

Mid-Term Management Plan “SMILE145” Initiatives for the Next 3 years (FY2024–FY2026)

May 15, 2024

*This document is an excerpt from the financial results presentation for FY2023.

SMILE145 Mid-Term Management Plan (FY22 – FY26)

SMILE145

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

MVP Strategy

Moving
Valuable
Profitable

- ◆ Address social issues to create value
- ◆ Improve profitability
- ◆ Innovate business model with leveraging digital transformation (DX)
- ◆ Achieve ambidextrous management
- ◆ Support employees in taking on challenges

KPI (FY26)

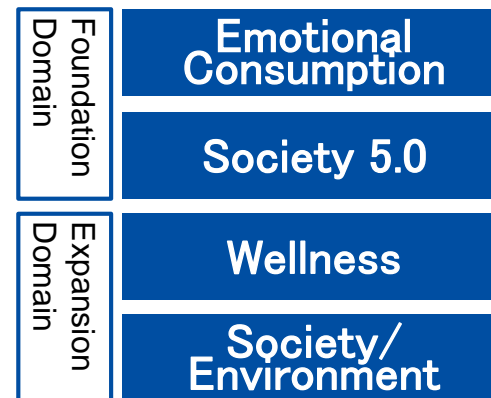
GP%	+5.0% points
OP	18.0–20.0 Billion yen
ROIC	Over 6.5%
ESG Indicator	Reducing CO2 emissions: 25% down (SCOPE1·2)
	Increased Engagement Score

Growth Strategy Schemes

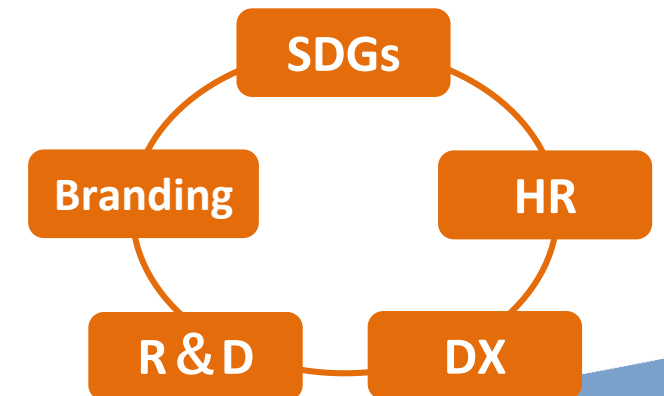
3 Strategic Domains



4 Business Opportunities



5 Group Core Strategies



Business Strategies

Business Environment in the First Two Years of SMILE145



Business Policy in the Next 3 years of SMILE 145

①

- 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

②

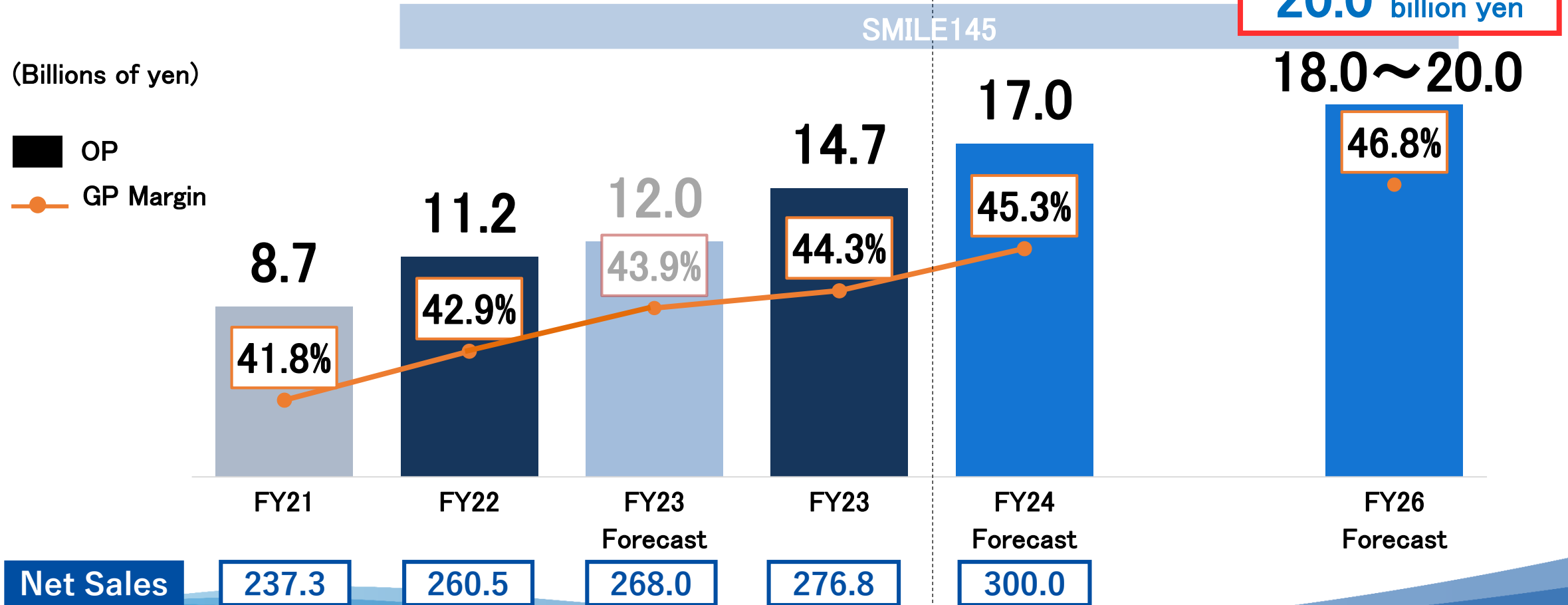
Promoting the enhancement of Group-wide R&D strategy and development of new technology, led by **Seiko Future Creation Inc.** Through these activities, striving to **create new business domains throughout the Group.**

OP target in the Next 3 years of SMILE 145

- In FY23, we achieved 14.7 billion yen, far surpassing the original target in FY23 of 12.0 billion yen, primarily driven by the EVS Domain, led by the Watches Business, and the SS Domain. We will strive to reach 20.0 billion yen in FY26.

