

Value Creation Story

Environment Recognition (Opportunities & Risks)

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

SEIKO GROUP PURPOSE

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



- Corporate Philosophy**
A Company that is Trusted by Society
- Group Slogan**
SEIKO Moving ahead, Touching hearts.
- Spirit of the Founder**
Always one step ahead of the rest

Management Resources



Human Capital
Global and diverse human resources / Employees awarded the Contemporary Master Craftsman and the Medal with Yellow Ribbon

Intellectual Capital
Technological capabilities / Research and development of new technologies / Excellent function, quality, and technology / Patent, trademark, and design rights

Social and Relationship Capital
Large numbers of suppliers and partner factories / Business partners / Sales and after-sales service network

Manufacturing Capital
Manufacturing bases spread globally / Manufacturing facilities

Financial Capital
Power to generate cash flows / Interest bearing debt

Natural Capital
Abundant water and mineral resources

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.

Approaches to Social Issues for Value Creation

Well-being A Better Life **Inclusion** For All People **Trust** Certainty and Trust **Harmony** Harmony with the Earth

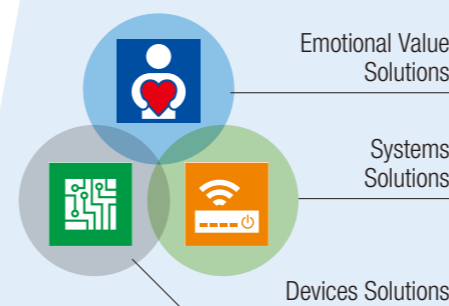


Growth Strategies

Five Group Core Strategies



Three Strategic Domains



Four Business Opportunities

- Emotional Consumption
- Society 5.0*
- Wellness
- Society/Environment

* 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."

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

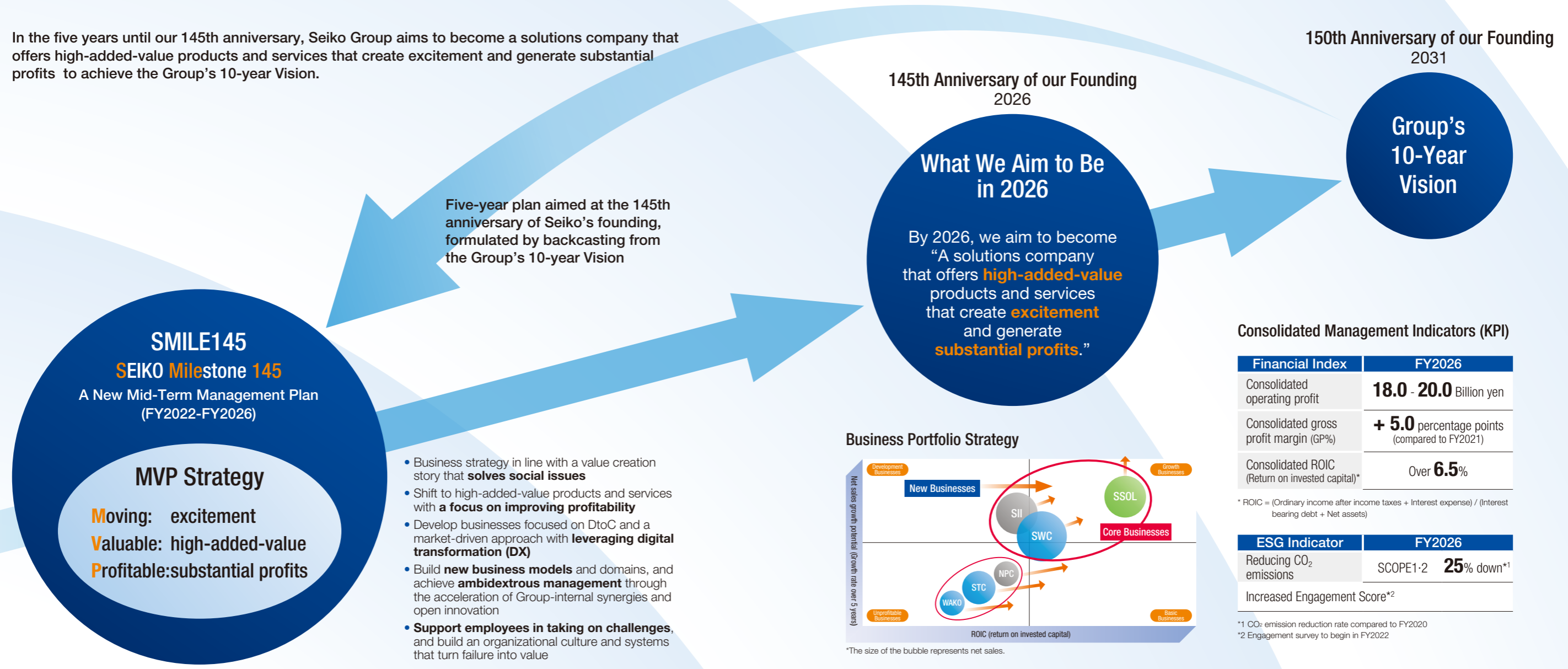
By 2026, we aim to become "A solutions company that offers **high-added-value** products and services that create **excitement** and generate **substantial profits**."

