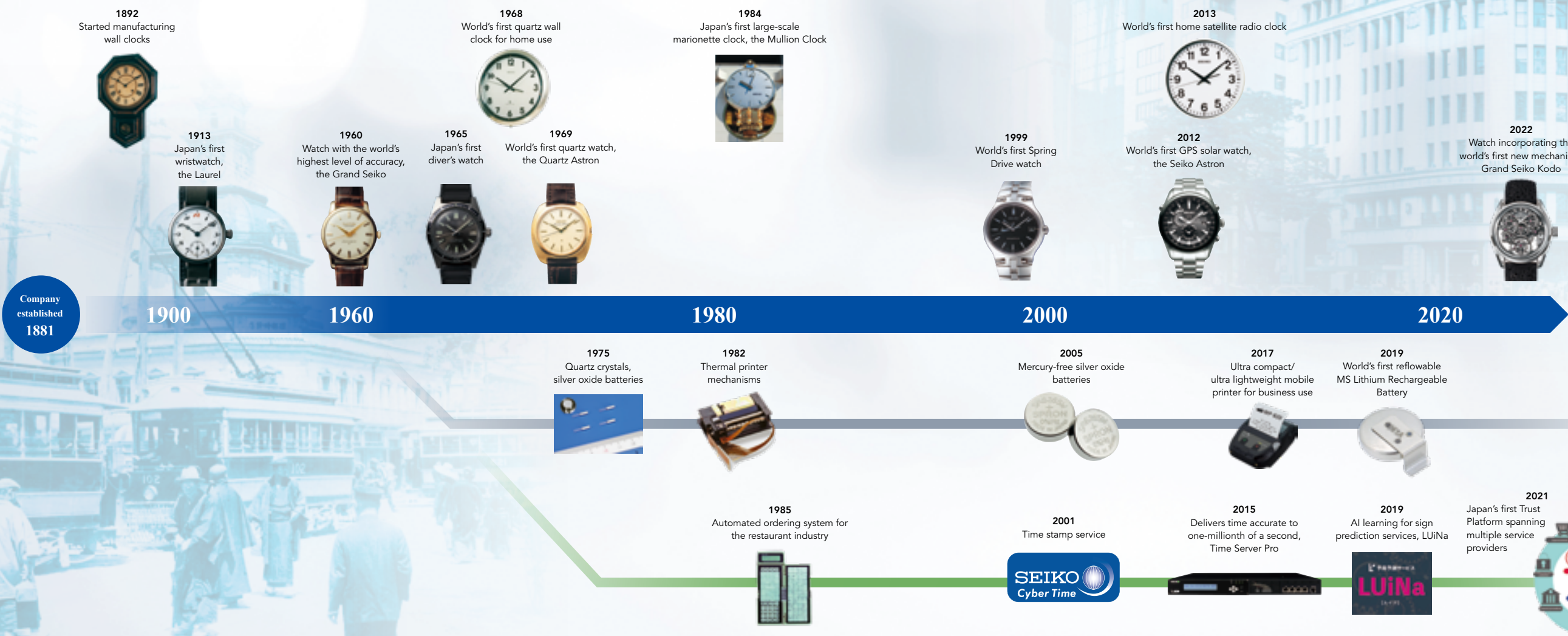


History of Value Creation Spanning More Than 140 Years

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. The Group will contribute to people around the world to help them lead better lives with a smile by returning to being a solutions company as our starting point and responding to the changing business environment.



Sources of value creation accumulated throughout history

The world's one and only SEIKO brand, built on proven trust

P.22

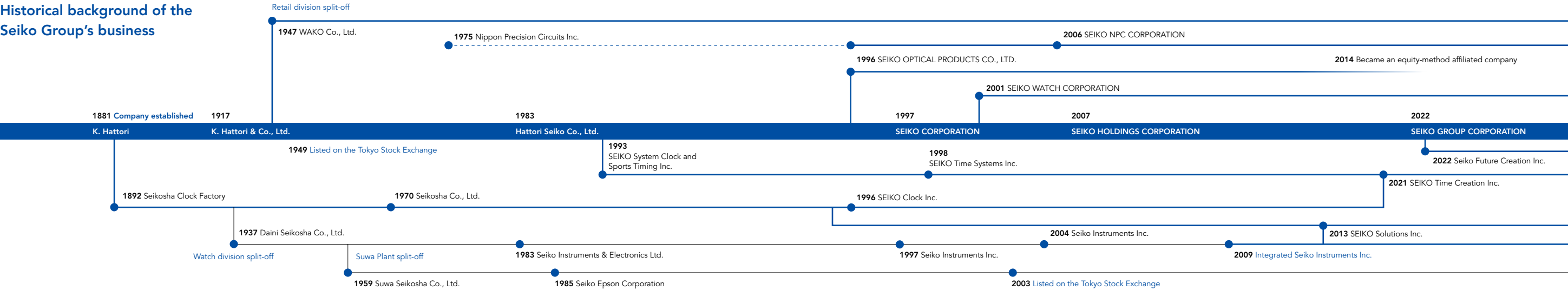
Innovation based on the spirit of "Craftsmanship, Miniaturization, and Efficiency" cultivated in watchmaking

P.24

Thoroughly customer-oriented proposal capabilities

P.26

Historical background of the Seiko Group's business



The Sources of Our Value Creation: What are Seiko's unique commitments?

The world's one and only SEIKO brand, built on proven trust

Unwavering trust in building an international brand

Since its founding, the Seiko Group has continually taken on new challenges in its efforts to remain a company that is both useful to society and worthy of its trust. As a result, the Seiko Group has built the globally one-of-a-kind SEIKO brand.

1881

Kintaro Hattori establishes K. Hattori Clock Store

Kintaro Hattori founded K. Hattori Clock Store, which sold and repaired imported timepieces. Kintaro honored all business agreements with all customers, whether they be Japanese or foreign, no matter how difficult the times, and this earned him the trust of trading posts and retailers. This resulted in immense growth. The company then went on to lay the foundation for the Japanese timepiece market by manufacturing domestically produced timepieces.



1894

First clock tower erected in Ginza 4-chome

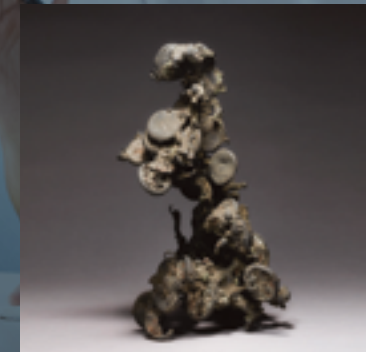
The first clock tower, which became the symbol of Ginza, was completed. It helped to incorporate the concept of time into everyday life and played a role in informing the people of the exact time. The present-day building is the second generation, completed in 1932, and its exterior has remained almost unchanged since then, ticking away the time in sync with the Ginza district.



1923

Earns society's trust through earnest response to the Great Kanto Earthquake

Although the Company's factories and stores were all destroyed in the Great Kanto Earthquake in September 1923, it resumed business in November. Approximately 1,500 watches that had been left for repair by customers before the earthquake were lost to fire, but Kintaro placed newspaper advertisements and compensated customers who spoke up by offering new watches of equal value, thereby gaining a solid reputation for reliability.



1953

First TV commercial in Japan airs— with the spirit of "valuing the brand"

In 1951, the first radio commercial in Japan was aired, and in 1953, when the first private-sector television station (present-day Nippon Television) was launched, Seiko's time signal commercial was aired as the first private-sector television commercial. Kintaro was not only concerned with "producing superior products" but was also strongly aware of the importance of what is now known as "branding" and "marketing." This spirit is the foundation of Seiko's branding activities, including the broadcast of this commercial as well as official timekeeping.



Capturing moving moments by providing accurate timing and measurement

Sporting events are undoubtedly the ultimate stage for athletes who tirelessly undertake the challenge of pushing their own limits and setting new records. The Group serves as the official timekeeper for numerous sporting events and has earned the trust of its customers by pursuing the highest level of accuracy and precision in timing and measurement.

For the 1964 Tokyo Olympic Games, the Group developed timing equipment and contributed to the success of the event despite not having any experience in sports timing at the time. Seiko's technology and brand became recognized around the world through its success on this grand stage, which was dubbed the "Olympics of Japanese Products" and the "Olympics of Science." Since then, the Group has served as the official timekeeper for five Olympiads.

The Group has also been the official timekeeper of the IAAF World Championships since 1987. At the 2023 Budapest Championships, rather than resting on its laurels, the Group introduced the new Triple Jump Phase Measurement System, thus staying abreast with the evolution of athletics. The Group will also be the official timer for the Tokyo Championships in 2025.

Sports timing is an opportunity to raise awareness of the SEIKO brand all over the world. By utilizing our experienced timing team and the latest measurement equipment, the Seiko Group provides more accurate timing and measurement, bringing smiles and moving moments to the world.