(Billions of yen)

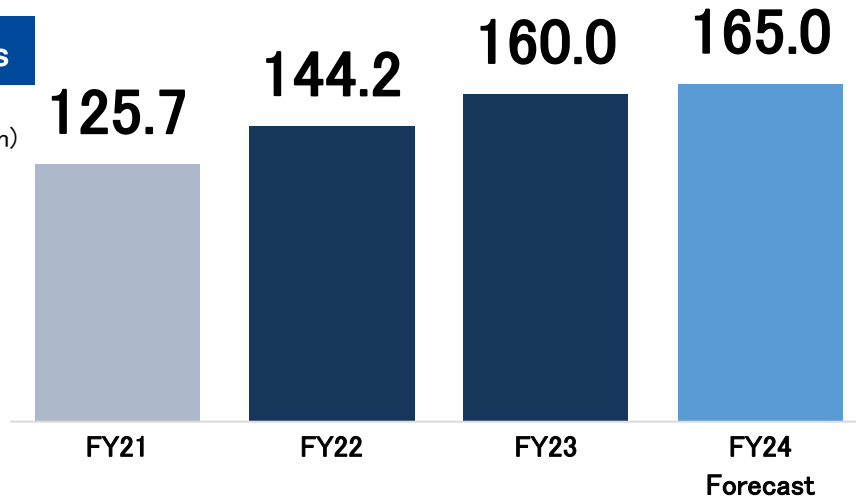
■ OP
— GP Margin



Watches Business

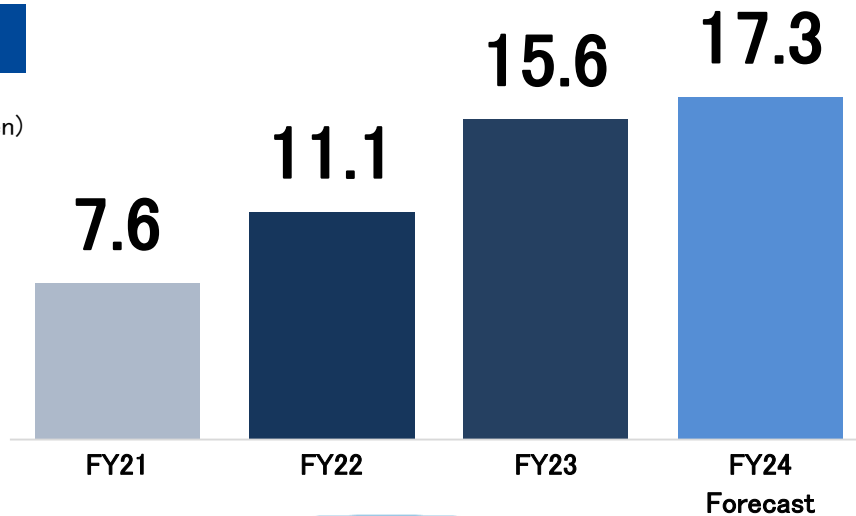
Net Sales

(Billions of yen)



OP

(Billions of yen)



Progress in the first two years

- By promoting GB strategy in Japan and overseas, we achieved net sales that surpassed pre-pandemic levels.
- Operating profit of 15.6 billion yen in FY2023 was the highest ever since SWC's establishment.

Policy for the latter three years

- Expansion of high-end business, centering on GS
 - Accelerating growth of overseas sales through efforts such as ongoing enhancement of directly managed businesses
- Expansion of Seiko GB
 - Further increasing profitability by expanding sales of premium lines in Seiko Prospex and Seiko Presage
- Improvement of revenue of watch movements
 - Increasing production efficiency by reviewing and revising global manufacturing structure

■ Expansion of high-end products (luxury domain) centered around GS

【Products】

- New products announced at Watches and Wonders Geneva 2024



〈Grand Seiko〉
Kodo Constant-force Tourbillon “Daybreak”
MSRP: USD 365,000.00



〈Grand Seiko〉
Model featuring the Caliber 9SA4, a 10-beat next generation
manual winding movement with an 80-hour power reserve
MSRP: USD 10,700.00



■ Expansion of high-end products (luxury domain) centered around GS

【Distribution】

- Expanding direct sales business, including GS Flagship Boutiques, and improving POS quality

GS Flagship Boutique, Madison Ave., New York
(Opened on February 8, 2024)



