

# SDGs Strategy

## Sustainability Policy

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

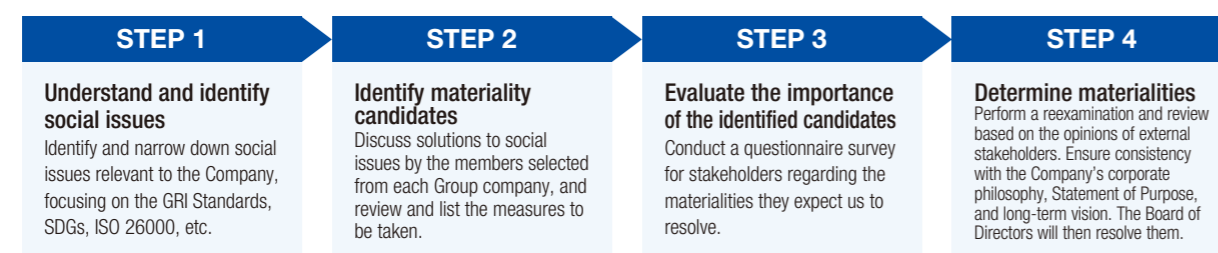
**“WITH”** [ **W**:Well-being (A Better Life) / **I**:Inclusion (For All People) / **T**:Trust (Certainty and Trust) / **H**:Harmony (Harmony with the Earth) ]

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

## Materiality Overview

Four Themes	Materiality	Key Actions	SDGs
<b>Well-being</b> – A Better Life  As a company that is open, approachable, and people-friendly, we aim to create a society where employees and all other stakeholders can work and live with a sense of pride and fulfillment while recognizing each other’s diverse values. In our business activities, we will actively address social issues such as human rights, and contribute to the realization of a world where more people can live comfortable, authentic lives, secure in body and mind.	Contribute to greater job satisfaction and active participation by diverse individuals	<ul style="list-style-type: none"> <li>Develop human resources as a pillar of our growth strategy, and work to improve engagement and promote diversity</li> </ul>	
	Promote mental and physical health and achieve social welfare	<ul style="list-style-type: none"> <li>Develop products to enter medical and healthcare businesses</li> </ul>	
	Implement initiatives for respecting human rights	<ul style="list-style-type: none"> <li>Conduct thorough investigations regarding human rights</li> </ul>	
	Cultivate and support the next generation	<ul style="list-style-type: none"> <li>Support the growth and development of the next generation through hands-on events, classes, etc.</li> </ul>	
<b>Inclusion</b> – For All People  Corporations can play a major role in the human quest for happiness, and creating an environment where all types of people are welcome is one key area. In addition to providing functional value such as convenience, our products and services provide emotional value based on respect for traditional culture. We also aim to enrich people’s lives through our support for activities such as music and sports. Using the power of our technologies, we want to create a safe and secure society by supporting people’s diverse lifestyles in this new era.	Contribute to the creation of a safe, secure, and inclusive social infrastructure	<ul style="list-style-type: none"> <li>Create and provide digital solutions to help realize a new age of society, where all people and goods are connected</li> </ul>	
	Contribute to a prosperous society through support for culture and sports	<ul style="list-style-type: none"> <li>Promote sports, music, and cultural activities that enrich people’s lives and enhance our corporate value</li> </ul>	
	Contribute to local communities	<ul style="list-style-type: none"> <li>Support activities in local communities that promote social revitalization at all our facilities, both inside and outside Japan</li> </ul>	
<b>Trust</b> – Certainty and Trust  We believe that pursuing our commitment to high quality and outstanding products, as we have since our founding, will help us to meet the expectations of our stakeholders. Our basic philosophy is to be “A Company that is Trusted by Society.” We regard compliance with all laws and regulations, transparency and fairness in management, and respect for social ethics in all our businesses as vitally important concerns for our management. In order to put this philosophy into action, we will address issues such as corporate scandals, fraud and anti-competitive behavior, information asymmetry with stakeholders, and violations of customer privacy.	Provide high-quality products and services that are trusted by society	<ul style="list-style-type: none"> <li>Develop high-quality, high-added value products and services by leveraging the strengths of each business domain to increase sustainable business activities</li> </ul>	
	Promote responsible procurement and supply chains	<ul style="list-style-type: none"> <li>Establish and operate a sustainable supply chain management system that addresses social issues, including human rights and the environment</li> </ul>	
	Strengthen corporate governance and the compliance structure	<ul style="list-style-type: none"> <li>Maintain and improve corporate governance and compliance operations based on respect for all relevant laws and regulations</li> </ul>	
<b>Harmony</b> – Harmony with the Earth  In recent years, problems such as the increasing number of natural disasters stemming from the climate crisis have become even more serious. Because of our responsibility as a global brand, we will focus on transforming our old consumption and production activities to eliminate the mass consumption of resources and mass disposal of waste. In addition, by utilizing environmental technologies, we will address issues such as greenhouse gas emissions and contribute to the creation of a sustainable society that can coexist with the global environment.	Implement initiatives for climate change and decarbonization	<ul style="list-style-type: none"> <li>Plan and promotion of reduction measures in line with the Seiko Group’s long-term goal of reducing CO<sub>2</sub> emissions</li> </ul>	
	Help to realize a recycling-oriented society	<ul style="list-style-type: none"> <li>Create and expand lineup of environmentally friendly products and services</li> <li>Promote 3Rs (Reduce, Reuse, Recycle)</li> </ul>	
	Coexist and harmonize with nature	<ul style="list-style-type: none"> <li>Aim for coexistence with nature by increasing activities to conserve biodiversity and natural capital in each of our business locations</li> </ul>	

