,088</b>	<b>125</b>	<b>1,350</b>
<b>Total income taxes</b>	<b>2,445</b>	<b>2,719</b>	<b>2,771</b>	<b>2,264</b>	<b>4,346</b>
<b>Profit</b>	<b>9,329</b>	<b>3,481</b>	<b>3,653</b>	<b>6,611</b>	<b>5,295</b>
<b>Profit attributable to non-controlling interests</b>	<b>79</b>	<b>86</b>	<b>177</b>	<b>196</b>	<b>267</b>
<b>Profit attributable to owners of parent</b>	<b>9,249</b>	<b>3,394</b>	<b>3,475</b>	<b>6,415</b>	<b>5,028</b>

## Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Cash flows from operating activities</b>					
Profit before income taxes	11,774	6,201	6,424	8,876	9,642
Depreciation	8,980	10,315	10,690	10,879	12,359
Increase (decrease) in allowance for doubtful accounts	(76)	134	65	(167)	(14)
Increase (decrease) in retirement benefit liability	(275)	149	(1,152)	(1,796)	(865)
Interest and dividend income	(962)	(935)	(827)	(842)	(970)
Interest expenses	985	982	899	896	1,139
Foreign exchange losses (gains)	(94)	75	74	(485)	18
Share of loss (profit) of entities accounted for using equity method	(1,941)	(1,313)	1,826	(898)	(1,224)
Impairment loss	—	240	—	—	—
Loss (gain) on sale of investment securities	—	—	(7,603)	—	548
Loss (gain) on sale of non-current assets	(257)	(346)	(1,043)	—	(228)
Loss on retirement of non-current assets	92	245	192	304	270
Decrease (increase) in trade receivables	1,132	2,388	(911)	1,496	688
Decrease (increase) in inventories	(976)	(7,446)	(1,552)	(2,048)	(8,235)
Increase (decrease) in trade payables	(518)	(4,358)	(3,889)	176	(3,399)
Other, net	1,926	(2,643)	1,118	6,060	2,296
Subtotal	19,788	3,689	4,311	22,452	12,025
Interest and dividends received	963	935	827	842	971
Dividends received from entities accounted for using equity method	327	1,456	127	176	232
Interest paid	(988)	(990)	(898)	(897)	(1,133)
Extra retirement payments	(170)	(666)	(1)	—	—
Income taxes paid	(2,412)	(1,720)	(1,492)	(2,215)	(2,834)
Net cash provided by (used in) operating activities	17,508	2,704	2,874	20,358	9,261
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(6,341)	(8,852)	(17,735)	(8,797)	(12,182)
Proceeds from sale of property, plant and equipment	1,061	546	1,864	642	269
Purchase of investment securities	(0)	(0)	(200)	(34)	(0)
Proceeds from sale of investment securities	33	2	10,624	301	513
Loan advances	(522)	(477)	(806)	(487)	(1,013)
Proceeds from collection of loans receivable	508	1,229	790	693	733
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(219)	(1,365)	—	(1,428)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	—	218	—
Other, net	(1,831)	(2,916)	(1,008)	(1,854)	(2,427)
Net cash provided by (used in) investing activities	(7,093)	(10,688)	(7,838)	(9,318)	(15,535)
<b>Cash flows from financing activities</b>					
Proceeds from short-term borrowings	910,847	893,019	1,451,815	1,267,894	1,408,747
Repayments of short-term borrowings	(911,281)	(883,432)	(1,438,848)	(1,277,121)	(1,400,675)
Proceeds from long-term borrowings	16,300	16,800	20,800	18,600	32,800
Repayments of long-term borrowings	(23,058)	(21,124)	(19,172)	(19,045)	(25,629)
Repayments of lease liabilities	(371)	(1,463)	(1,798)	(1,716)	(1,895)
Dividends paid	(3,100)	(3,100)	(2,067)	(2,067)	(2,583)
Other, net	(5)	(20)	(265)	(453)	(198)
Net cash provided by (used in) financing activities	(10,670)	678	10,465	(13,909)	10,564
<b>Effect of exchange rate change on cash and cash equivalents</b>	229	(427)	727	1,267	1,180
<b>Net increase (decrease) in cash and cash equivalents</b>	(26)	(7,732)	6,228	(1,601)	5,470
<b>Cash and cash equivalents at beginning of period</b>	33,911	33,843	26,111	32,340	30,738
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	(41)	—	—	—	—
<b>Cash and cash equivalents at end of period</b>	33,843	26,111	32,340	30,738	36,209

# Segment Information

(Millions of yen)