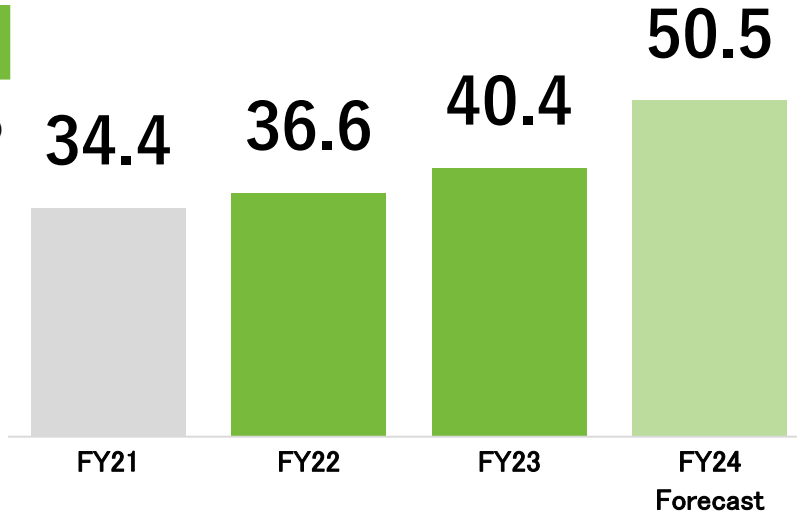
GS Flagship Boutique, Ginza Namiki-Dori
(Opened on June 24, 2023)



SS Domain

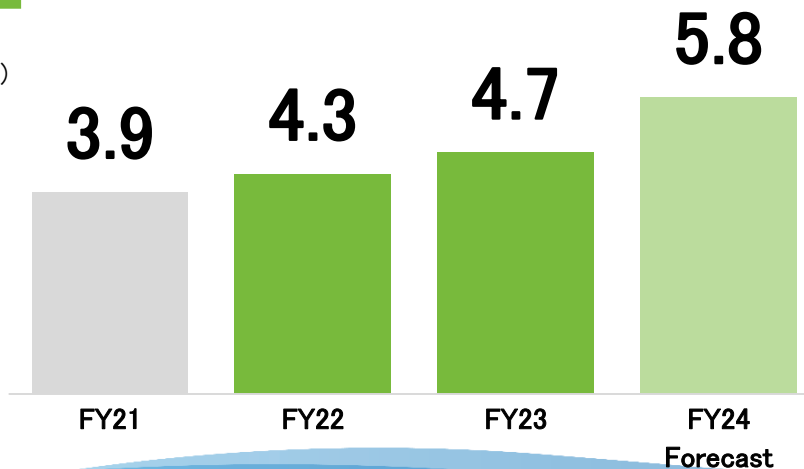
Net Sales

(Billions of yen)



OP

(Billions of yen)



Progress in the first two years

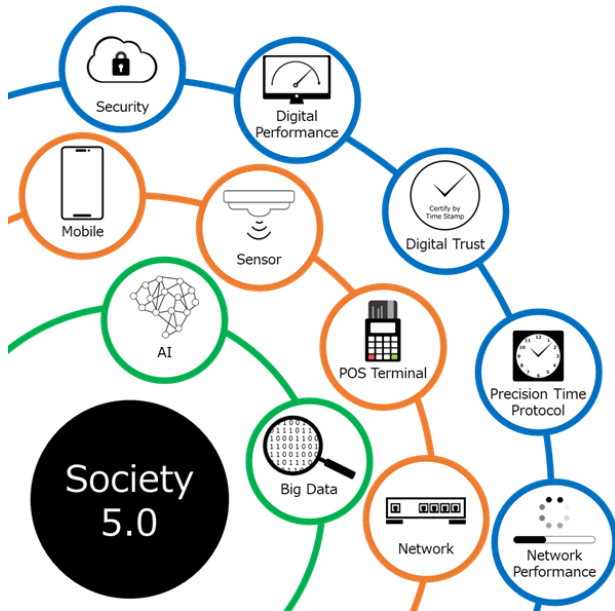
- Steadily expanded services and customers through M&As, etc., achieving stable growth
- Expanded businesses supporting digital infrastructure, such as performance management and businesses including those related to security

Policy for the latter three years

- Striving to grow business through solutions that leverage Seiko's strengths
 - **IoT and AI solutions that combine hardware and software** to solve social issues
 - **Platform solutions** that support customer companies realize Digital transformation