## The Process to Determine Materialities



## Endorsement of International and National Initiatives



\* For more information on our CSR initiatives, please refer to our website.  
<https://www.seiko.co.jp/en/csr/>

## Initiatives for climate change and decarbonization

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



### Governance

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

### Strategy

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

### ● Business impact associated with climate-related risks and opportunities and the Group’s response\*1

Classification	Description	Business Impact**2 (FY2030)	Group’s Response
Risk	<b>Transition risk (Less than 2°C scenario)</b> <b>Increased costs associated with introduction of carbon tax</b> Carbon tax is increased in the less than 2°C scenario, increasing the cost of carbon tax payments and greenhouse gas (GHG) emission reduction responses.	Less than 2°C scenario 1.06 billion yen Large	We will formulate a long-term decarbonization roadmap by the end of FY2022 and strategically reduce GHG emissions in line with the long-term goal. The roadmap will incorporate energy conservation promotion measures and capital investment plans for the introduction of renewable energy, and while checking the price trends of renewable energy power contracts as needed, we will formulate an optimal emission reduction plan, taking into account the balance between the economic rationality of various reduction measures, including the purchase of renewable energy certificates, and the evaluation of renewable energy introduction.
	<b>Physical risk (4°C scenario)</b> <b>Cost increase due to flooding caused by extreme weather conditions</b> Flooding has a significant impact on some production sites under the 4°C scenario, resulting in lower sales due to shutdowns, relocation of production facilities, and increased costs for construction to re-operate.	4°C Scenario Large	Production sites where the impact of flooding is of particular concern are already taking measures such as establishing a second factory on higher ground. However, since the impact of the shutdown of operations under the 4°C scenario is expected to be significant, we will review the operational structure of the production sites to further minimize the impact of the flooding, and will consider a mid- to long-term transition plan.
Opportunities	<b>Products and Services</b> <b>Increased sales of decarbonization-compatible products</b> Increased sales of environmentally friendly decarbonization products that meet the needs of the times and low power consumption products that directly contribute to customers’ GHG emissions reduction.	Large	We will expand sales of existing decarbonization-compliant products, such as liner-free label printers that do not generate waste and ball bearings for cooling fans that contribute to power saving in data centers, by expanding its product lineup and actively promoting them to encourage replacement of older products. Furthermore, we will develop and sell new products that use functions and materials that directly contribute to decarbonization, and develop and promote solution services that lead to decarbonization, in order to link climate change measures to business opportunities and expand sales.
	<b>Market</b> <b>Increased sales due to improved brand value by demonstrating a decarbonized management stance to the market</b> Increasingly, companies will be required to take proactive, long-term actions to achieve a decarbonized society, and by demonstrating this stance, the value of the Seiko brand will increase and sales of its products and services will grow.	Medium	We will strengthen our current efforts to realize a decarbonized society, and will actively respond to the CDP, enhance information disclosure based on TCFD recommendations, and acquire SBT certification to demonstrate the Group’s commitment to decarbonized management. We will also disclose in a timely manner our efforts to address other materialities that interact with climate change, such as biodiversity initiatives, to enhance our brand value.