		From April 1, 2021 To March 31, 2022	From April 1, 2022 To March 31, 2023
<b>Emotional Value Solutions Business</b> *1	Revenues from external customers	147,849	167,742
	Transactions with other segments	3,041	3,053
	Total	150,890	170,795
	Segment profits	8,295	11,575
	Segment assets	128,009	143,181
	Depreciation and amortization expense	5,305	6,330
	Amortization of goodwill	0	—
<b>Devices Solutions Business</b> *1	Revenues from external customers	56,653	58,428
	Transactions with other segments	4,407	6,101
	Total	61,060	64,530
	Segment profits	5,638	5,059
	Segment assets	76,374	82,714
	Depreciation and amortization expense	3,169	3,738
	Amortization of goodwill	—	—
<b>Systems Solutions Business</b>	Revenues from external customers	32,511	33,554
	Transactions with other segments	1,901	3,071
	Total	34,413	36,626
	Segment profits	3,946	4,367
	Segment assets	24,799	29,747
	Depreciation and amortization expense	1,092	1,090
	Amortization of goodwill	394	631
<b>Others</b> *1	Revenues from external customers	367	367
	Transactions with other segments	685	741
	Total	1,052	1,109
	Segment profits	216	171
	Segment assets	24,140	23,605
	Depreciation and amortization expense	85	90
	Amortization of goodwill	—	—
<b>Adjustments</b> *1 *2	Revenues from external customers	—	411
	Transactions with other segments	(10,035)	(12,968)
	Total	(10,035)	(12,557)
	Segment profits	(9,326)	(9,940)
	Segment assets	74,208	76,667
	Depreciation and amortization expense	1,225	1,109
	Amortization of goodwill	566	566
<b>Consolidated Total</b>	Revenues from external customers	237,382	260,504
	Transactions with other segments	—	—
	Total	237,382	260,504
	Segment profits	8,770	11,233
	Segment assets	327,533	355,915
	Depreciation and amortization expense	10,879	12,359
	Amortization of goodwill	962	1,198

\*1. Reported segments have been changed from the fiscal year ending March 31, 2023.

Accordingly, the above figures for the fiscal years ended March 31, 2022 have been reclassified to reflect the new disclosure segments.

\*2. Adjustments are as follows:

(1) Adjustment to revenues from external customers is royalty income at headquarters, unallocated to operating segments.

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

	From April 1, 2021 To March 31, 2022	From April 1, 2022 To March 31, 2023
Amortization of goodwill	(566) million yen	(566) million yen
Elimination of inter-segment transactions, etc.	32 million yen	(522) million yen
Company-wide expenses not appropriated to each reported segment	(8,792) million yen	(8,851) million yen

(3) Adjustments to segment assets include the following.

Company-wide assets primarily consist of surplus funds and long-term investment funds (investment securities) at the parent company (holding company).

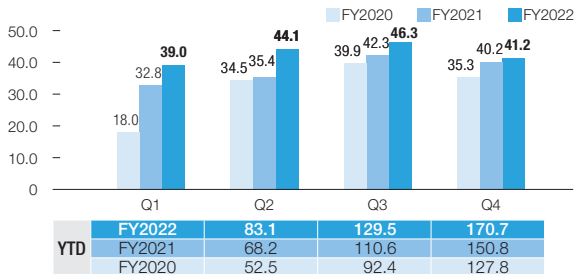
	From April 1, 2021 To March 31, 2022	From April 1, 2022 To March 31, 2023
Elimination of inter-segment liabilities.	(71,786) million yen	(81,055) million yen
Company-wide assets not appropriated to each reported segment	212,462 million yen	212,305 million yen
Elimination of investment and equity, etc.	(66,467) million yen	(54,582) million yen

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

# By Quarter (by Segment)

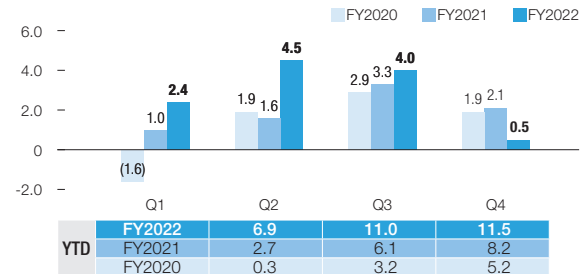
## Net Sales (Billions of yen)