MVP Strategy

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

8th Mid-Term Management Plan “SMILE145”

In the five years until our 145th anniversary, Seiko Group aims to become a solutions company that offers high-added-value products and services that create excitement and generate substantial profits to achieve the Group’s 10-year Vision.



Three Strategic Domains

To establish management unified by a common purpose, which aims to create business synergies through a purpose-driven approach, as well as to create a distributed business structure that responds to the risk of changes in the business environment, we classified our business into three domains based on the value that they provide.

Emotional Value Solutions Domain → P.40

- SWC: Watches, watch movements
- STC: Clocks, system clocks
- WAKO: High-end jewelry, apparel, fashion accessories

Devices Solutions Domain → P.46

- SII: Quartz crystals, micro batteries, materials, printers, precision turned parts
- NPC: Sensors, crystal oscillator ICs

Systems Solutions Domain → P.48

- SSOL: Wireless communications equipment, information network systems, data services, computer performance management software

SWC : SEIKO WATCH CORPORATION STC : SEIKO Time Creation Inc. WAKO : WAKO Co., Ltd.
SII : Seiko Instruments Inc. NPC : SEIKO NPC CORPORATION SSOL : SEIKO Solutions Inc.

Four Business Opportunities

In addition to the foundation domain, which we have been working on by leveraging our strengths, we will aim for growth in the expansion domain that solves social issues going forward.

Emotional Consumption → P.38
Wellness → P.38
Foundation Domain → P.38
Expansion Domain → P.38
Society 5.0 → P.38
Society / Environment → P.38

Five Group Core Strategies

The Group will make a concerted effort to promote the five core strategies that support growth.

SDGs → P.26
HR → P.30
Digital Transformation → P.32
Branding → P.36
R&D → P.34

Interview with the President



Our goal is to be a corporate group that grows together with society by creating value, starting with our efforts to help improve social issues.

Shuji Takahashi
President and Group COO

Q. The COVID-19 pandemic caused the business environment to change dramatically during the period covered by your 7th Mid-Term Management Plan. Could you give us a brief summary of how things changed over the past three years?

During the three years of our 7th Mid-Term Management Plan (FY2019 to FY2021), we intensified our growth-oriented investment and conducted business with the aim of realizing sustained growth. But due to factors such as the pandemic, we were unable to reach our Group targets. However, our Watches Business accelerated its digital marketing overseas, and we steadily implemented our Global Brands (GB) strategy. As a result, our GB were quite

