Financial Analysis

Consolidated Statements of Income

FY2025 Results (Compared with FY2024)

(¥100 million)

	FY2024	FY2025	Increase/Decrease	Percentage Increase/ Decrease
Net sales	3,047	**3,357**	+309	+10.2%
Gross profit	1,371	**1,552**	+181	+13.2%
%	45.0%	**46.2%**	+1.3pt	
Operating profit	212	**309**	+96	+45.4%
%	7.0%	**9.2%**	+2.2pt	
Ordinary profit	208	**331**	+123	+59.5%
%	6.8%	**9.9%**	+3.1pt	
Profit before income taxes	203	**318**	+115	+56.9%
Profit attributable to owners of parent	133	**220**	+87	+65.1%
%	4.4%	**6.5%**	+2.2pt	

Net sales

In fiscal year 2025, net sales came to ¥335.7 billion on an overall consolidated basis, up 10.2% from the previous fiscal year. In the Emotional Value Solutions (EVS) Domain, net sales increased significantly from the previous fiscal year, reflecting strong growth in the Watches Business and the Wako Business in Japan, supported by robust personal consumption and inbound demand, as well as growth in the overseas Watches Business led by the United States market. In the Devices Solutions (DS) Domain, net sales exceeded the previous fiscal year, driven mainly by growth in micro batteries. The Systems Solutions (SS) Domain also achieved higher net sales than in the previous fiscal year as efforts toward business diversification and expansion of the stock business yielded positive results.

Ordinary profit

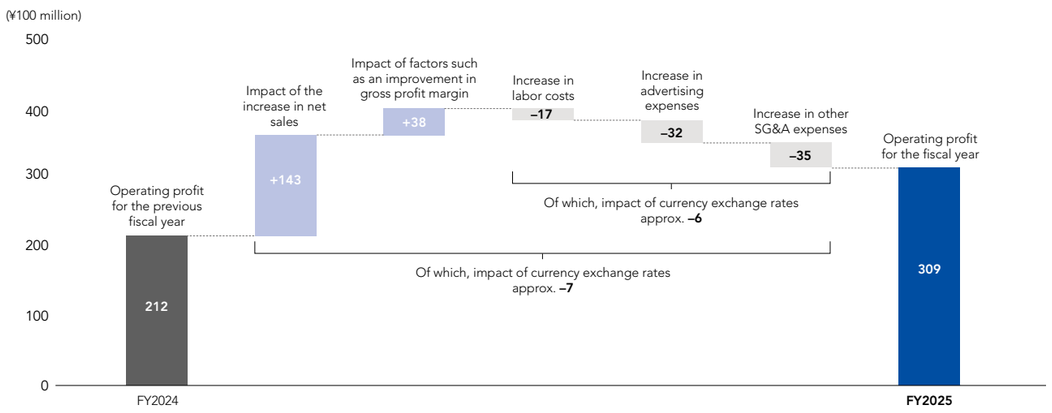
Ordinary profit increased ¥12.3 billion from the previous fiscal year to ¥33.1 billion, up 59.5%, due primarily to an improvement in non-operating results of ¥2.7 billion owing to the recording of foreign exchange gains resulting from significant fluctuations in the yen exchange rate.

Profit attributable to owners of parent

Net extraordinary losses amounted to ¥1.3 billion, comprising extraordinary income of ¥0.6 billion from gains on sales of non-current assets, and extraordinary losses of ¥1.9 billion that included impairment losses and business restructuring expenses. As a result, profit attributable to owners of parent increased ¥8.7 billion from ¥13.3 billion in the previous fiscal year to ¥22.0 billion, up 65.1%.