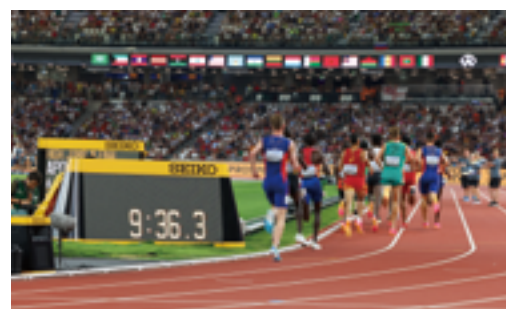


Photo by AFLO SPORT

The "Contemporary Master Craftsmen" who support the SEIKO brand

The Seiko Group believes that craftsmanship is about developing people, and it has focused on developing outstanding engineers and technicians. At the core of this effort are its Contemporary Master Craftsmen.*1

Seiko has proactively participated in precision competitions both at home and abroad to hone its technology and skills and cultivate its human resources. As a result of continuing to take on challenges, in 1968 the precision and technical capabilities of its timepieces gained recognition, winning top positions at the Geneva Observatory Competition. Since then, the Group has won numerous awards at world-renowned competitions, including the Grand Prix d'Horlogerie de Genève. These "Contemporary Master Craftsmen" have made a significant contribution to this global recognition, and the challenges they have undertaken have formed a substantial foundation for building Seiko's credibility.

Currently, there are seven*2 Contemporary Master Craftsmen belonging to the Seiko Group, and they have been highly praised from outside the Company. Seiko's highly skilled personnel make tremendous contributions to the Seiko Group's brand, and the Group is committed to passing on skills and nurturing engineers to further enhance its brand power. To remain a highly regarded brand, the Group will continue to hone its skills and gain the trust of customers around the world.



Geneva Observatory Competition Results

*1 Contemporary Master Craftsmen: A system in which the Minister of Health, Labour and Welfare presents awards once a year to skilled craftsmen who have outstanding skills and are considered to be the leaders in their field

*2 As of the end of March 2024

The Sources of Our Value Creation: What are Seiko's unique commitments?

Innovation based on the spirit of “Craftsmanship, Miniaturization, and Efficiency” cultivated in watchmaking

The technological capabilities of “Craftsmanship, Miniaturization, and Efficiency” cultivated since 1881

Since its founding in 1881, the Seiko Group has provided the world with numerous cutting-edge, innovative products, including the world's first quartz wristwatch, as well as a wide range of precision instruments and device solutions. In the pursuit of more compact, more accurate, and longer-lasting wristwatches, the Group has built up “Craftsmanship” technology, which creates new value with sophisticated techniques and expertise; “Miniaturization” technology, which reduces product size through precision processing and high-density assembly technologies; and “Efficiency” technology, which promotes the most efficient use of all resources including energy.

Craftsmanship

Creating new value by combining traditional techniques and cutting-edge knowledge

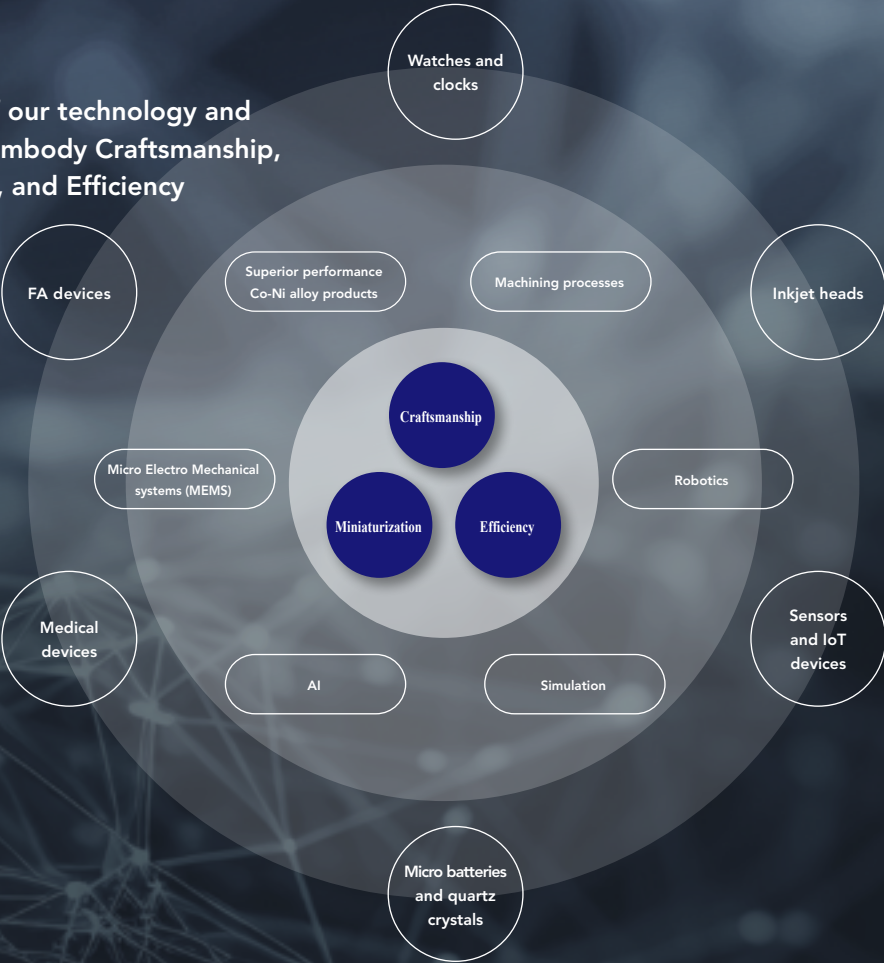
Miniaturization

Pursuing miniaturization through precision machining and assembly for producing smaller devices through precision processing and assembly

Efficiency

Pursuing energy, resource, and labor savings

A case study of our technology and products that embody Craftsmanship, Miniaturization, and Efficiency



Outstanding technological capabilities that evolves along with timepieces

The Seiko Group boasts world-leading technological capabilities in the field of watch manufacturing. Since revolutionizing the watch industry with the release of the world's first quartz wristwatch, the Quartz Astron, in 1969, the Group has constantly pursued technological innovation, including the world's first analog quartz chronograph and Spring Drive, which combines the best of mechanical and quartz watchmaking technologies. In 2012, the Group released the world's first GPS solar watch, “Seiko Astron,” making it possible to display accurate time anywhere around the world. In addition, “Kodo,” released in 2022, is a masterpiece that pushes the technological limits of mechanical wristwatches. The watch is the world's first to integrate and combine two complex mechanisms, a tourbillon and a constant-force mechanism, as one unit on a single axis, to achieve a new level of stable accuracy, while pursuing the beauty and precision of mechanical watches. These achievements are the result of Seiko's outstanding technological capabilities and passion for innovation, which contribute to the high praise the Company's watches have continued to receive worldwide.



Quartz Astron



Seiko Astron



Kodo

Outstanding technological capabilities supporting the future

Since the birth of the quartz watch, the Seiko Group has been one of the first to establish a system for in-house development and production of electronic components, responding to the diversification and mass production of wristwatches. As a result, the Group has refined its technologies to make watches more compact and consume less power, and has introduced a wide range of products. Those products are widely used in smartphones, digital home appliances, automobiles, IoT devices, and other products that are indispensable to modern society, thus supporting society and industry. For example, micro batteries play an important role as backup power sources for the memory and clock functions of digital devices such as security cameras and dashcams, while quartz crystals and quartz oscillator ICs play an important role as components that generate reference signals for synchronization of electronic components built into digital devices. In this way, the Group is leveraging the Craftsmanship, Miniaturization, and Efficiency technologies it has cultivated in watchmaking to provide products that meet diverse needs in a variety of fields, including automotive, medical, and industrial, thereby contributing to the achievement of a sustainable society.



Micro batteries



Quartz crystals



Quartz oscillator ICs



Superior performance Co-Ni alloy products

The Sources of Our Value Creation: What are Seiko's unique commitments?

Thoroughly customer-oriented proposal capabilities

The root of Seiko's proposal capabilities—a thoroughgoing spirit of hospitality standing shoulder to shoulder with its customers

The Seiko Group always values a customer-oriented approach and will continue to provide high-quality products and services from the customer's perspective.

New solutions brought about by the spirit of hospitality that the Group has cultivated

Since our founding in Tokyo's Ginza district, the Seiko Group has cherished the spirit of hospitality that meets the needs of the times.

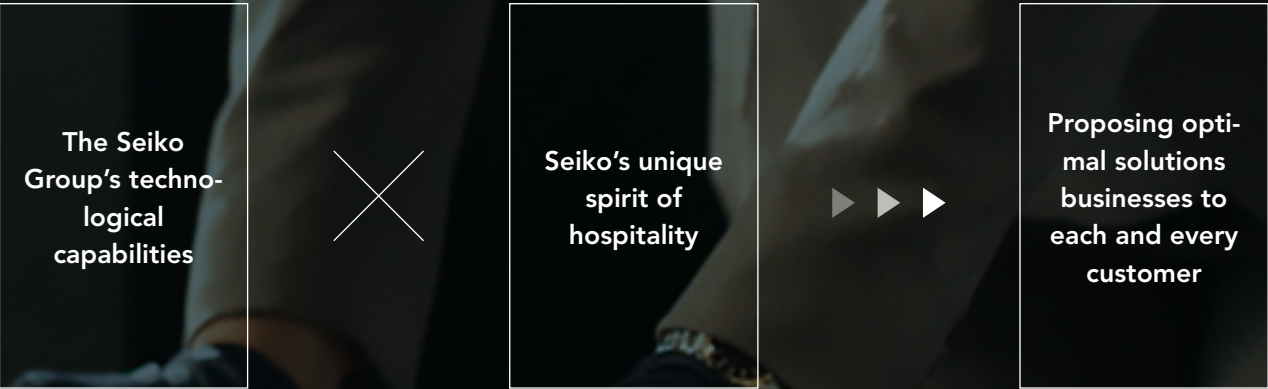
The Company's founder, Kintaro Hattori, erected the first clock tower in Ginza in 1894, long before clocks became widespread. The clock tower was installed with the belief that knowing the exact time would help make a better society, and it is one of the origins of the Seiko Group's hospitality.