### Emotional Value Solutions Business

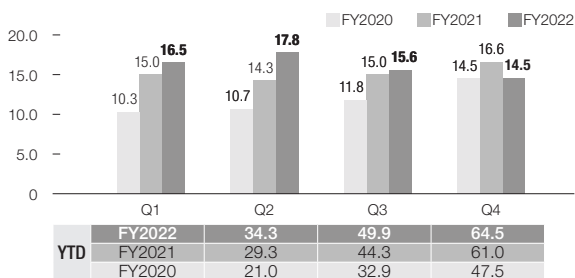


## Operating Profit (Billions of yen)

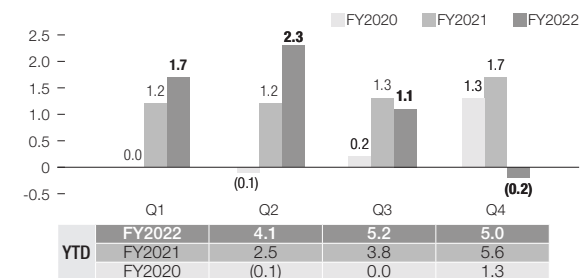
### Emotional Value Solutions Business



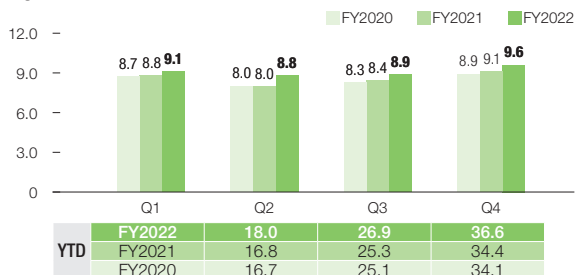
### Devices Solutions Business



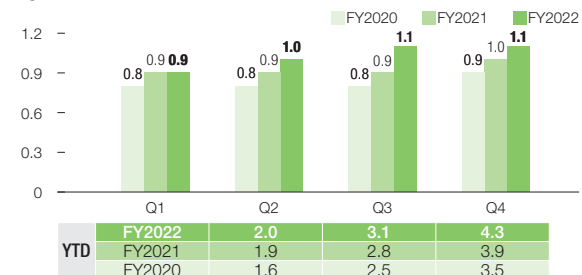
### Devices Solutions Business



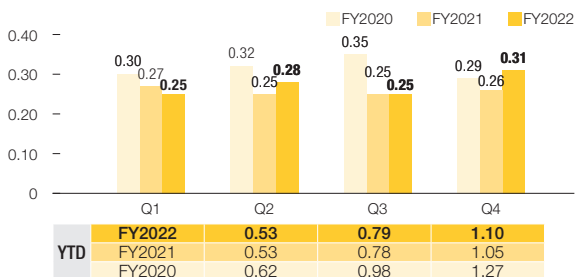
### Systems Solutions Business



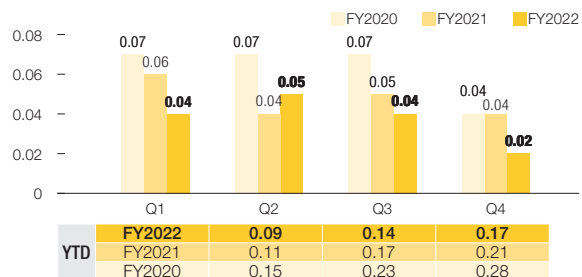
### Systems Solutions Business



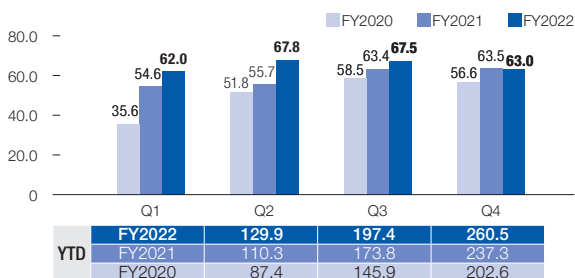
### Others



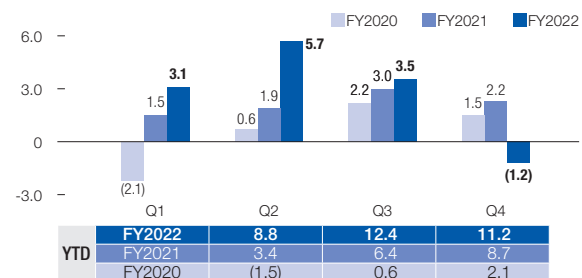
### Others



### Consolidated Total



### Consolidated Total



\* Due to the change in the reporting segments from FY2022, the results for FY2021 and earlier have been reclassified to reflect the new segments. Figures after reclassification prior to FY2020 are unaudited reference values.