Factors Contributing to Increase/Decrease in Operating Profit

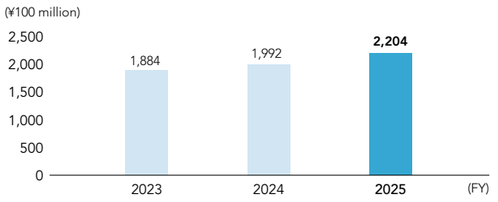
Operating profit climbed ¥9.6 billion from the previous fiscal year to ¥30.9 billion, an increase of 45.4%. This increase was attributable to factors including a rise in net sales and an improvement in the gross profit margin driven by the EVS Domain and the DS Domain, which outweighed an increase in SG&A expenses of ¥8.5 billion owing to a rise in advertising expenses of over 10%.



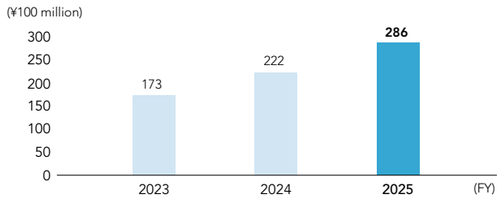
Earnings Performance by Domain

Emotional Value Solutions (EVS) Domain

Net Sales



Operating Profit



Note: FY2024 figures are based on the new segment structure.

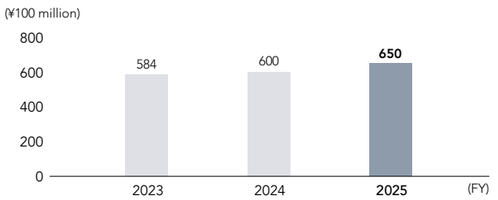
In the EVS Domain, net sales increased 10.7% year on year to ¥220.4 billion. In the Watches Business, Grand Seiko exceeded the previous fiscal year's net sales, recovering in the domestic market from October onward and performing well in overseas markets, particularly in the United States. Seiko recorded a substantial increase in net sales from the previous fiscal year, led by the strong performance of its Global Brands, including Seiko Prospex, Seiko Presage, and Seiko 5 Sports. In Japan, net sales benefited from inbound demand and advertising effects, while overseas markets expanded significantly, particularly in the United States.

In the Wako Business, net sales centered on watches increased substantially from the previous fiscal year, supported in part by continued strong inbound demand.

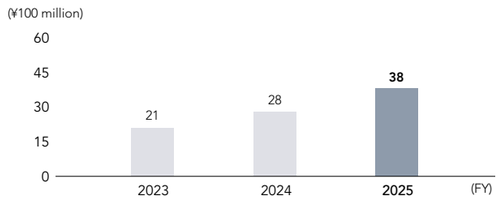
Operating profit increased significantly to ¥28.6 billion, up 28.7% year on year, driven by higher net sales and an improvement in the gross profit margin.

Devices Solutions (DS) Domain

Net Sales



Operating Profit

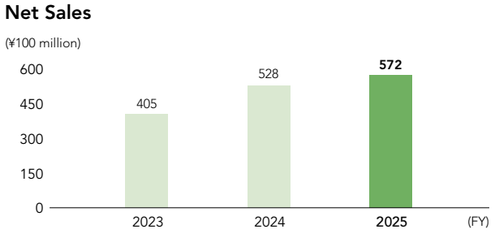


Note: FY2024 figures are based on the new segment structure.

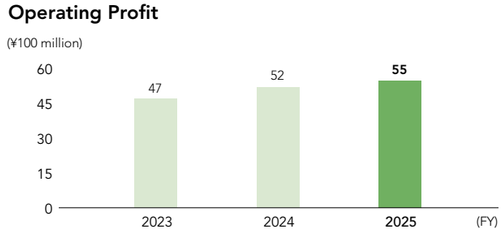
In the DS Domain, net sales increased 8.2% year on year, to ¥65.0 billion, and operating profit climbed 37.4%, to ¥3.8 billion. Net sales of micro batteries grew substantially driven by silver oxide batteries for medical use. Net sales of inkjet heads also increased from the previous fiscal year, supported by expansion into new applications. As a result, the DS Domain achieved increases in both net sales and operating profit from the previous fiscal year.

Systems Solutions (SS) Domain

Net Sales



Operating Profit



Note: FY2024 figures are based on the new segment structure.