Ginza Wako, which is based at the second-generation clock tower, welcomes all customers with a spirit of heartfelt hospitality that has been cultivated over its long history and traditions. The Group incorporates customer feedback into its own unique planning and development and rolls out products, thus standing shoulder to shoulder with its customers.

Today, by combining this spirit of hospitality that the Group cultivated in Ginza with the technical capabilities it has developed over the years, the Group is able to offer highly unique proposals. These proposal capabilities are not limited to the Wako business but have been expanded to other businesses as well, growing into a strength for the entire Group. With a spirit of hospitality at its core, the Group will continue to create new solutions that meet diversifying needs.



Seiko's solution proposal capabilities



Core Strength

Ability to create new solutions based on its familiarity with customers and their industries

Accurate “time” enriching social life

In a highly systematized society, all things are connected by precise time, and even the slightest time discrepancy can cause disruptions to transportation and communications. For this reason, time synchronization, which accurately adjusts the clocks on electronic devices that handle information, is essential in today's society.

Seiko's high-precision time synchronization is used by the Tokyo Stock Exchange. At the start of trading at 9 a.m., the market is flooded with tens of thousands of transactions in just one second. Its time synchronization with accuracy within 1/10,000,000 of a second enables orders to be traded in the order they were placed, thus providing investors with fair trading opportunities.

The Group will continue to meet the demand for ultra-high precision time synchronization by catering to the needs of individual fields, including broadcasting, communications, railways, finance, electric power, and IoT.



Delivering “hospitality” customer service by combining online and offline customer data

WAKO Co., Ltd., located in Ginza, aims to provide “hospitality” customer service, not just ordinary service, by listening carefully to understand the customer's latent needs and providing services and experiences that are tailored to the customer.

The adoption of the “SETSUGU” OMO solution, provided by SEIKO Solutions Inc. to enable on-site sales staff, who actually interact with customers, to provide better customer service, has enabled the integration of online and offline customer data and the utilization of that data in the field. In addition, integrated customer data can be used to understand latent needs, extract useful customer segments, and leverage data for marketing activities.

Both WAKO Co., Ltd. and SEIKO Solutions Inc. received the 2023 CRM Best Practice Award, sponsored by CRM Association, a general incorporated association, and their customer service initiatives were commended as an “ambitious model for integrating online and offline customer service.”

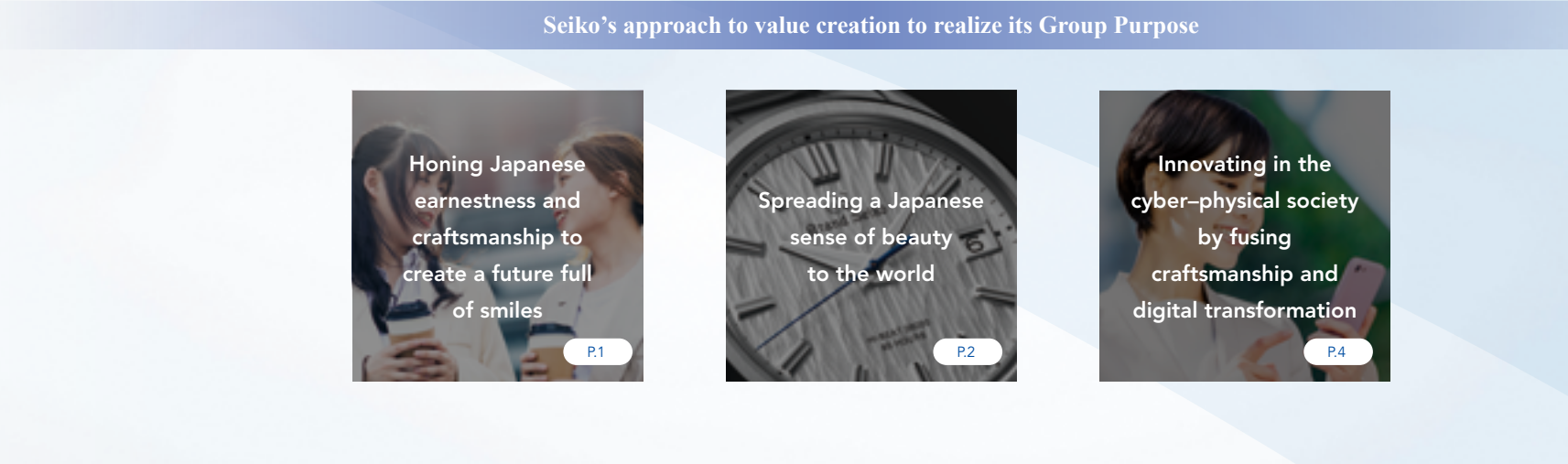
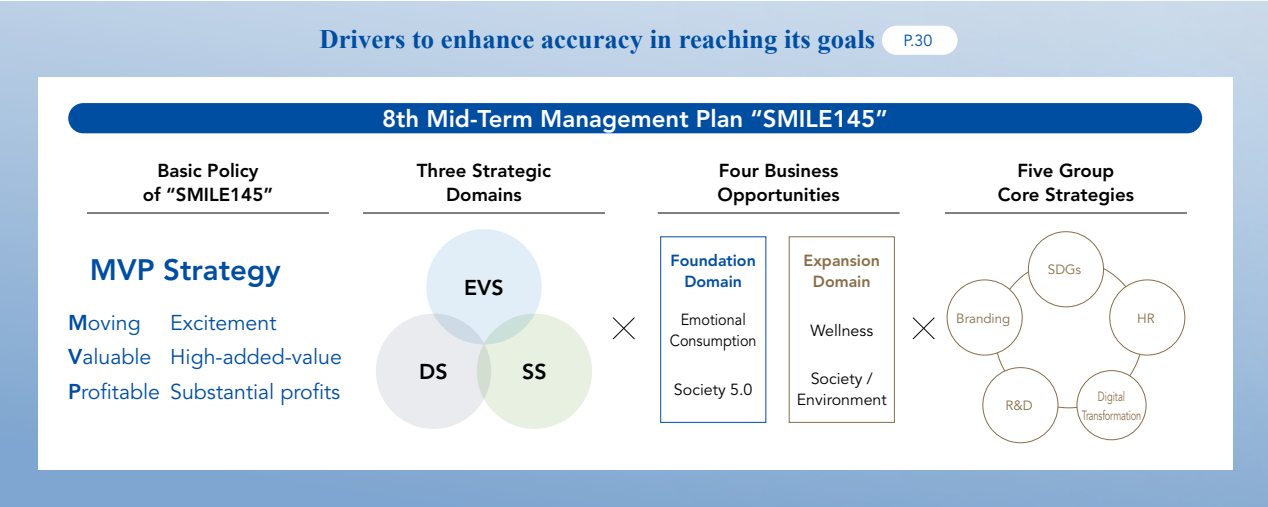
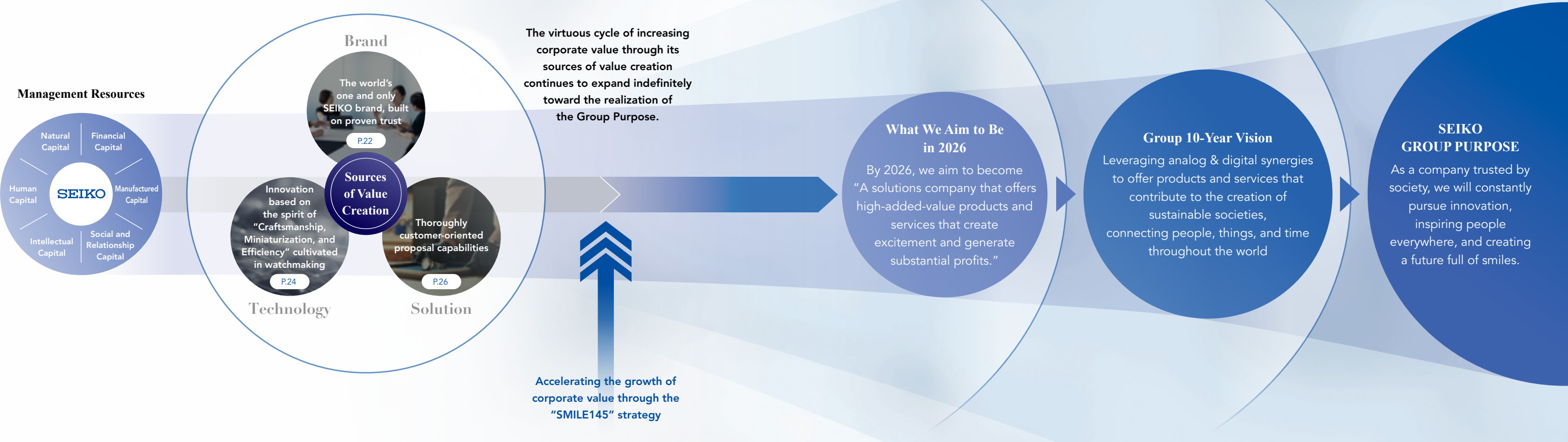


Solution

Value Creation Model

—Expanding Seiko’s Corporate Value through the Accumulation of Unique Value Creation—

Based on its SEIKO brand-driven management resources, the Seiko Group achieves ongoing growth by leveraging its three unique sources of value creation to strengthen and expand its resources. The Group aims to fulfill its Group Purpose by carrying out its 8th Mid-Term Management Plan, “SMILE145”, to accelerate the improvement of its corporate value toward its medium-term management vision of becoming a “solutions company.”