\*1 In FY2021, we conducted scenario analysis for the Watches business in the Emotional Value Solution Domain and three other businesses within the Devices Solution Domain. We also assessed risks for the Group as a whole.

\*\*2 Large business impact: Extremely significant impact on business, such as a profit impact of 1 billion yen or more, business withdrawal, or business interruption of several months or more.  
 Medium business impact: Significant impact on business, such as a profit impact of 100 million yen or more but less than 1 billion yen, impact on business plans, business downsizing, or business interruption of one week to one month.  
 Small business impact: Minor impact on business, such as a profit impact of less than 100 million yen, or little to no impact on business plans or interruption of business.

### Risk Management → P.64

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

### Indicators and Targets

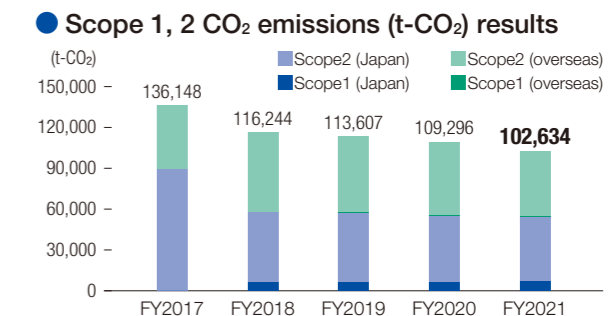
In December 2021, the Seiko Group set a long-term target for reducing greenhouse gas emissions. Going forward, we will strive to further reduce greenhouse gas emissions in accordance with the following targets based on the SBT.

#### Long-Term Targets for Greenhouse Gas Emissions Reduction

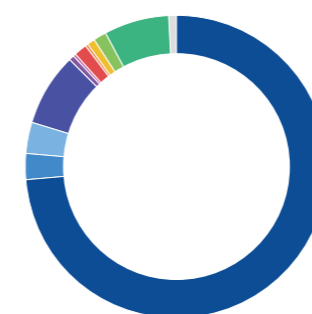
**FY2026**  
Scope 1, 2: 25% reduction from 2020 levels

**FY2030**  
Scope 1, 2: 42% reduction from 2020 levels  
Scope 3: 25% reduction from 2020 levels

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



### ● Scope 3 CO<sub>2</sub> emissions (t-CO<sub>2</sub>) results FY2020



Category	Item	CO <sub>2</sub> emissions (t-CO <sub>2</sub> )
Category 1	Products and services purchased	283,371
Category 2	Capital goods	10,284
Category 3	Fuel and energy-related activities not included in Scope 1, 2	12,857
Category 4	Transportation and distribution (upstream)	30,355
Category 5	Waste from business activities	1,546
Category 6	Business travel	1,029
Category 7	Employee commuting	5,957
Category 8	Leased assets (upstream)	122
Category 9	Transportation and distribution (downstream)	2,346
Category 10	Processing of sold products	6,173
Category 11	Use of sold products	26,073
Category 12	Disposal of sold products	2,914
Category 13	Leased assets (downstream)	—
Category 14	Franchises	—
Category 15	Investments	—

\* Scope 3 calculation scope: Watch business in the Emotional Value Solution Domain and the main Device Solution Domain

## Human Rights Policy and Procurement Policy → P.66

For details on the Group’s initiatives on human rights and procurement, please see the “Corporate Ethics / Compliance” page.

### Toward Environmental Conservation

— Opened a biotope\* at Morioka Seiko Instruments Inc. —

In August 2022, as part of biodiversity conservation activities, Morioka Seiko Instruments Inc. opened a biotope on its premises with the cooperation of Iwate Prefectural University. For the water source, the biotope is equipped with a recycling mechanism that uses rainwater within the site and adjusts water quality with the power of the natural environment. In the future, the company plans to recycle wastewater from its factory as an additional water source and to preserve local endangered species.