In the SS Domain, net sales increased 8.3% year on year to ¥57.2 billion, and operating profit rose 6.0%, to ¥5.5 billion.

IT infrastructure-related services remained strong, while security-related services also expanded, driven by renewal demand from major clients. Order-entry systems for restaurant chains and payment-related solutions for the taxi industry also continued to perform well. In addition, the M&A completed in the second quarter contributed to revenue growth, supported by synergy effects within the SS Domain.

As a result, Seiko Solutions Inc. achieved year-on-year growth in both net sales and operating profit for the 40th consecutive quarter.

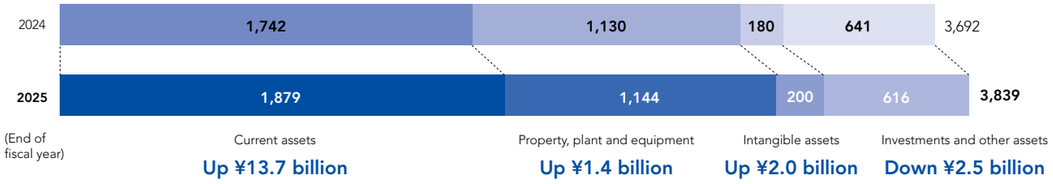
Financial Analysis

Balance Sheets

FY2025 Results (Compared with the end of FY2024)

Assets

(¥100 million)



Total assets came to ¥383.9 billion, an increase of ¥14.6 billion from the end of the previous fiscal year. Total current assets stood at ¥187.9 billion, up ¥13.7 billion. This increase was largely attributable to increases of ¥4.1 billion in cash and deposits, ¥5.9 billion in accounts receivable–trade, ¥1.2 billion in work in process, and ¥2.6 billion in raw materials and supplies. Total non-current assets amounted to ¥196.0 billion, up ¥0.9 billion, reflecting an increase of ¥1.4 billion in total property, plant and equipment, and ¥2.0 billion in total intangible assets, which outweighed a decrease of ¥2.5 billion in total investments and other assets.

Liabilities and Net Assets

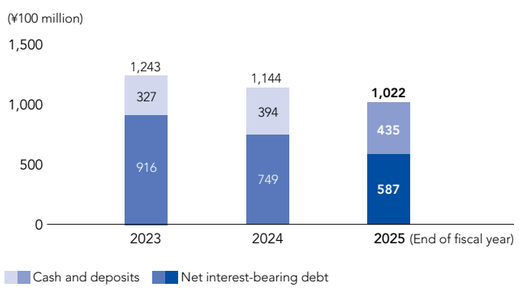
(¥100 million)



For liabilities, total borrowings came to ¥95.5 billion due to decreases of ¥8.0 billion in short-term borrowings and ¥4.1 billion in long-term borrowings. Total liabilities came to ¥206.4 billion, a decrease of ¥4.8 billion compared with the end of the previous fiscal year. The decline in borrowings outweighed increases of ¥1.5 billion in notes and accounts payable–trade, ¥3.1 billion in accounts payable–other, and ¥1.4 billion in income taxes payable, while deferred tax liabilities decreased ¥1.3 billion.

Total net assets increased ¥19.5 billion from the end of the previous fiscal year, to ¥177.5 billion. This increase was attributable to increases of ¥17.1 billion in shareholders' equity and ¥7.2 billion in foreign currency translation adjustment, which outweighed decreases including a decline of ¥3.7 billion in the valuation difference on available-for-sale securities.