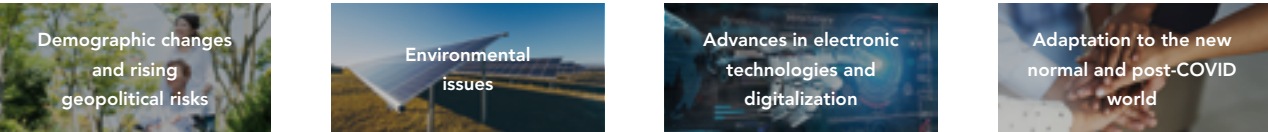


8th Mid-Term Management Plan “SMILE145”:

Plan Overview, Progress, and Looking Ahead to the Second Half

Environmental Awareness When Formulating SMILE145

Amid changes such as rising geopolitical risks, worsening environmental issues, the shift to a data-driven society, and advances in automation and robotics, consumer values and lifestyles are becoming ever more diverse. Given this business environment, the Seiko Group will promote SMILE145 and help solve social issues through its business.

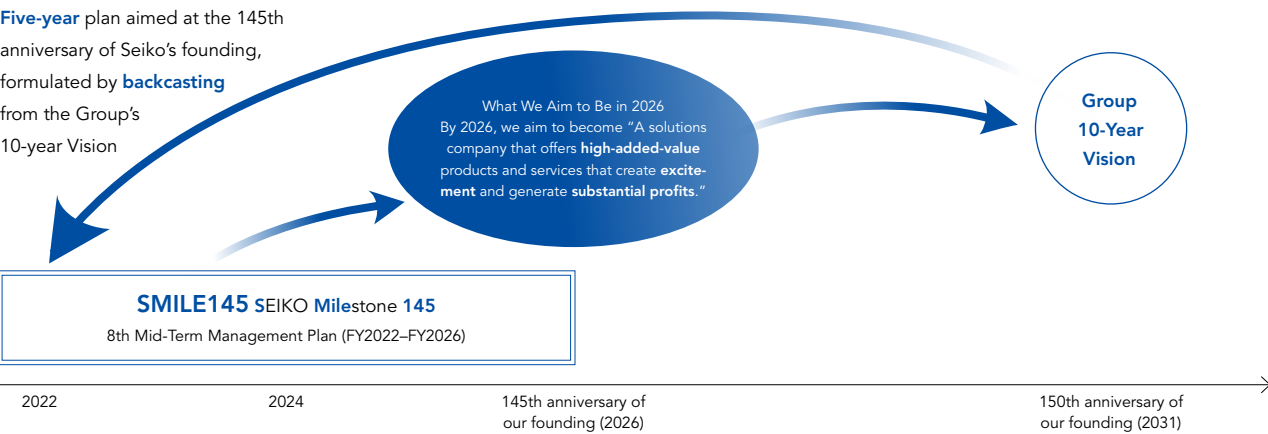


In a VUCA* era of widespread discontinuous changes, the Seiko Group will contribute to solutions to social issues through its business.

* Volatile, uncertain, complex, and ambiguous

Overall Concept of SMILE145

The Seiko Group is carrying out its 8th Mid-Term Management Plan, SMILE145, with the aim of capitalizing on changes in the operating environment and helping solve social issues as a “solutions company.” The Group will implement its MVP Strategy, which constitutes its basic policy, to provide high-added-value, high-profit products and services while aiming to solve social issues and enhance profitability.



MVP Strategy

Moving
Valuable
Profitable

- Addressing social issues to create value
- Innovating business models through digital transformation
- Improving profitability
- Ambidextrous management
- A culture of taking on challenges

KPI (FY2026)

Financial	Operating profit	¥20 billion*
	Gross profit margin (GP margin)	+5.0 percentage points (compared with FY2021)
	ROIC	Over 6.5%
Non-financial	ROE	Over 8.0%*
	CO ₂ emissions (Scope 1 and 2) down 25% (compared with FY2020)	
	Higher engagement score	

* Established or revised from FY2024



Progress and Environmental Changes Over the First Two Years of SMILE145

During the first two years of SMILE145, various changes in the economic environment had a significant impact on the Group's business. Those changes included yen depreciation, recovery in inbound demand, inventory adjustments in the devices market following special demand in the wake of the COVID-19 pandemic, and the sluggish Chinese economy.

Progress by business segment over the first two years of the plan

EVS Domain	<ul style="list-style-type: none">The Watches Business achieved sales exceeding pre-COVID levels by carrying out a Global Brands strategy both in Japan and overseas.In fiscal year 2023, the Watches Business achieved its highest profit since the establishment of SEIKO WATCH CORPORATION.The Time Creation Business struggled in the Clocks Business.The Wako Business performed well thanks to a recovery in both domestic and inbound demand.
DS Domain	<ul style="list-style-type: none">In fiscal year 2022, sales grew thanks to the special demand in the devices market in the wake of the COVID-19 pandemic.In fiscal year 2023, sales were sluggish, especially in printing devices and precision devices, due to the drop-off in demand from the post-pandemic surge in consumption and the prolonged slump in the Chinese economy.
SS Domain	<ul style="list-style-type: none">Steady expansion of services and customers through M&As and other means led to the achievement of steady growth.The businesses that support digital infrastructure, such as performance management and security-related businesses, continue to expand.

Business Policy in the Next Three Years of SMILE 145

The Seiko Group will accurately capitalize on the progress made over the past two years as well as the changes in the operating environment, and will continue to carry out our business according to the following policies.

Business policy in the next three years

- Positioning **the Watches Business and the Systems Solutions Business as the core of the Group's growth**, and strengthening investments for further growth
- In the Devices Solutions Business, **assessing the growth potential of each product and engaging in balanced investments**
- Promoting the enhancement of Group-wide R&D strategy and development of new technology, led by **Seiko Future Creation Inc.**, and striving to **create new business domains throughout the Group** through these activities

EVS Domain

Watches

- Expand high-end products business centered on Grand Seiko
Accelerating growth of overseas sales through efforts such as ongoing enhancement of directly managed businesses
- Expand mid-range products business through Seiko Global Brands
Further increasing profitability by expanding sales of premium lines in Seiko Prospex and Seiko Presage

Time Creation

- Expand the business through sports and facility solutions

Wako

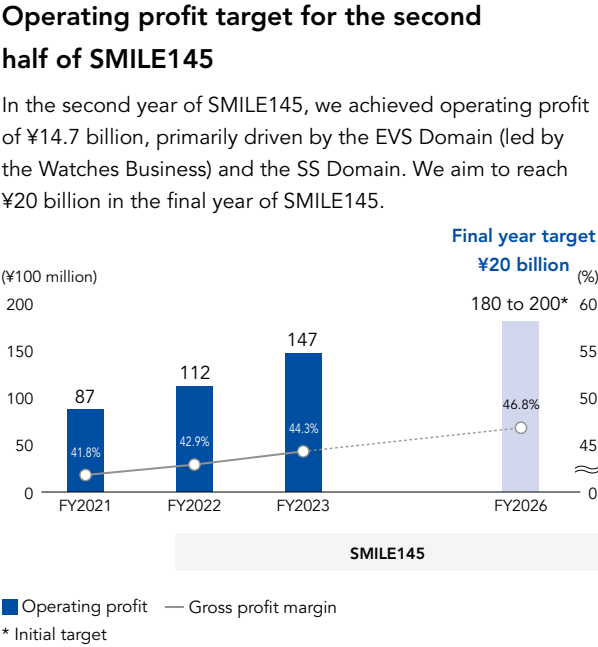
- Increase profitability by growing business targeting the wealthy and expanding the lineup of Wako's original products

DS Domain

- Carefully assess the growth potential of products and make well-balanced investments
- Expand market shares of growth-driving batteries for medical devices and crystal resonators with strengths in miniaturization
- Ensure the growth of the encoders (sensors that detect location and measure travel distance) business, which has industry-leading advanced technologies

SS Domain

- Aim to grow the domain through solutions that capitalize on Seiko's strengths
Provide IoT and AI solutions that integrate hardware and software to tackle social issues
Provide platform solutions that support the efforts of client companies to realize digital transformation



Message from the President



Shuji Takahashi
President and Group COO

Promoting Our MVP Strategy by Leveraging Business Strengths, Aiming to Become a Solutions Company That Reflects the Unique Essence of Seiko

We achieved a strong consolidated performance in the first two years of SMILE145, partly due to a favorable external environment, but we also became aware of issues at our operating companies.