■ IoT and AI solutions that combine hardware and software to solve social issues

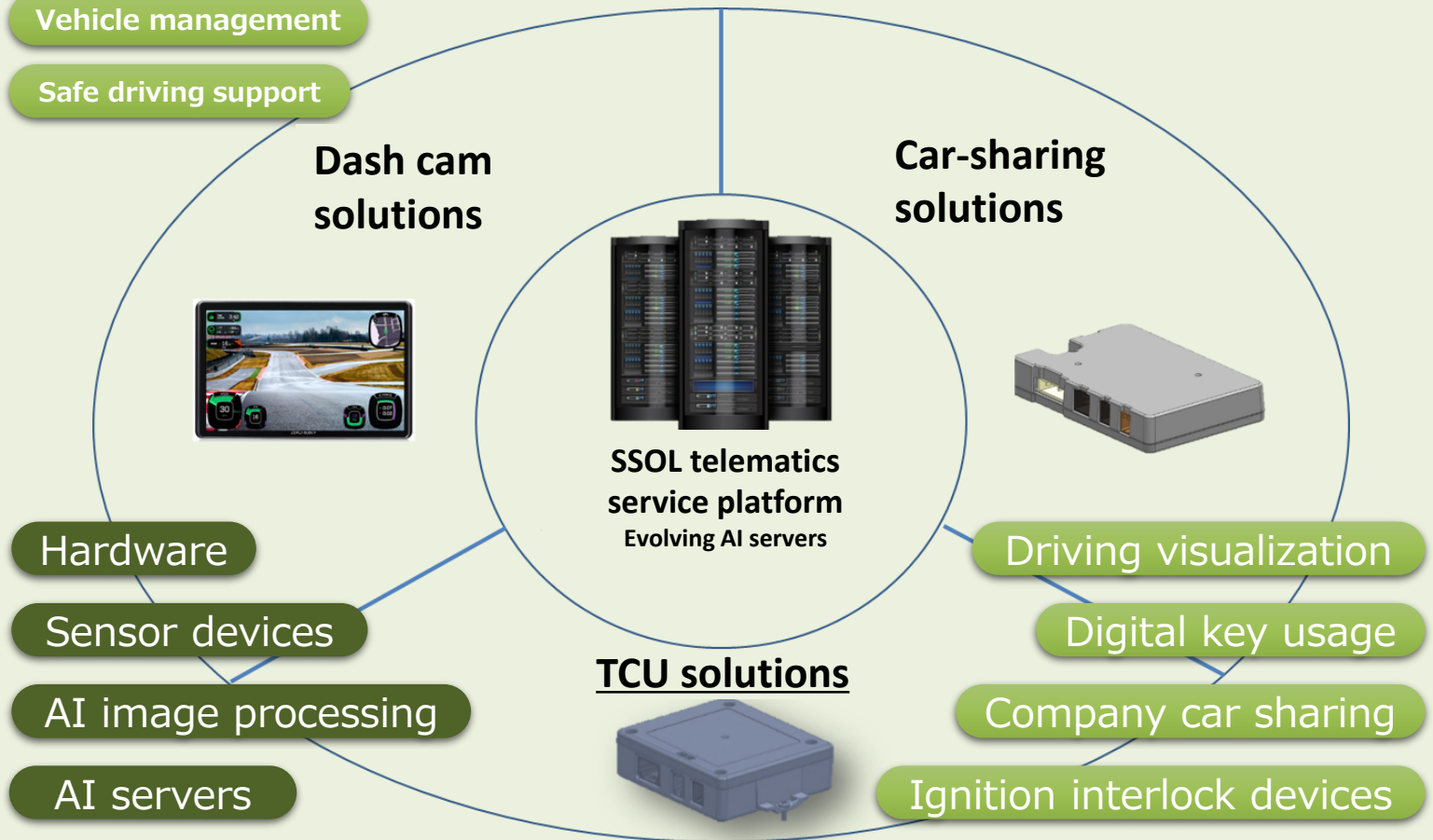
Capability



H/W & S/W Solution

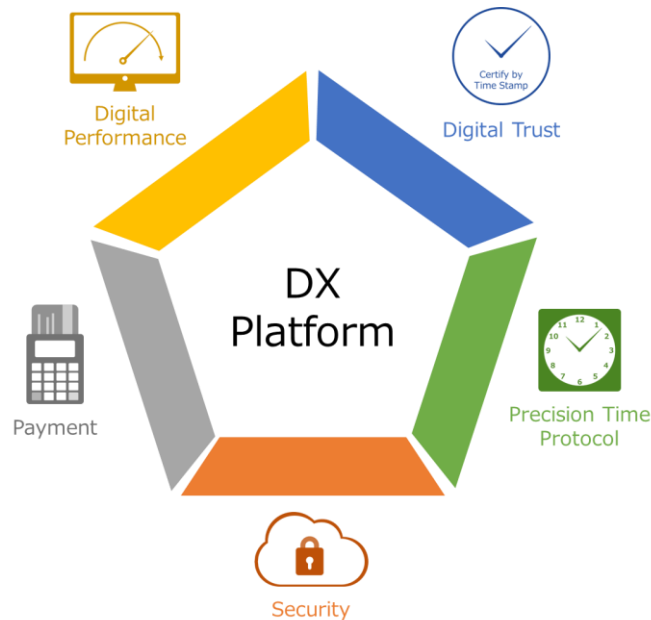
We can provide one-stop solutions that cover everything from setup to operation, encompassing hardware, software, data centers, AI, sensors, etc.

■ Telematics solutions (for car sharing, car rental, transportation, etc.)



■ Platform solutions that support customer companies realize Digital transformation