Interest-Bearing Debt



Interest-bearing debt was down ¥12.2 billion from the end of the previous fiscal year, owing to the generation of free cash flow through strong business performance. Regarding liquidity, the balance of cash and cash equivalents at the end of March 2026 was ¥43.5 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

FY2025 Results (Compared with FY2024)

(¥100 million)

	FY2024	FY2025
Profit before income taxes	203	318
Depreciation	143	141
Other, net	(20)	(91)
Cash flows from operating activities	326	368
Purchase of property, plant and equipment	(104)	(97)
Other, net	12	(51)
Cash flows from investing activities	(91)	(148)
Free cash flow	235	220
Proceeds from and repayments of borrowings	(102)	(123)
Dividends paid	(36)	(48)
Other, net	(28)	(35)
Cash flows from financing activities	(165)	(205)
Effect of exchange rate change on cash and cash equivalents	(2)	25
Net increase (decrease) in cash and cash equivalents	67	42
Cash and cash equivalents at end of period	394	435

Cash flows from operating activities

Net cash provided by operating activities came to ¥36.8 billion (compared with ¥32.6 billion for the previous fiscal year). This outcome was mainly attributable to profit before income taxes of ¥31.8 billion and depreciation of ¥14.1 billion, as well as adjustments such as an increase of ¥3.5 billion in trade receivables (posted as a decrease), ¥8.7 billion in income taxes paid (posted as a decrease), and others.

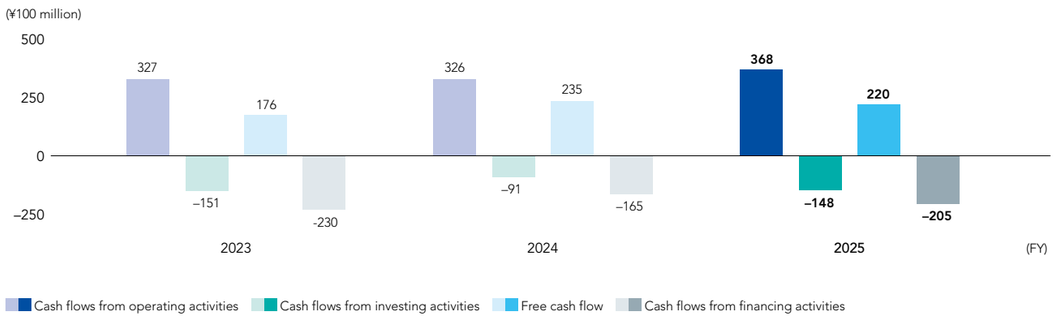
Cash flows from investing activities

Net cash used in investing activities came to ¥14.8 billion (compared with ¥9.1 billion for the previous fiscal year). This outcome was mainly due to purchase of property, plant and equipment amounting to ¥9.7 billion (posted as a decrease), purchase of intangible assets amounting to ¥4.3 billion (posted as a decrease), and purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to ¥0.8 billion (posted as a decrease).

Cash flows from financing activities

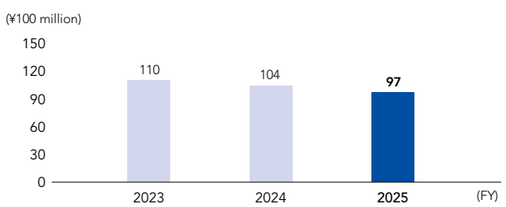
Net cash used in financing activities came to ¥20.5 billion (compared with negative ¥16.5 billion for the previous fiscal year), due mainly to net repayments of long- and short-term borrowings totaling ¥12.3 billion (posted as a decrease), as well as ¥2.9 billion in repayments of lease liabilities (posted as a decrease) and ¥4.8 billion in dividends paid (posted as a decrease).

Cash Flows Trends



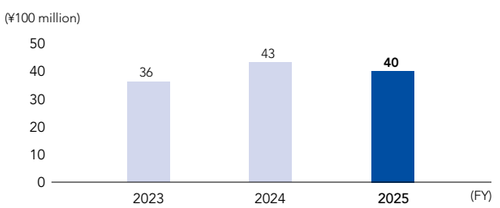
Capital Expenditures and R&D Expenses

Capital Expenditures



In fiscal year 2025, the Seiko Group invested ¥4.9 billion in the EVS Domain mainly for the expansion and renewal of manufacturing facilities; ¥2.1 billion in the DS Domain; and ¥2.9 billion in the SS Domain mainly for the acquisition of software products for sale.