Two years ago the Seiko Group launched its 8th Mid-Term Management Plan, which we call SMILE145. Although the COVID pandemic depressed performance, causing the Group to miss the targets set out in our 7th Mid-Term Management Plan, I am happy to say that we used this time productively to strengthen our business foundation.

SMILE145, which began in fiscal year 2022, is a five-year plan. In the first two years of that plan we achieved a strong consolidated performance, due in part to the boost provided by the external environment. However, a number of issues that need to be addressed at our operating companies also became clear.

For example, some of our operating companies have already surpassed the plan's targets, while others have fallen short of the initial projections.

In the Emotional Value Solutions (EVS) Domain, net sales in both the Watches Business and the Wako Business improved thanks to the weak yen and rising inbound demand, in addition to solid domestic demand. The Watches Business also significantly improved its gross profit margin thanks to the success of its Global Brands (GB) strategy. Nevertheless, given its name, we recognize that there remains much for the EVS Domain to do from the perspective of delivering greater emotional value to customers.

The Devices Solutions (DS) Domain continues to face challenging conditions due to the downturn in the Chinese economy and the absence of special demand for devices. Accordingly, we must carefully assess the growth potential of this domain's products and make prudent investments.

The Systems Solutions (SS) Domain has been performing steadily, reflecting its success in offering solutions matched to customer needs, particularly in response to robust corporate demand related to digital transformation (DX). The SS Domain will continue to work closely with its client companies and offer solutions that help to address social issues.

Strategy behind SMILE145

Our MVP Strategy is at the core of SMILE145.

The MVP Strategy forms the basis of SMILE145, which aims to address social issues and raise profitability by moving customers emotionally, providing high-added value, and delivering profitable products and services.

The Seiko Group has delivered excitement to customers through numerous innovative products and services. However, the Group believes that it is of paramount importance to further clarify the strengths and value offerings of its businesses to ensure that it grows steadily amid a challenging market environment.

Promoting Our Transformation into a Much-Needed Solutions Company

For example, using the MVP Strategy in the Watches Business, we want to grow the share of Global Brands (GB) sales within the completed watches category. GB products stand out in the marketplace due to a combination of their own unique brand stories and strong technical features. By focusing on GB products, from development and manufacturing through advertising and after-sales service, we can offer emotional brand experiences to customers around the world.

The SS Domain aims to grow its businesses by continuously offering a variety of solutions that capitalize on Seiko's strengths. Those include Internet of Things (IoT) and AI solutions that combine hardware and software, as well as platform solutions that support client companies' efforts to carry out their internal digital transformation (DX).

Meanwhile, the DS Domain, which is facing tough conditions, will aim to revitalize its performance by making well-balanced investments in MVP products, including micro batteries for medical devices, crystal oscillators, and encoders (sensors that detect location and measure travel distance). These investments will be based on an extensive reappraisal of Seiko's strengths in conjunction with a rigorous assessment of the growth potential of this domain's products.

I believe that our efforts to clearly demonstrate the connection between the progress of the MVP Strategy and improvements in our business performance have helped the media, investors, and securities analysts to gain a better understanding of our strategy. We will strive to create a greater

understanding of the Group's current conditions as well as build expectations for our future growth.

Under SMILE145, the entire Group is working steadily to improve capital efficiency. We are advancing the effective use and reevaluation of assets, with a focus on return on invested capital (ROIC) and return on equity (ROE). This change is being carried out from the perspective of our operating companies and of the Group as a whole.

Another extremely important goal for SMILE145 is our transformation into a solutions company that reflects the unique essence of Seiko.

The Seiko Group has a wide range of operating companies. In addition to manufacturing and retail companies, there are IT companies and more. Even within a single area, such as manufacturing, we produce a variety of products, including watches, that generate emotional value, and also electronic devices that provide functional value. Although all of our businesses can ultimately trace their origins back to the watch and clock business, these operating companies have been gradually drifting apart. We recognize that this internal separation is undesirable and has prevented our Group from demonstrating its full potential capabilities. We are now taking steps to rectify that situation.

In an era characterized by volatility, uncertainty, complexity, and ambiguity (VUCA), we will transform ourselves from a 20th century manufacturing company into a 21st century solutions company, one that reflects the unique essence of Seiko. This will ensure the sustainable development of the SEIKO brand, which has been handed down for



over a century, and "create a future full of smiles," as set out in our Group Purpose. SMILE145, which serves as a stepping stone toward achieving this goal, is a five-year plan for maximizing the potential of the entire Group. Through this plan, we will enable the Seiko Group to demonstrate its wide-ranging capabilities.

Our Global Brands Strategy: "Seiko Represents Time and Japanese Culture"

In transforming into a solutions company that reflects the unique essence of Seiko, it is essential that we build a brand identity that communicates the message, "Seiko Represents Time and Japanese Culture."

Grand Seiko (GS) is an important part of that effort, building on its brand philosophy, THE NATURE OF TIME. This concept is based on the themes of original technology, artisanal

craftsmanship, and a uniquely Japanese sense of beauty. GS has earned strong recognition in the global luxury market by positioning itself as a brand that embodies Japanese culture. This strategy has enhanced its brand power and improved its performance.

In addition, the Group has established THE GIFT OF TIME project to communicate the essence of Japanese culture to the world. The purpose of the project is to trace the sensibilities that Japanese people have inherited and still express in their daily lives, particularly in relation to how they view the time that has been given to them and how they spend it. It also focuses on communicating the richness and depth of Japanese culture from multiple perspectives, information that remains largely unknown to people overseas.

This project will offer new value to customers, in part by linking the digital and real worlds. It involves cooperation among our operating companies, and aims to contribute to luxury-related businesses in the EVS Domain, including Grand Seiko.

Message from the President

Ensuring “Seiko” Also Becomes a Byword for Systems

In aiming to become a solutions company that reflects the unique essence of Seiko, our second key phrase is “Seiko is systems.” Although Seiko is strongly associated with watches, in 2024, several television programs, magazines, newspapers, and other media began highlighting our SS Business.

The SS Business has continued to grow steadily, increasing its profile within the Group. Accordingly, we have high hopes for its further growth in the future. We hope to accelerate the growth of the SS Business and also increase the number of its partner companies. Our overall aim is to ensure that Seiko becomes synonymous with systems by continuously promoting the appeal of this business.

The skills and expertise Seiko has developed in relation to timing and measurement are extremely important in a digital society. The systems world places a strong emphasis on precisely the kind of strengths that Seiko has cultivated through the manufacture and sale of watches, including reliability and accuracy. One strong feature of Seiko's systems is time synchronization. For example, time synchronization is essential for stock market trading and high-speed communications, including smartphones, and Seiko technology underpins much of that infrastructure.

The SS Business also has expertise in combining hardware and software in the IoT field. For example, it solves certain customer issues by creating systems that collect data from sensors attached to existing products, including automobiles and electrical equipment. The systems upload the data to the cloud for analysis using AI, and then provide feedback to our customers. Since there are few system integrators in the industry that have deep strengths in both hardware and software, the ability to propose such comprehensive systems packages is a big competitive advantage for the SS Business. By leveraging this unique approach, we aim to develop the SS Business into one of Seiko's flagship enterprises.

To this end, we will continue to promote initiatives to raise awareness of Seiko as being synonymous with the systems business.

**Beyond SMILE145
Aiming to Have Every Employee Feel Proud to Be Part of Our Group**

Seiko is approaching the 145th anniversary of its founding. However, from a longer perspective, we are thinking about what kind of Group we want to be at our 150th anniversary and beyond. To keep attaining our various goals, we must steadily

promote our businesses with a focus on the MVP Strategy. It is also necessary to develop a management attitude that prioritizes human resources.

Under SMILE145, we are trying to address a range of internal issues so that all present and future employees can enjoy peace of mind and feel proud to work for the Seiko Group. We aim to become a corporate group that contributes to the happiness of each of its employees, which is why we are promoting the SWING Project — reforms for creating a corporate culture where all employees can engage in discussions in a free and open manner and take on challenges without fear of failure.

In the remaining three years of SMILE145, we will endeavor to strengthen our organizational capabilities in addition to our business capabilities. By reaffirming and refining the wide range of strengths that the Group has inherited from its predecessors, and developing them further to pass on to the next generation, we will continue our transition into a solutions company that reflects the unique essence of Seiko and embodies its Group Purpose.

As we continue to grow, I hope that we can look forward to the continued understanding and support of all our stakeholders.

Aiming to Be a Group Where Every Employee Feels Proud to Work



Financial Analysis

Business Results for the Fiscal Year Ended March 31, 2024 (FY2023) (year-on-year comparison)

FY2022 vs. FY2023				
	FY2022	FY2023	Increase/Decrease	Percentage Increase/Decrease
Net sales	2,605	2,768	+163	+6.3%
Gross profit	1,117	1,226	+108	+9.7%
%	42.9%	44.3%	+1.4pt	
Operating profit	112	147	+35	+31.2%
%	4.3%	5.3%	+1.0pt	
Ordinary profit	111	158	+47	+42.3%
%	4.3%	5.7%	+1.4pt	
Profit before income taxes	96	151	+54	+56.9%
Profit attributable to owners of parent	50	100	+50	+99.9%
%	1.9%	3.6%	+1.7pt	

Net sales
The Devices Solutions Business (DS Business) saw a large decrease in revenue due to the sluggish business environment, but in the Emotional Value Solutions Business (EVS Business), the Watches Business and the Wako Business for the Japanese market recorded significant sales growth against the backdrop of solid demand from inbound tourists. In addition, revenue was up in the Systems Solutions Business (SS Business) thanks to ongoing successful efforts to diversify business and expand the stock business. As a result, overall consolidated net sales were up.