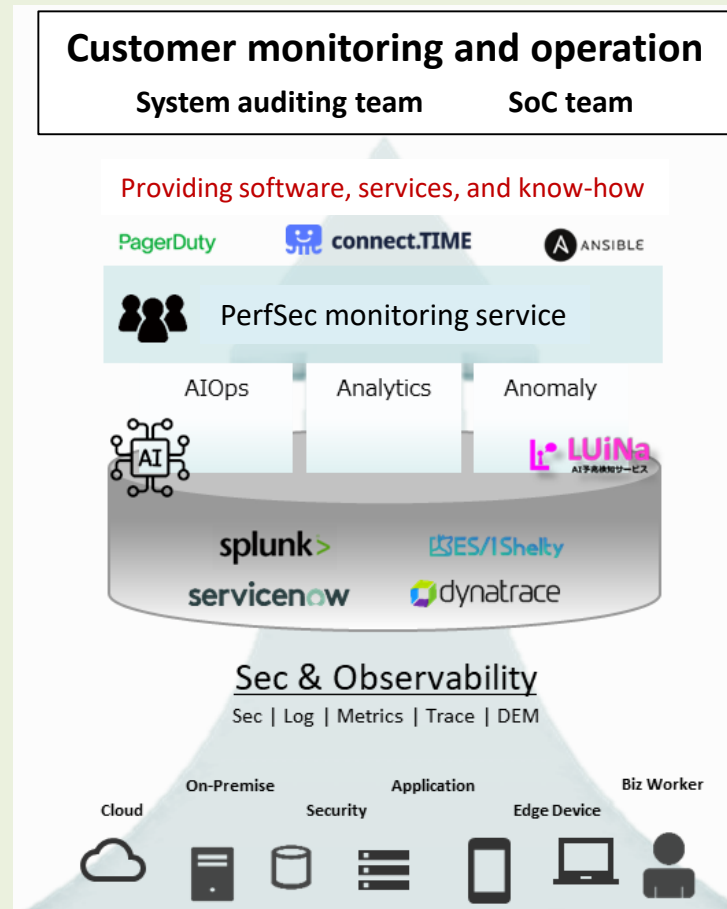
Capability



DX Platform

We can offer solutions that form the foundations of digital business, such as digital trust, performance management, security, timing, and payment.

■ Performance management and security solutions



One-stop solutions for performance and security issues, covering everything from deployment to operation

PerfSec monitoring service

24/365 system operation/monitoring

Digital performance monitoring

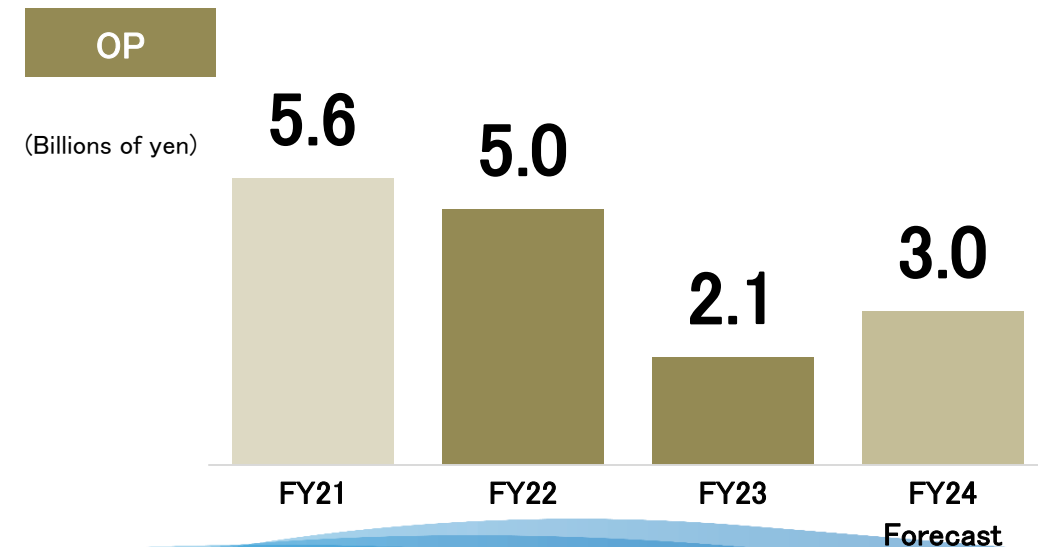
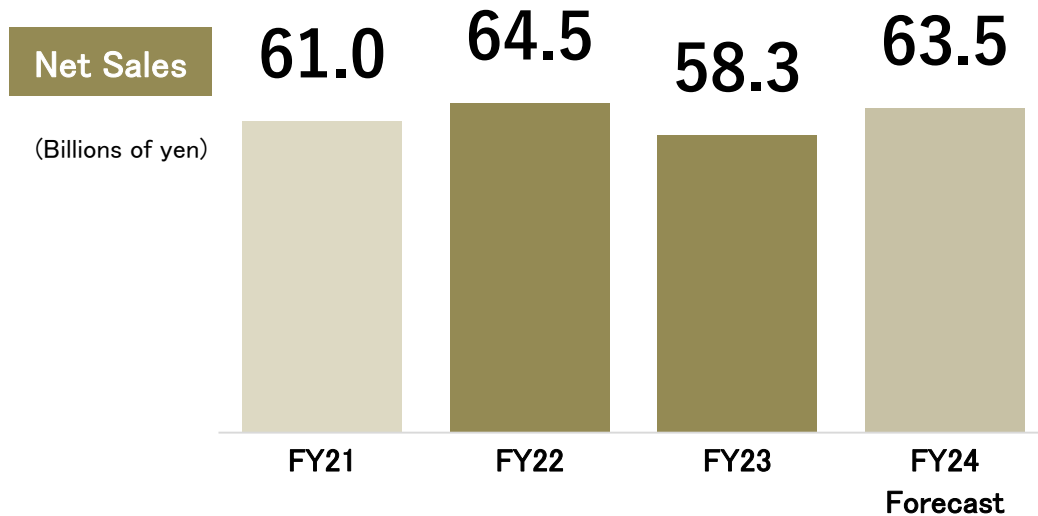
Security monitoring

Backup support

IT asset management

Data integration and utilization

DS Domain



Progress in the first two years

- FY22: Net sales grew due to special demand in the post-pandemic devices market.
- FY23: Performance was weak, especially for printing devices and precision devices, due to a rebound from special demand and the prolonged slump in the Chinese economy.