R&D Expenses



In fiscal year 2025, R&D expenses came to ¥4.0 billion, primarily consisting of research and development activities related to the DS Domain, which amounted to ¥2.1 billion. R&D expenses in other businesses were ¥2.0 billion.

Financial Strategy

Message from the CFO



Accelerating Growth Investments and Improving ROE to Take Corporate Value to the Next Stage of Growth

Leveraging the achievements of SMILE145, we will enhance our corporate value through dialogue with capital markets

Taku Yoneyama
Director,
Senior Executive Vice President
Group CFO

Fiscal Year 2025: Delivering Results Well Above Our Targets

In fiscal year 2025, while Japan's economy continued to recover gradually, conditions overseas remained highly uncertain, including heightened geopolitical risks. Against this backdrop, the Seiko Group steadily promoted SMILE145, its 8th Mid-Term Management Plan, achieving increases in both net sales and operating profit in all three of its business domains, just as it did in fiscal year 2024. Operating profit increased substantially from ¥21.2 billion to ¥30.9 billion year on year, while net profit rose from ¥13.3 billion to a record high ¥22.0 billion.

The Watches Business in the Emotional Value Solutions (EVS) Domain was the biggest driver of our performance. In Japan, the business performed strongly, supported by both robust inbound demand and solid domestic demand. It also achieved significant growth overseas, led by the United States market. Looking at performance by brand, Grand Seiko and Seiko Global Brands (Seiko GB) expanded sales in both domestic and overseas markets. In the Devices Solutions (DS) Domain, silver oxide batteries for medical use and inkjet heads achieved significant growth, while the Systems Solutions (SS) Domain continued its long-term stable growth trend.

As a result, we not only achieved the final-year targets of SMILE145 for operating profit, return on invested capital (ROIC), and return on equity (ROE), but achieved them ahead of schedule, and actually exceeded the target levels by a significant margin. We believe that the combination of earnings growth and improved capital efficiency reflects the success of measures we implemented under SMILE145.

In light of these results, we are targeting operating profit of ¥33.5 billion* in fiscal year 2026. In the final year of SMILE145, we will continue taking measures to achieve further growth and enhance corporate value.

* Announced in May 2026

Progress of Financial KPIs under SMILE145, the 8th Mid-Term Management Plan

	FY2025 Results	FY2026 (Final Year) Targets	
		Performance Forecast (Announced May 2026)	Mid-Term Plan (Updated May 2025)
Operating profit	¥30.9 billion / **Up 45.4%** year on year ↗	¥33.5 billion	¥25.0 billion
Gross profit margin	46.2% / **Up 1.3pt** year on year ↗ (**Up 4.5pt** vs. FY2021 ↗)	46.8% (Up 5.0pt. vs. FY2021)	46.8% (Up 5.0pt. vs. FY2021)
ROIC	9.3% / **Up 3.3pt** year on year ↗	9% to 10%	Over 6.5%
ROE	13.3% / **Up 4.5pt** year on year ↗	12% to 13%	Over 9.0%

Accelerating Growth Investments and Steadily Improving ROE

Under SMILE145, the Seiko Group aimed to improve profitability through the promotion of its Moving, Valuable, and Profitable (MVP) Strategy while seeking to improve ROIC and ROE by realizing efficient investments through prudent business portfolio management.