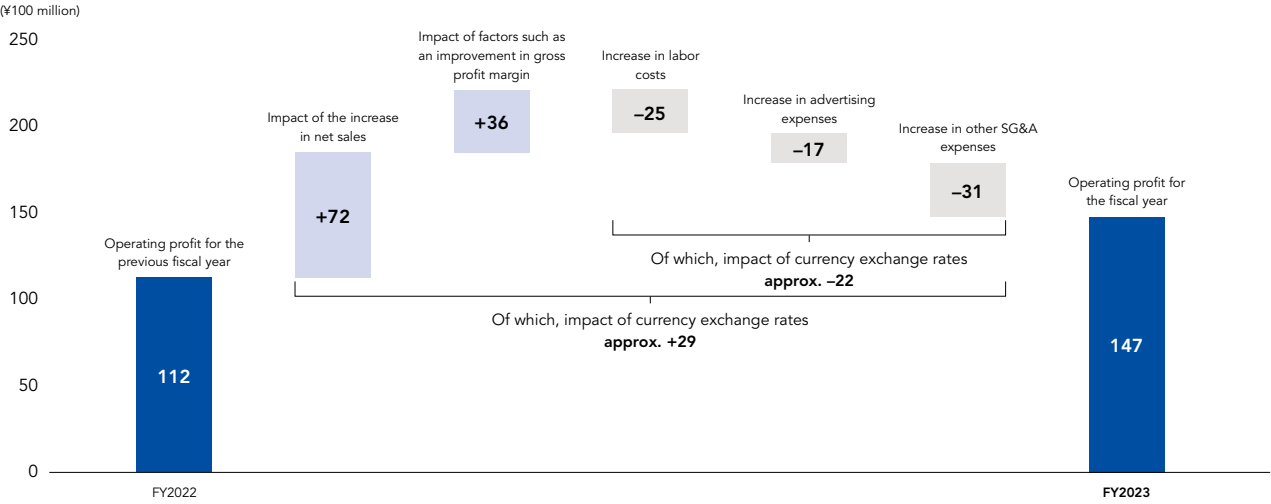
Operating profit
Although selling, general and administrative expenses increased by ¥7.3 billion from the previous fiscal year, operating profit grew, driven by the EVS Business.

Ordinary profit
Non-operating income and expenses improved by ¥1.2 billion year on year, thanks to an increase in interest and dividend income among other factors, resulting in an increase in ordinary profit.

Profit attributable to owners of parent
Extraordinary income increased by ¥1.3 billion year on year, thanks to the recording of items including a ¥1.5 billion gain on sale of non-current assets. Business restructuring expenses, impairment losses, and information security expenses were recorded as extraordinary losses totaling ¥2.3 billion, a year-on-year increase of ¥0.5 billion. As a result, extraordinary income was up ¥0.7 billion year on year, which, together with a decrease in income taxes—deferred in conjunction with the improvement of revenue in domestic operating companies, resulted in an increase in profit attributable to owners of parent.

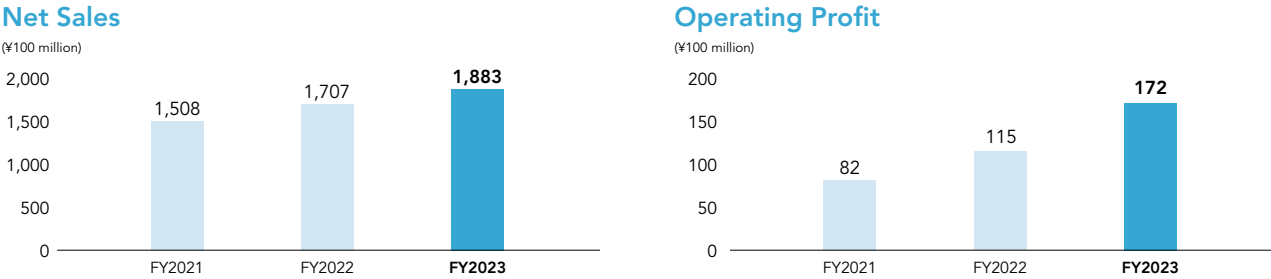
Factors Contributing to an Increase/Decrease in Operating Profit

Led by the EVS Business, net sales increased and gross profit margin improved, resulting in a ¥10.8 billion increase in gross profit. Although selling, general and administrative expenses, particularly labor costs and advertising expenses, increased due to the yen's depreciation, operating profit was up ¥3.5 billion year on year.



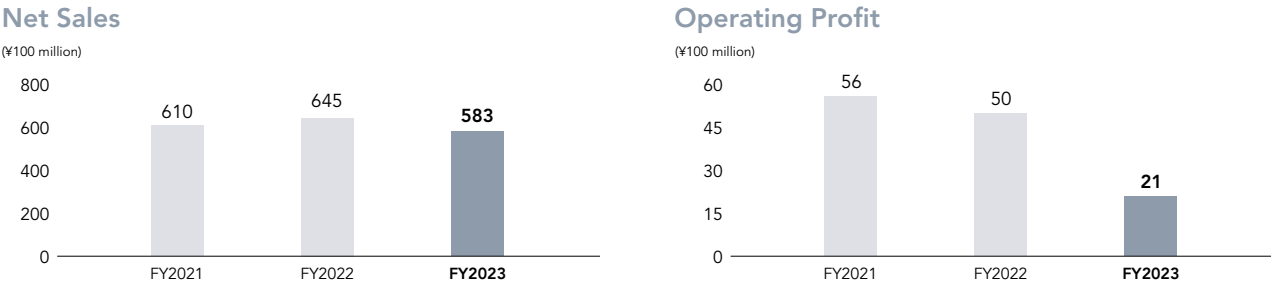
Earnings Performance by Domain

Emotional Value Solutions Business (EVS Business)



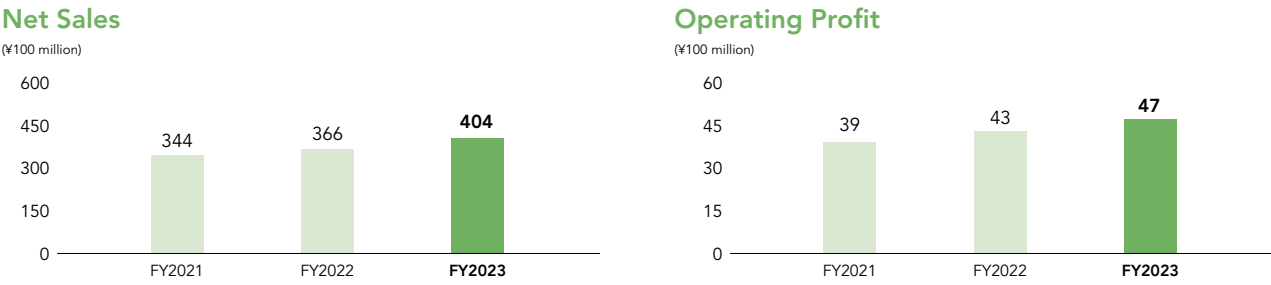
Net sales in the EVS Business came to ¥188.3 billion, a year-on-year increase of ¥17.5 billion, or 10.3%. Net sales of completed watches in Japan grew significantly year on year, especially for Grand Seiko and Seiko Prospex, due to the economic recovery following the post-pandemic recovery and strong sales from inbound tourists. Overseas, net sales also increased year on year as sales of Seiko Presage, Seiko 5 Sports, and other such items grew. In the watch movements business, net sales remained roughly the same as those of the previous fiscal year, despite the impact of the sluggish Chinese economy, partly due to the impact of currency exchange rates. Sales in the Wako Business grew significantly year on year against the backdrop of favorable demand from inbound tourists. While overseas sales in the Clocks Business declined due to factors such as the sluggish Chinese economy, the Time Systems Business grew. Operating profit was up ¥5.6 billion, or 49.1%, year on year, to ¥17.2 billion, thanks mainly to the growth in net sales and an improvement in gross profit margin.

Devices Solutions Business (DS Business)



Net sales in the DS Business came to ¥58.3 billion, a year-on-year decrease of 9.5%, and operating profit was ¥2.1 billion, down 58.1% year on year. Net sales and operating profit decreased significantly year on year due to the prolonged stagnation of the Chinese economy and continued inventory adjustments in the electronic devices market, resulting in weak performance for thermal printers, superior performance Co-Ni alloy products for semiconductor production equipment, and precision components. However, we are shifting from an adjustment phase to a recovery trend in some businesses, such as silver oxide batteries and quartz crystals.