successful overseas primarily in Europe, the United States and Asia. Now, we are even more convinced that focusing on this GB strategy will contribute to strong business growth. In the Electronic Devices Business, we made progress in reinforcing our business platform by expanding sales in growth areas such as the medical and automotive fields and by preparing our system for increased production of key items such as precision components. In our Systems Solutions Business, we steadily implemented a policy of expanding our stock business and diversifying business. As a result, we continued to increase both earnings and profits for 24 consecutive quarters. However, in our domestic watch business and our domestic B-to-C business, such as our Wako retail operations, delays in responding to changes in

the business environment significantly slowed our recovery. It is vital that we create a business structure that is sufficiently resilient to unexpected changes and can still produce stable revenue across the Group. This holds true for all our business segments. I think it

has become clear that we must accelerate our digital transformation, create new businesses, and develop human resources that can manage and operate those businesses.

Review of the 7th Mid-Term Management Plan

		Results	Challenges
Business Activities	Watches	<ul style="list-style-type: none"> • GB Sales doubled, mainly in the U.S. and Asia • Successful digital marketing, especially overseas • Integration of product development, procurement and manufacturing functions • Introduced new after-sales services for GS 	<ul style="list-style-type: none"> • Reform business models of domestic businesses • Develop new business domains • Diversify manufacturing sites • Build CRM and OMO to provide high-quality customer experiences
	Electronic Devices	<ul style="list-style-type: none"> • Increased sales in growth areas (medical and automotive) • Established systems to increase production of precision components, etc. 	<ul style="list-style-type: none"> • Overseas expansion of some businesses • Enhance incubation functions
	Systems Solutions	<ul style="list-style-type: none"> • Achieved 24 consecutive quarters of year-on-year growth in both revenue and profit • Increased profitability, operating profit margin grew by approx. 4 percentage points • Implemented M&As (2 companies) 	<ul style="list-style-type: none"> • Accelerate activities to create new businesses • Acquire human resources with industry knowledge • Accelerate M&As
	Time Creation/WAKO	<ul style="list-style-type: none"> • Developed a high-end marionette product “Rondeau” • Opened the GS Boutique Flagship Wako 	<ul style="list-style-type: none"> • Shift to products with high-added-value

Q. Last year, in the Group’s 10-year Vision, you set your sights on “contributing to the creation of sustainable societies.” How is the 8th Mid-Term Management Plan positioned with respect to the Group’s 10-year Vision?

The Group’s 10-year Vision in the years leading up to our 150th anniversary is as follows.

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

We created the 8th Mid-Term Management Plan by backcasting from the Group’s 10-year Vision to 2026, the midpoint between 2021 and the end-point of our 10-year Vision. Of course, 2026 also happens to be the 145th anniversary of the founding of our company. So, we named it “SMILE (Seiko Milestone)

145” because it identifies milestones on the way to Seiko’s 145th anniversary. By 2026, we aim to become

A solutions company that offers high-added-value products and services that create excitement and generate substantial profits.

The most important task during the first half of our 10-year Vision will be “becoming a solutions company.” We see this five-year period as one of transformation in order to become a corporate group that grows together with society by creating value, starting with our contributions to addressing various social issues. Furthermore, in order to achieve sustainable growth in this VUCA era, we decided that we needed to apply a long-term perspective when taking on challenges instead of allowing ourselves to be excessively focused on short-term business results. This is why we created the Group’s 10-year Vision in the first place and also our first-ever five-year plan.

Q. Could you explain the basic concepts of SMILE145?

The basic policy of SMILE145 is our MVP Strategy, a name that derives from three key words: Moving, Valuable, and Profitable. Since the foundation of our Group, we have created countless emotionally moving experiences as the first manufacturer of wristwatches in Japan, by launching the world's first quartz watches, and other artistic and technical achievements. Creating products that can inspire our customers is no easy matter. I believe that accurately addressing customer needs and constantly taking up the challenges of innovation contribute to creating moving experiences. That is why we need to become a solutions company. Through the kind of value-added products and services that only the Seiko Group can offer, we will strive to improve profitability, which is an important issue for our Group. To become a solutions company, we must continue to offer competitive MVP products and services that have high growth potential and help to address social issues.