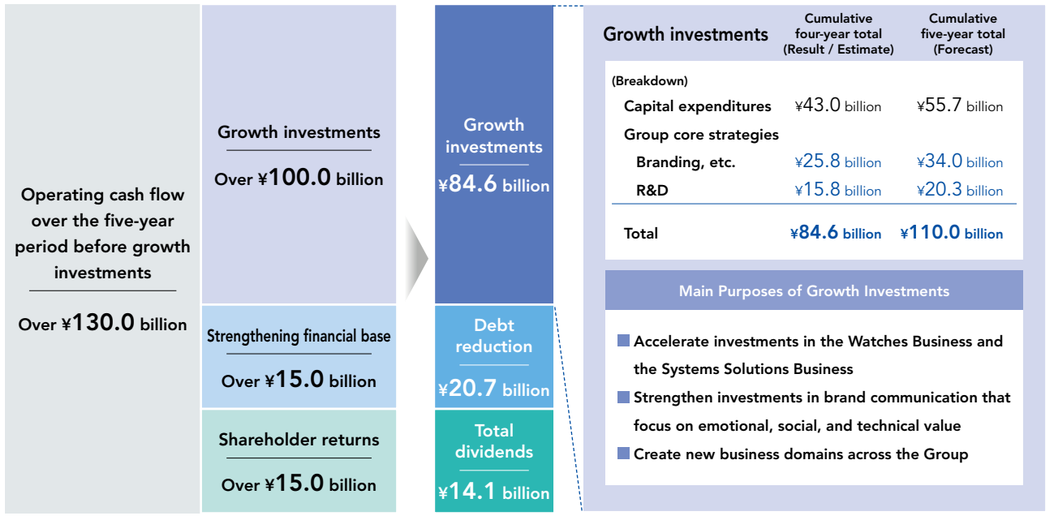
Our gross profit margin rose 1.3 percentage points, up significantly year on year, supported by strong global sales of Grand Seiko and Seiko GB watches, and ongoing steps to improve production efficiency. In addition to earnings growth, we view the improvement in our earnings structure as an important achievement from the perspective of improving ROE.

In terms of cash allocation, we are actively pursuing growth investments while considering the balance between strengthening our financial base and providing appropriate shareholder returns. Over the four-year period through fiscal year 2025, our strong business performance enabled us to implement growth investments ahead of our initial plan. In fiscal year 2026, as we look toward the next Mid-Term Management Plan, we will continue growth investments. Specifically, we will strengthen global branding investments to enhance Grand Seiko's recognition overseas, augment production capacity for mechanical watches, invest in growth areas in the DS Domain, and continue pursuing M&A in the SS Domain. Accordingly, in fiscal year 2026 we are targeting ROIC of 9% to 10% and ROE of 12% to 13%, maintaining the high levels achieved in fiscal year 2025, while prioritizing investments for future growth.

At the same time, we will further accelerate the MVP Strategy across all three domains and continue to pursue structural reforms, including optimization of our global manufacturing framework, to sustainably enhance capital efficiency.

The Group's basic policy on shareholder returns is to emphasize stable profit distribution, primarily through dividends. In accordance with this policy, we have positioned a consolidated dividend payout ratio of at least 30%. With the steady improvement in our financial standing, we plan to re-examine our approach to shareholder returns. At the same time, we must consider the balance between growth investments and capital efficiency in our next Mid-Term Management Plan. We will continue to pursue efficient cash allocation with a focus on the cost of capital, while aiming to achieve an ideal balance between boosting our growth investments, strengthening our financial base, and providing returns to shareholders.

Cash Allocation



Note: Five-year cumulative total (forecast)
Growth investments + Debt reduction + Shareholder returns = ¥157.0 billion

Deepening Dialogue with Capital Markets and Maximizing Corporate Value Over the Medium to Long Term

In fiscal year 2025, our share price rose significantly, providing tangible evidence of growing recognition from the capital markets. At the same time, amid increasing opportunities for dialogue with institutional investors, we recognize that we have entered a stage in which we must further enhance our investor relations activities both qualitatively and quantitatively.

As we move toward our next Mid-Term Management Plan, we will strengthen our IR communications, making them more consistent and more specific, providing clearer explanations of our growth strategy and measures to improve ROE. We will also enhance the quality of our engagement with stakeholders by properly reflecting market feedback in management decisions. We will not only deepen our dialogue with institutional investors, but also strive to build relationships of trust with a broad range of investors by better communicating important information.

The Seiko Group will further improve management transparency through expanded disclosure and constructive dialogue with capital markets while enhancing its corporate value over the medium to long term by sustainably enhancing its ROE.