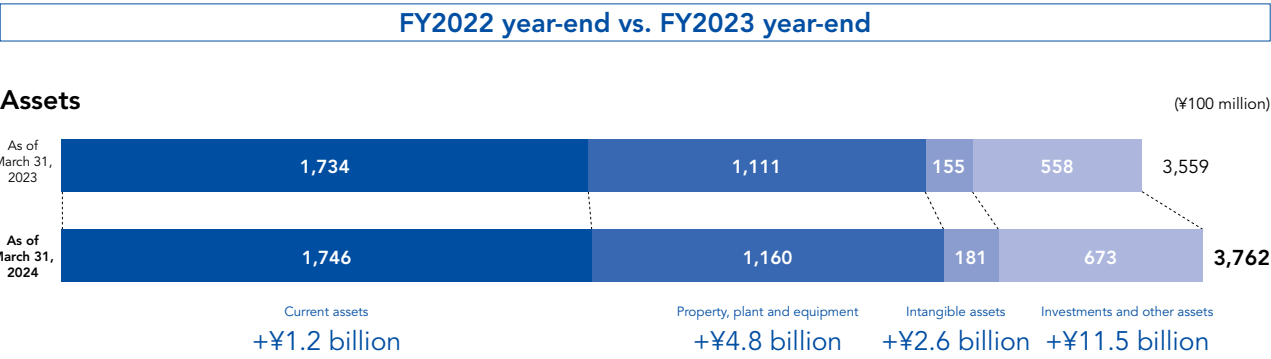
Systems Solutions Business (SS Business)



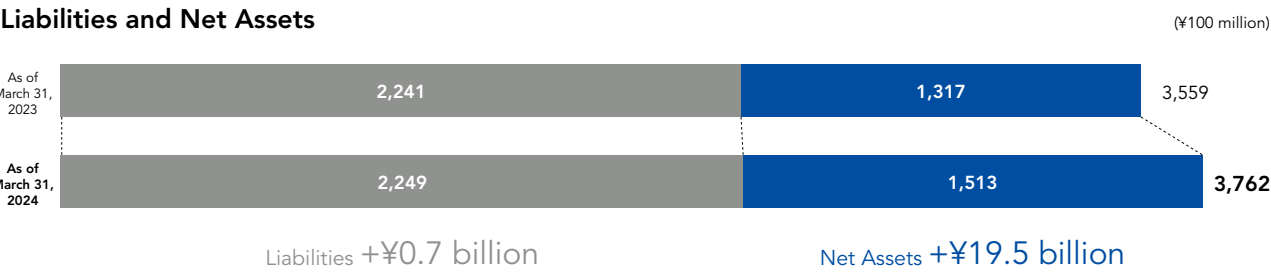
Net sales in the SS Business came to ¥40.4 billion, a year-on-year increase of ¥3.8 billion, or 10.5%. Operating profit was ¥4.7 billion, a year-on-year increase of ¥0.3 billion, or 8.0%. Businesses supporting digital infrastructure such as performance management and businesses including those related to security, together with solutions for digital transformation of business processes such as digital contracts, drove business growth, aided by the ongoing growth in digital demand. This trend resulted in continued year-on-year growth in both net sales and operating profit for 32 consecutive quarters.

Financial Analysis

Consolidated Balance Sheets



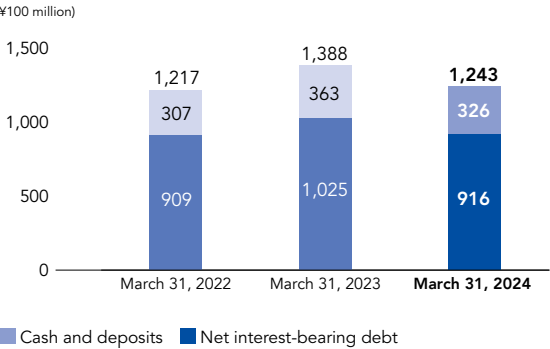
Total current assets came to ¥174.6 billion, an increase of ¥1.2 billion from the close of the previous fiscal year. This was due to factors including an increase of ¥5.9 billion in accounts receivable–trade, contrasted by decreases of ¥3.6 billion in cash and deposits and ¥2.1 billion in accounts receivable–other. Total non-current assets came to ¥201.5 billion, an increase of ¥19.0 billion from the close of the previous fiscal year. This was due to increases of ¥4.8 billion in total property, plant and equipment, ¥2.6 billion in total intangible assets, and ¥11.5 billion in total investments and other assets.



Total borrowings came to ¥117.7 billion, due to decreases of ¥8.2 billion in short-term borrowings and ¥5.8 billion in long-term borrowings. In addition, notes and accounts payable–trade increased ¥2.7 billion, accounts payable–other increased ¥3.9 billion, income taxes payable increased ¥2.8 billion, and deferred tax liabilities increased ¥2.6 billion. As a result, total liabilities amounted to ¥224.9 billion, an increase of ¥0.7 billion from the close of the previous fiscal year, including the effect of exchange rates.

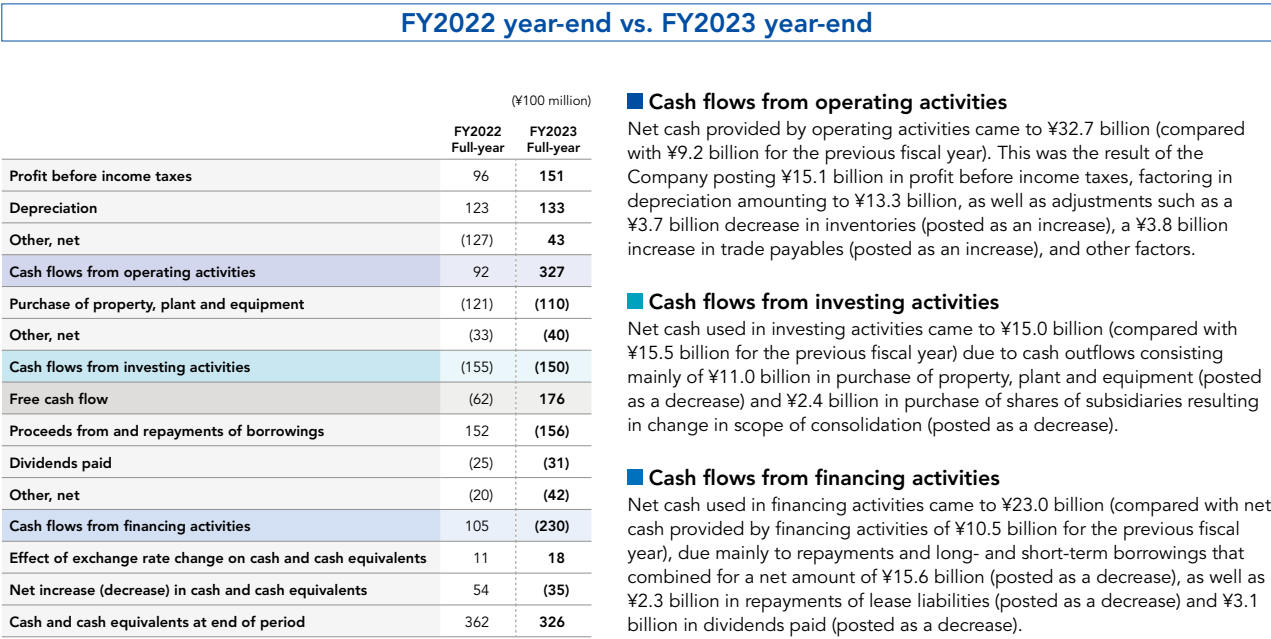
Total net assets increased by ¥19.5 billion over the close of the previous fiscal year, to ¥151.3 billion, mainly owing to increases of ¥5.6 billion in shareholders’ equity, ¥6.3 billion in valuation difference on available-for-sale securities, and ¥7.6 billion in foreign currency translation adjustments.

Interest-Bearing Debt

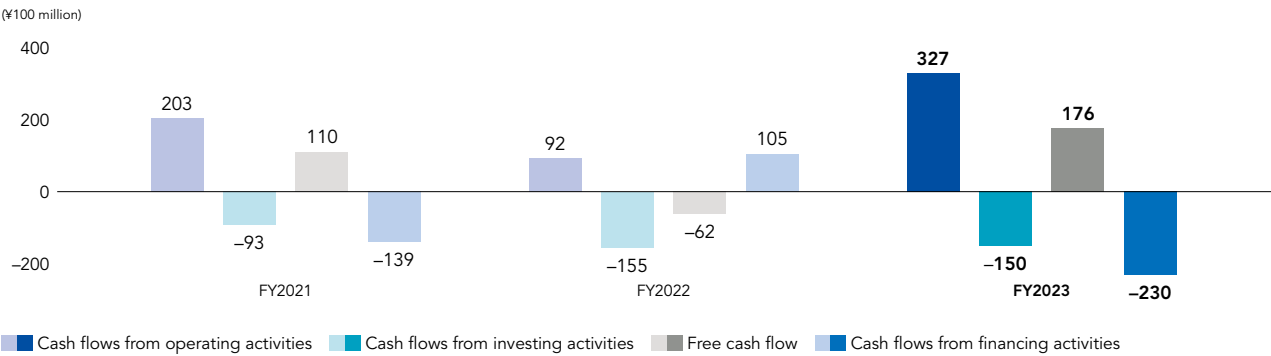


Interest-bearing debt decreased by ¥14.5 billion from the end of the previous fiscal year, thanks to progress in optimizing inventory levels. Regarding asset liquidity, the balance of cash and deposits at fiscal year-end was ¥32.6 billion, which we believe is a suitable level for future capital requirements. Additionally, the Company and its domestic operating companies have adopted a cash management system to improve capital efficiency across the entire Group.