Policy for the latter three years

- Assessing the growth potential of each product and engaging in balanced investments
- Expanding market share of micro batteries for medical equipment, which have growth potential, and quartz crystals, where we excel at miniaturization
- Growing encoder business (sensors used to detect locations and movement distances), where we have some of the most advanced technologies in the industry

■ Expanding share in the market for micro batteries for medical equipment

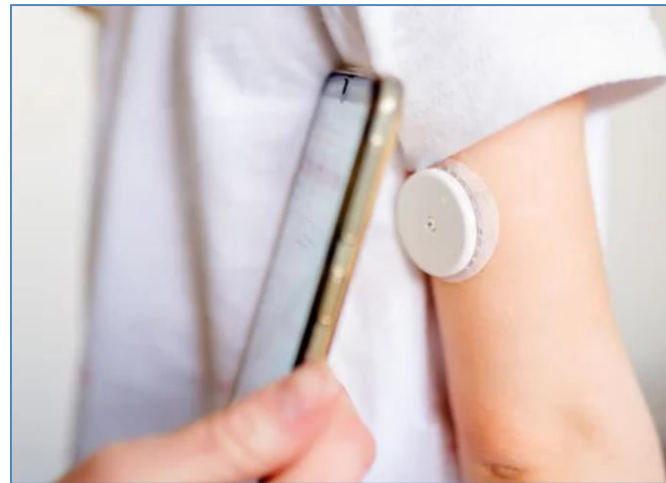
Micro batteries market: High growth potential in the medical market (for medical equipment)

*Competitive advantages of the Company's micro batteries: Compact size, low profile, long usage life, high level of safety, high level of performance



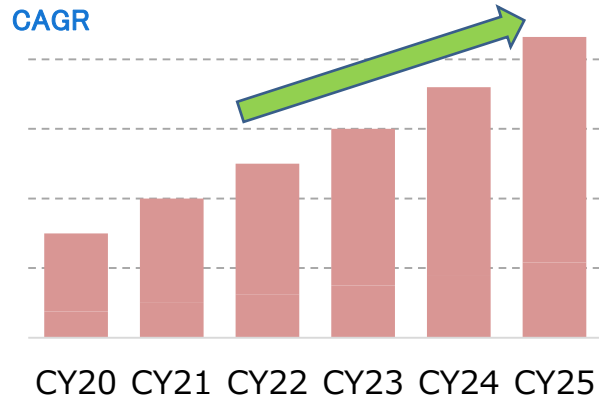
Positioning the medical market as a core domain to reinforce, and seeking to expand market share