Q. How will you implement SMILE145?

Management under SMILE145 will take a multiplicative approach: Three Strategic Domains × Four Business Opportunities × Five Group Core Strategies. I would like to explain each of these in turn.

—Three Strategic Domains—

To achieve sustainable growth, we have shifted from our former segmented system, which was divided along the lines of products and services, to a system of three domains, which are divided based on the affinity between prospective customers and the value we provide.

The first domain, the Emotional Value Solutions (EVS) Domain, is one in which we pursue functional, emotional, and social value, supplying products and services that produce moving experiences. We do not simply look at product value, but consider the whole customer experience (CX) up to the point of purchase, as an important added value, and we are working to refine and enhance this CX.

In the second domain, the Devices Solutions (DS) Domain, we offer the kind of high functionality and quality products and services demanded by




contemporary society, always taking advantage of our ongoing technical innovations. In order to realize a new iteration of society (Society 5.0), which will integrate cyberspace and physical space to help deal with social problems, we must use IoT to connect all people and objects, sharing diverse knowledge and information to create unprecedented value. In this domain, we will leverage our Group's superior technical strengths for miniaturization, low power consumption, and long product lifetimes to meet this demand and contribute to social progress. The third domain is the Systems Solutions (SS) Domain, where we will be a one-stop provider of ICT solutions that contribute to social innovation. By continuously offering value in line with customer needs, we will help to solve the issues faced by our customers and by society itself, and we will increase our own Group value. In this modern VUCA (volatile, uncertain, complex, and ambiguous) era, where many discontinuous changes are occurring and people's sensibilities are growing increasingly diverse, we aim to fully leverage our Group's management resources and become a solutions company that solves social issues, based on this three-business domain structure.

—Four Expansion Business Fields—

By considering which fields would allow us to leverage our strengths in these three business domains and grow as a Group, we identified four business fields to focus on.

The first business field is what we call the Emotional Consumption Market. In this market, we conduct business aimed at customers who seek products and services that more directly appeal to their emotions and sensibilities. Even now, in our Watches Business, we are achieving growth through products that do not simply help customers to tell the time, but also bring the joy that comes with finding, buying, and owning an exceptional product. As demand shifts from "demand for objects" to "demand for experiences," we expect the Emotional Consumption Market to grow considerably. We plan to further refine and enhance our products and services that touch people's hearts, primarily in the EVS Domain.

The second business field is what we think of as the Society 5.0 Market. Here, we will create new value through systems that integrate cyberspace and physical space at a high level. We are already supplying devices and systems in our DS and SS Domains, but in the future we will aim to increase our contributions to solving social issues. We see these

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SMILE 145 briefing for Group employees

two fields – the Emotional Consumption Market and the Society 5.0 Market – as the foundation domain in which our Group will expand its business. In addition to this foundation domain, we have looked at a wide range of societal needs and selected the Wellness and Society/Environment fields as the expansion domain in which we can leverage our strengths to help deal with social issues while at the same time growing as a Group. In the Wellness Market, we will aim to offer products and services that improve people's quality of life (QOL), with an emphasis on sports, healthcare, and medicine. We believe that we can use our Group's technical strengths and proposal capabilities to contribute to growth in this field. In the Society/Environment Market, we aim to solve critical issues related to social development, with a focus on green and digital economies. We aim to contribute to fields such as building infrastructure for each industry as well as environmental conservation. To provide value in this expansion domain, we will enhance our ability to create new value through synergy among business domains, and we will engage in alliances with outside parties using open innovation and accelerating collaboration in order to launch new businesses.