Cash Flows

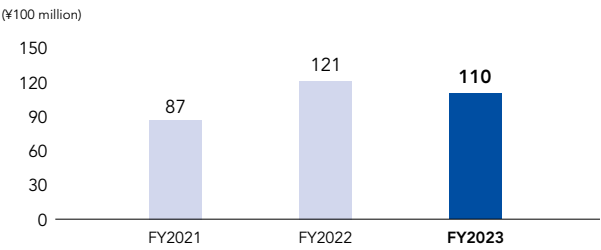


Cash Flows Trends



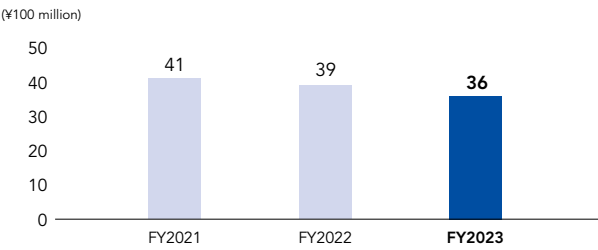
Capital Expenditures and R&D Expenses

Capital Expenditures



For fiscal year 2023, the Seiko Group invested ¥3.4 billion in the EVS Business mainly for the expansion and renewal of manufacturing facilities, among others, ¥4.9 billion in the DS Business, and ¥2.2 billion in the SS Business mainly for the acquisition of software for the purpose of sale on the market.

R&D Expenses



R&D expenses for fiscal year 2023 came to ¥3.6 billion, primarily consisting of research and development activities related to the DS Business. R&D expenses related to the DS Business were approximately ¥2.2 billion, and R&D expenses related to businesses other than the DS Business were roughly ¥1.3 billion.

Message from the CFO



Improving Return on Equity

We will aim for sustainable growth, with ROIC of over 6.5% and ROE above 8.0%.

Taku Yoneyama
Director, Executive Vice President
Group CFO

Adopting ROIC and ROE as Key Performance Indicators

In fiscal year 2023, the second year of SMILE145 (the Seiko Group’s 8th Mid-Term Management Plan), the Group achieved year-on-year increases in both revenue and profits, reflecting steady progress of the Moving, Valuable, and Profitable (MVP) Strategy in both the Emotional Value Solutions (EVS) Business and the Systems Solutions (SS) Business. In addition to achieving strong performance, the Group surpassed the plan’s initial projections for all financial key performance

indicators (KPIs). However, changes in the global business environment created challenging conditions for the Devices Solutions (DS) Domain, leaving issues to be addressed in that sector.

Although we adopted return on invested capital (ROIC) as an indicator for measuring capital efficiency at the outset of SMILE145, the Group announced that it would also adopt return on equity (ROE) from fiscal year 2024 to further promote profitability improvement while being aware of our cost of equity in the final three years of the plan. The Group will strive to improve capital efficiency by carefully watching ROIC and ROE as KPIs, with the aim of achieving our targets for the final year of SMILE145.

Targets (Key Performance Indicators) for Final Year of SMILE145, the 8th Mid-Term Management Plan

	FY2023		FY2026
Operating profit	¥14.7 billion / Up 31.2% year on year ↗		¥20.0 billion
Gross profit margin	44.3% / Up 1.4pt year on year ↗ (Up 2.5pt compared with FY2021 ↗)		46.8% (Up 5.0pt compared with FY2021)
ROIC	4.7% / Up 1.1pt year on year ↗		Over 6.5%
ROE	7.2% / Up 3.2pt year on year ↗		Over 8.0%

Efforts to Achieve ROIC and ROE Targets under SMILE145

The Seiko Group aims to improve profitability by making efficient investments through the management of its business portfolio to achieve ROE above 8.0% while reducing interest-bearing debt by optimizing assets, targeting ROIC of over 6.5%.

In fiscal year 2023, its gross profit margin improved 1.4 percentage points from the previous fiscal year. This was

primarily due to the success of the MVP Strategy in the EVS Domain, particularly the strong domestic performance of both the Watches Business and the Wako Business on the back of domestic and inbound demand. This resulted in a large increase in the MVP ratio (the percentage of net sales accounted for by MVP products and services). To improve profitability, the Group will further accelerate the MVP Strategy while continuing with other efforts, including making adjustments to its manufacturing system.

In the final three years of SMILE145, the Group will make efficient investments to spur growth by through

the strategic management of its business portfolio. The Group will use investments to achieve further growth in the Watches Business in the EVS Domain and in the SS Domain, which the Group view as central to the growth of the Group. In the Watches Business, the Group will strengthen investments in global marketing with the aim of quickly restoring the overseas performance of Grand Seiko (GS), which is being affected by a slowdown in the market for luxury goods. At the same time, we will invest primarily in M&As for the SS Domain to promote the further diversification of its businesses. Meanwhile, in the DS Domain, where the extreme volatility stemming from changes in the business environment poses challenges, we will make well-balanced investments after carefully evaluating the growth potential of the domain’s products.

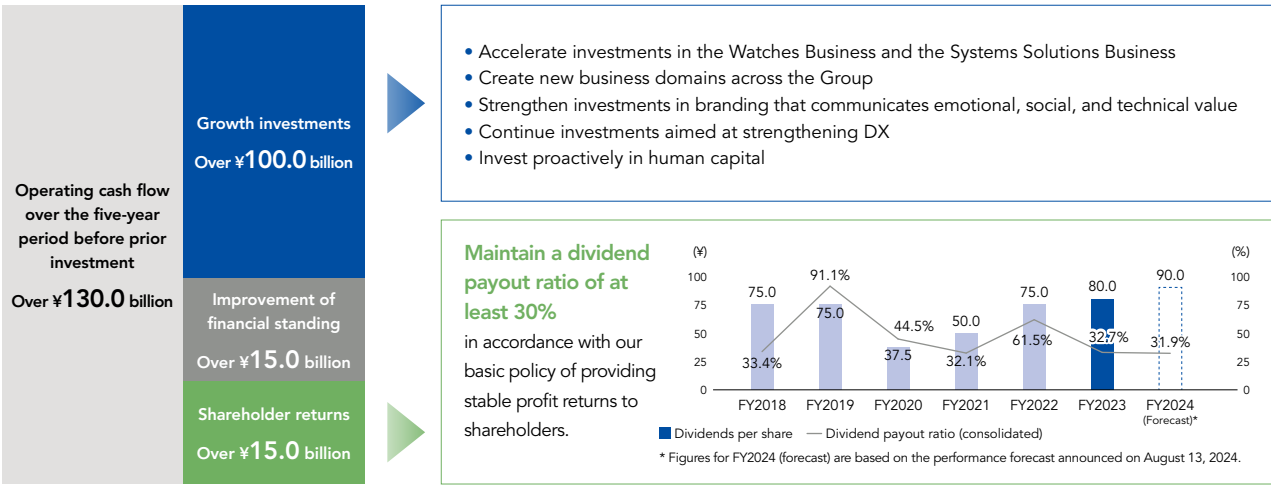
Along with making investments in existing businesses, the Group will invest to create new areas of business and also invest aggressively in R&D, branding, human resources, and digital transformation (DX) to bolster the foundations that underpin the growth of the Group.

In addition to improving profitability throughout the Group, we reduced interest-bearing debt by optimizing

inventory levels according to the state of each operation’s business. This led to a significant improvement in consolidated ROIC, which rose 1.1 percentage points from the previous fiscal year. Nevertheless, as the Group’s interest-bearing debt remains at a high level, the Group must continue working to improve our financial standing. The Group will strengthen balance sheet management, including control of cash at overseas subsidiaries and enhancement of the asset turnover rate globally, thus raising profitability in all our businesses and creating free cash flow.

With regard to shareholder returns, the Group maintain our basic policy of emphasizing stable profit distribution. To clearly demonstrate our commitment to this policy to our shareholders, we established a new consolidated dividend payout ratio of at least 30% as of fiscal year 2024. Guided by the financial policies set out in SMILE145, the Group will allocate cash efficiently, always aiming to maintain a balance between investing in future growth, improving its financial standing, and providing returns to shareholders.

Cash Allocation



Closing

Ensuring that all employees understand the significance of our KPIs is critical to achieving the targets for the final year of SMILE145. We hold a Group-wide meeting every six months in which President Takahashi provides an easy-to-understand explanation to all employees on each KPI and on the progress of SMILE145. In fiscal year 2024, the Group also held an in-house seminar for improving ROIC. Given that the Group is involved in a wide range of businesses, this seminar should help to

improve profitability and capital efficiency on a Group-wide basis by ensuring that management at our operating companies are aware of ROIC and are working to boost both ROIC and ROE.

In addition, the Group believe that communicating information in a timely and appropriate manner and engaging in constructive dialogue with stakeholders is essential to gaining proper recognition from the capital markets. We believe that its continuous efforts to clearly explain the Group’s potential for sustainable growth and sharing stakeholders’ views with management will lead to an increase in its corporate value.