Usage example: Use in medical equipment



User trend forecast

* We anticipate double-digit growth at CAGR

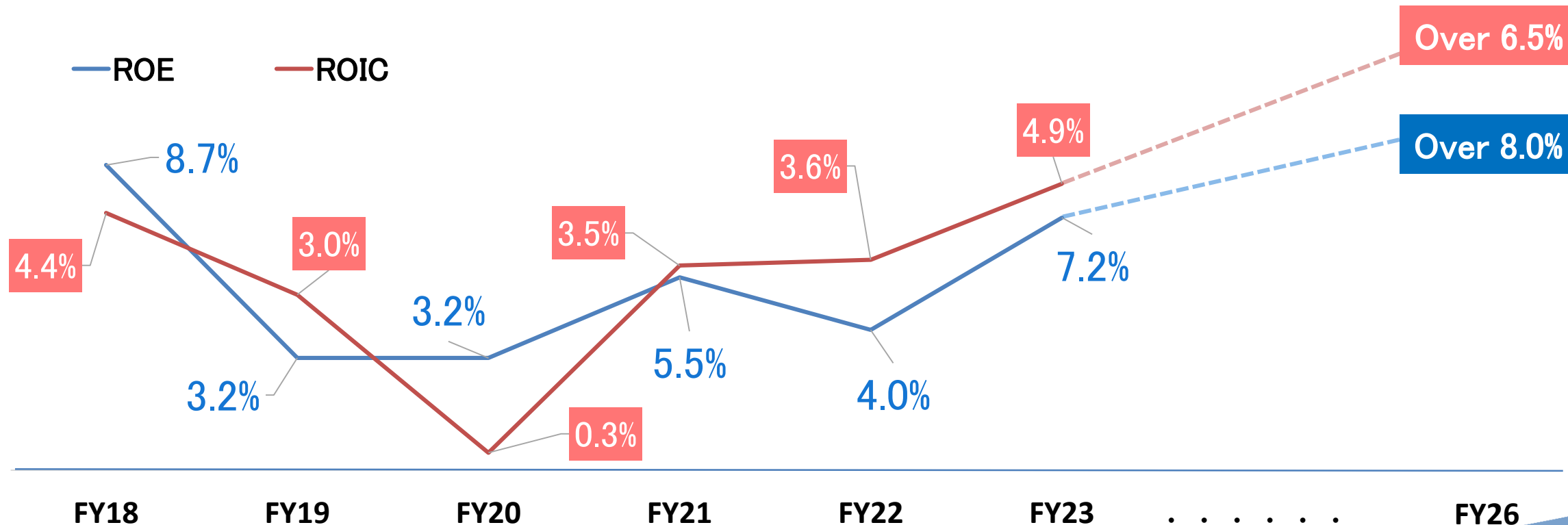


Financial Index

Improving Capital Profitability

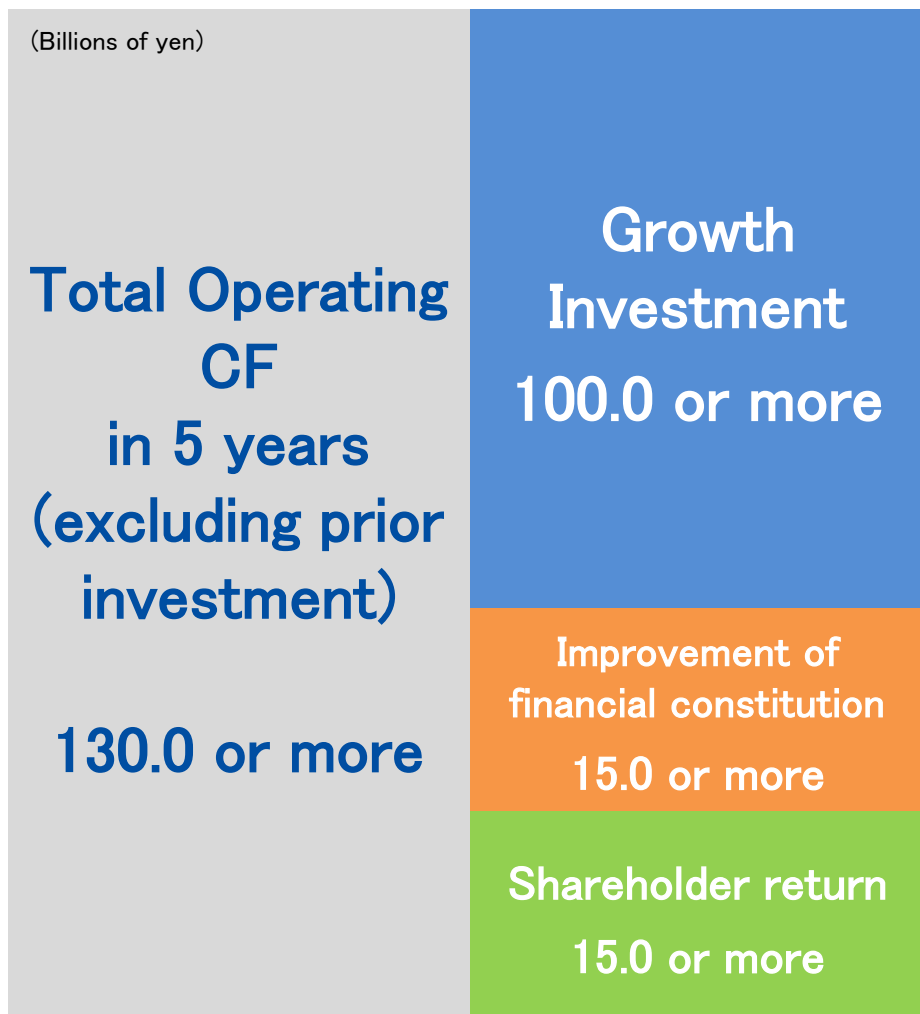
■ We use ROE as a financial indicator during the latter period of SMILE145, in addition to ROIC.

We will conduct efficient investment through business portfolio management and improve profitability, with the aim of achieving an **ROE of over 8%**. In conjunction with this, we will also rationalize assets and reduce interest bearing debt to achieve an **ROIC of over 6.5%**.



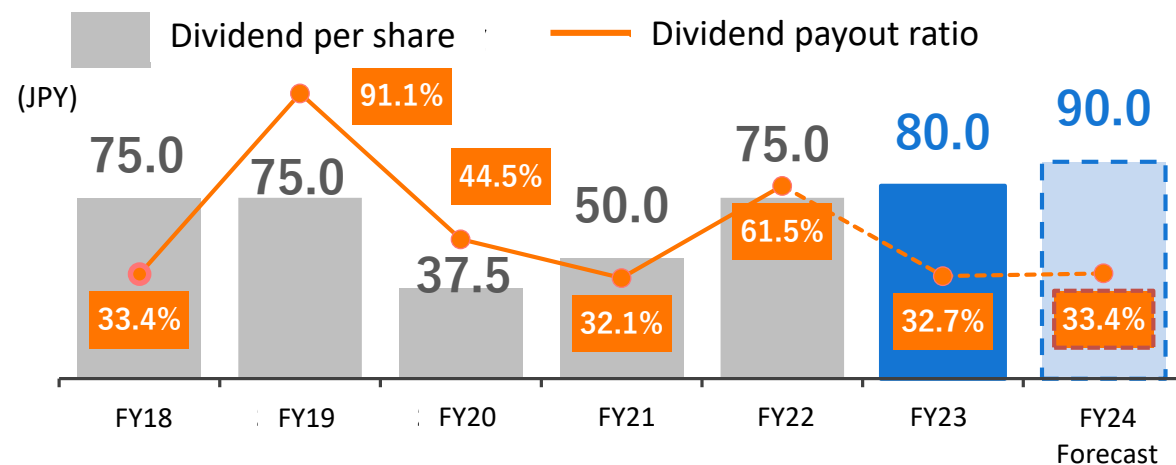
* ROIC for FY23 is an estimate as of May 14, 2024

Cash Allocation



- Accelerating investment in the Watches Business and Systems Solutions Business
- Creating new business domains across entire Group
- Strengthening investment in branding that conveys emotional value, social value, and technical value
- Continuing investment in DX enhancement
- Actively investing in human capital