—Five Group Core Strategies—

In all three business domains, the Group will implement five core strategies. The first of these is our SDGs strategy. We have defined materiality (key issues) based on our Group theme of "WITH" [Well-being (a better life), Inclusion (for all people), Trust (certainty and trust), and Harmony (harmony with the Earth)]. We are carrying out key actions to address these materialities. Among them, we are working to achieve our targets for addressing climate change, a global issue that affects all of humanity. In addition, we are progressing with decarbonization by specifying CO₂ emissions reductions as one of SMILE145 KPIs. Moreover, we are installing equipment for in-house generation of renewable energy and entering into Power Purchase Agreements (PPA) for the installation of leased solar panels, switching to green electricity contracts with added environmental value, and other initiatives. We are also actively establishing Group-wide human rights policies and disclosing non-financial information. The second Group core strategy is our human resource strategy. We are working to improve

engagement and promote diversity, focusing on human resource development. We will promote digitally skilled human resource and entrepreneur development programs, taking into consideration the challenges outlined in our 7th Mid-Term Management Plan. We see the development of digitally sophisticated human resources as a particularly pressing issue. In June, we created a mandatory internal training system for all employees, and we are striving both to raise the overall level of digital literacy throughout our Group and to develop personnel with an entrepreneurial spirit. The third Group core strategy is digital transformation. In our BtoC business, our OMO (Online Merges with Offline) activities will integrate online and offline shopping so that we can enrich customer experiences when encountering the Group's products and services. In our BtoB business, we will further refine and evolve our marketing automation, leveraging information technology to create a highly productive and flexible manufacturing system. We will implement our corporate digital transformation strategies using a flexible mindset that can quickly respond to changes in the business environment. The fourth Group core strategy focuses on R&D, which plays an important role in our MVP strategy. This R&D strategy connects our individual business domains with our new business promotion efforts. It is an essential strategy that multiplies the strength of our business domains, generating synergies to create new value. By launching the new Seiko Future Creation Inc. and aggregating these functions within it, we are expanding business in the foundation domain and accelerating our creation of new businesses in the expansion domain. The last Group core strategy is our branding strategy. We are steadily developing the Seiko brand into a brand of choice, a company working to help global society. Seiko will work to improve social issues with the aim of enriching the hearts of people everywhere, and create a happier future through added social, technical, and emotional value. To accomplish this, we will work to deepen our stakeholders' support so that they can share in the ideals expressed by the Group's Statement of Purpose as well as our long-term vision. Our Group will continue to grow by implementing these five core strategies, using business opportunities in the four fields to drive growth in the three domains. This is the basic mechanism of SMILE145. Each individual domain will implement

MVP strategies in their own target markets, while at the same time implementing core strategies aimed at addressing the Group's issues and creating growth. Through this matrix- management approach, we will strive to achieve what we aim to be in 2026.

Q. Lastly, could you please discuss your commitment to achieve SMILE145?

At the same time that we began SMILE145, we also created a new management system to strengthen our unified Group management structure. To ensure the effectiveness of our management targets, we changed our compensation system for Directors to one linked to SMILE145 KPIs, which include non-financial targets. Furthermore, we are reviewing and revising our systems for verifying our progress toward SMILE145 goals. In an environment in which speed is increasingly important, we want to be able to constantly verify the progress we are making on SMILE145 so that we are always on-target, able to accelerate our decision-making, and make necessary improvements by rapidly identifying problems. We added one more Outside Director this fiscal year, so now 1/3 of our Board is composed of Outside

Directors. We plan to make the Board of Directors even more transparent and have it engage in higher quality discussions, implementing measures for achieving SMILE145. We have prepared these systems focused on SMILE145, but if we are to successfully implement our plans, the most important thing will be a sense of unity throughout the Group, with every employee striving to achieve the same company ideals. We are working to convey the philosophy of SMILE145 to all employees and to further improve communication with Group employees. These efforts include the creation of opportunities for senior management to engage in direct dialogue with mid-level and junior employees, who will play key roles in the years following SMILE145, so that we can learn more about their ideas and opinions. On October 1, 2022, we changed our company name from Seiko Holdings Corporation to Seiko Group Corporation. Our goal is to firmly link all parts of the Group and achieve sustainable growth together with our stakeholders. The Seiko Group, led by its Statement of Purpose, will work as one to steadily implement the strategies of the SMILE145 Mid-Term Management Plan. We look forward to your ongoing support.