# Overview of Company / Information about Shares

## Company Overview (as of March 31, 2023)

<b>Company Name</b>	SEIKO GROUP CORPORATION
<b>Year of Establishment</b>	1881
<b>Capital</b>	10 billion yen
<b>Number of Employees</b>	171 11,843 (consolidated)

<b>Operating Revenue</b>	15.3 billion yen
<b>Consolidated Net Sales</b>	260.5 billion yen
<b>Head Office Address</b>	26-1, Ginza 1-chome, Chuo-ku, Tokyo Tel: +81-3-3563-2111

## Consolidated Subsidiaries (as of April 1, 2023)

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

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

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

## Affiliates accounted for by the equity method (as of April 1, 2023)

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



## Information about Shares (as of March 31, 2023)

Total number of shares authorized to be issued: 149,200,000  
 Total number of shares issued and outstanding: 41,404,261  
 Number of shareholders: 12,627

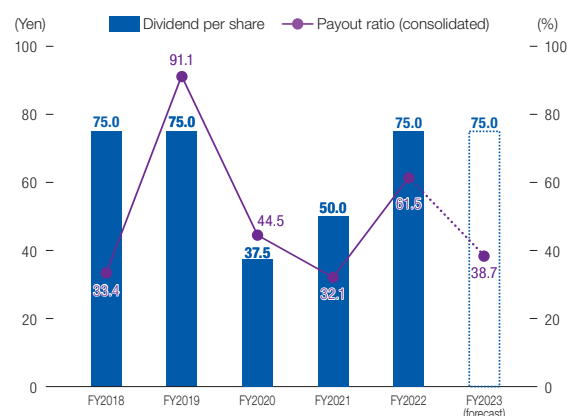
## Dividend Policy

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

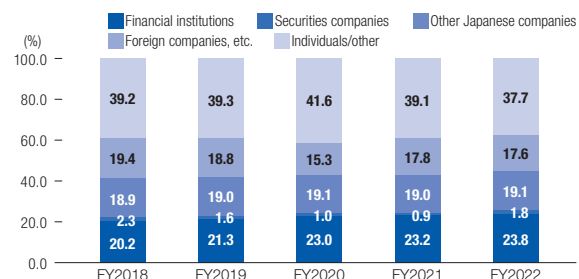
## Status of Major Shareholders (as of March 31, 2023)

Name	Number of shares (x 1,000)	Ratio
Sanko Kigyo K.K.	4,436	10.7%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,302	10.4%
Etsuko Hattori	3,613	8.7%
Custody Bank of Japan, Ltd. (Trust Account)	2,480	6.0%
Shinji Hattori	2,279	5.5%
The Dai-ichi Life Insurance Company, Limited	1,800	4.4%
Hideo Hattori	1,622	3.9%
SHIMIZU CORPORATION	744	1.8%
FUJI BUILDING Co., Ltd.	671	1.6%
Hirohisa Hattori	595	1.4%

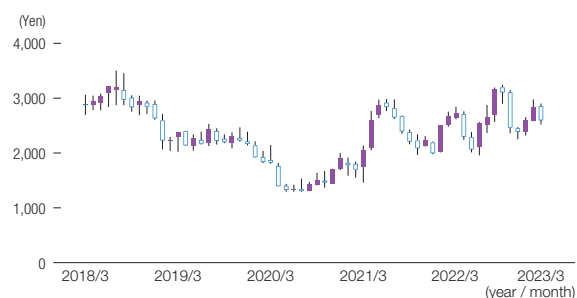
## Dividend payout ratio



## Distribution of Shares (as of March 31, 2023)



## Share Price Transition



## Editorial Policy

In Value Report for this year, which marks the second year of the 8th Mid-Term Management Plan "SMILE145" that started from fiscal year 2022, we aimed to clearly introduce the achievement and challenges of the first year of SMILE145 and our future policy based on these achievements, seeking to help our stakeholders understand our further challenges and processes toward becoming a solutions company. We hope this report will help you deepen your understanding of the Group's sustainable value creation and initiates dialogue with everyone.

## Scope of Reporting

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

## Target Period

April 1, 2022 to March 31, 2023  
 (including some activities from April 2023)

## Reference

"International Integrated Reporting Framework": IFRS Foundation  
 "Guidance for Integrated Corporate Disclosure and Company Investor Dialogue for Collaborative Value Creation": the Ministry of Economy, Trade and Industry  
 "Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report)": TCFD



## Forward-Looking Statements

Forecasts of future earnings performance in this report are based on information currently available to the Company and certain reasonable assumptions. Actual results may differ materially from these forecasts due to a range of factors. Information regarding financial information and corporate governance not included in this report can be found on our website.



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

# SEIKO GROUP CORPORATION