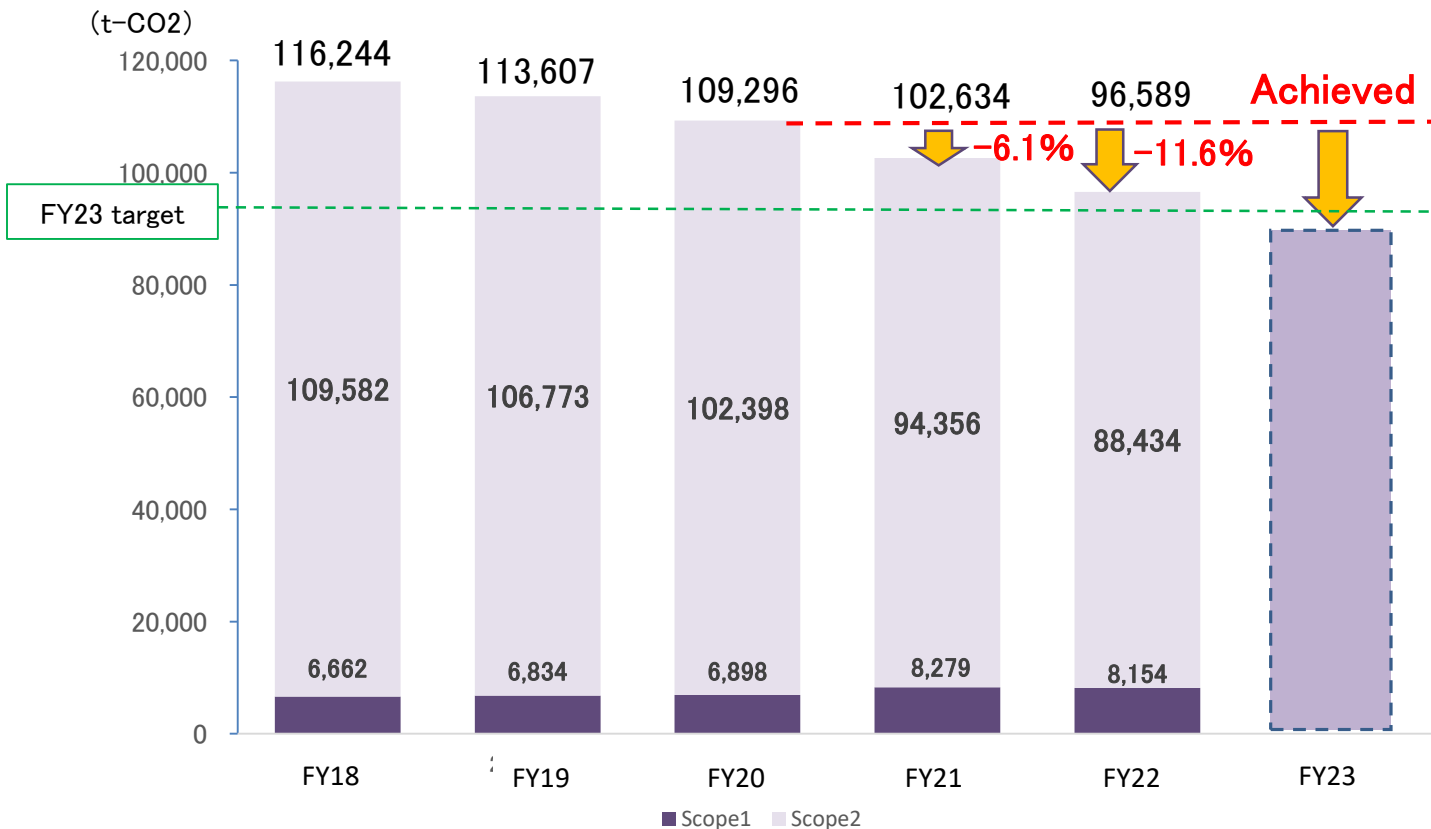
- Under the basic policy of focusing on stable allocation of profit to shareholders, we aim for consolidated payout ratio of 30% or above.



ESG Indicator

CO₂ Emissions Reduction Targets

■ Met and surpassed our FY2023 CO₂ emissions reduction target by promoting the introduction of renewable energy at domestic sites. Move up our schedule and aim to reduce CO₂ emissions under SCOPE 1 and 2 by 42% (compared to FY2022) by FY2030.



Long-term CO₂ emissions reduction targets for SGC Group

FY2030 Reduce CO₂ emissions under SCOPE 1 and 2 by **42%** (compared to FY2022)

Reduce CO₂ emissions under SCOPE 3 by **25%** (compared to FY2022)

FY2050 Achieving **net zero** emissions

Appendix

Abbreviations used in this document

EVS	Emotional Value Solutions (Domain)
DS	Devices Solutions (Domain)
SS	Systems Solutions (Domain)
SWC	SEIKO WATCH CORPORATION
SII	Seiko Instruments Inc.
SSOL	SEIKO Solutions Inc.
STC	SEIKO Time Creation Inc.
NPC	SEIKO NPC CORPORATION
GS	Grand Seiko
GB	Global Brands (Seiko GB refers to Global Brands other than GS)
SMILE145	8th Mid-Term Management Plan (FY2022–FY2026)
MVP Products/ Services	High-added-value, highly profitable products and services that move people
MVP Ratio	<p>EVS: Luxury domain and products with high emotional value, such as GB, as % of net sales (Watches Business: MVP Ratio=GB ratio)</p> <p>DS : Sales to digital economy and green economy markets as % of net sales</p> <p>SS : Stock business as % of marginal profit</p>

- * The forecasted results which appear in this presentation are based on the information which we have obtained as of now, and on certain assumptions deemed reasonable.
As a result, actual results, etc. may differ significantly from the forecasted figures due to a wide range of factors.
- * Unless otherwise specified, the following is indicated.
Numbers : Cut off to the unit indicated
Percentages : Round off to the unit indicated
- * Reported segments have been changed from the fiscal year ended March 31, 2023. The actual results of FY2021 have been reclassified to reflect the new disclosure segments.

SEIKO

Moving ahead. Touching hearts.