\* A space that has been artificially made as a habitat for living organisms that is close to its natural state.



# Human Resource Strategy

We will aim to become a solutions company that solves social issues and creates new value through the mutual growth between individuals and the organization.

## Basic Policy



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

To achieve the vision in SMILE145 of becoming a solutions company, we have positioned human resource strategies as a Group core strategy, and we will engage in initiatives for developing human resources, promoting diversity, and improving engagement across the Group.

Each employee is a driver of the Group's sustainable growth. We believe that the development of human resources who proactively take on challenges is key in achieving solutions to complex social issues and the creation of new value.

Moreover, the promotion of diversity is indispensable for becoming a strong organization capable of flexibly and swiftly responding to the changing social environment. Although we have been engaged in initiatives including promoting the active role of all employees, we believe that we need to develop a working environment so that it becomes an even better place to work, as well as to work on strengthening human resource development and other initiatives. Promoting the diversity of the organization will give rise to various innovations.

In addition, by providing an environment where employees can maximize their ambitions and skills, we will improve employee engagement, bring about a chain reaction of growth of individuals and the organization, and ultimately aim for the Company's sustainable growth and development.

## Health management

The Group has sent out the "Declaration of Health Management," in which the perspective of health management is added to our initiatives for promoting the active role of all employees and has been promoting initiatives for the health maintenance and improvement of all Group employees, while building a cross-Group promotion system. In addition, the Company has been recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large-Enterprise Category) for three consecutive years starting in 2020. Three other Group companies have been the same recognition.



### Declaration of Health Management

Each and every one of our employees is the driving force that enables Seiko to continue its relentless pursuit of innovation. Without our people, Seiko would not be able to produce such strong emotions in our customers or such a high level of trust in society.

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

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

**Shuji Takahashi**  
President  
SEIKO GROUP CORPORATION

## Promoting paid childcare leave for male employees

The Group revised its maternity and childcare system as of October 1, 2022, in accordance with a revision to the Act on Childcare Leave/Caregiver Leave in Japan, and has introduced childcare leave at birth for male employees (up to four weeks within eight weeks after the child's birth). In addition, paid maternity leave before and after childbirth for female employees, which had been limited to the Company and some of its subsidiaries, has been expanded to cover all eight of its domestic subsidiaries, further enhancing the system. One of the features of this system is that 100% of maternity leave both before and after childbirth and childcare leave after childbirth are paid, which exceeds the statutory requirement.

Furthermore, in order to encourage more male employees to take childcare leave (male employees take advantage of childcare leave at a lower rate than do female employees), we are actively promoting Group-wide efforts such as sending messages from the top management to Group employees and holding seminars on the promotion of childcare leave for male employees, intended not only for those who actually take the leave but also to promote understanding among supervisors and colleagues.

In addition to revising the system, by working to develop an environment in which both men and women can balance work and childcare, we aim to create a rewarding workplace that will support the lifestyles of all employees.



**Childcare leave stories** ..... **Yuki Kikuchi** Sales Concierge Department, WAKO Co., Ltd.

I have taken a one-year childcare leave since February 2022. I was worried about taking it because there were few precedents of male employees taking long-term childcare leave. However fortunately, my workplace was understanding and embraced my decision. My wife and I have been blessed by being able to experience bringing up our first child together. By taking childcare leave, I have been able to experience first-hand the concerns of women who work while taking leave. Many of the male workers around me are also hoping to take long-term childcare leave. I hope that through this experience, I will be able to build a comfortable working environment regardless of gender.

## Digital transformation fundamentals training for all employees → P.33

In 2022, we conducted digital transformation (DX) fundamentals training for all employees of the domestic Group companies. Going forward, we plan to carry out even more practical training with the aim of developing human resources capable of coming up with ways to apply DX to our operations and businesses and connecting it to the enhancement of business competitiveness and added value.

## Initiatives to firmly establish the Statement of Purpose

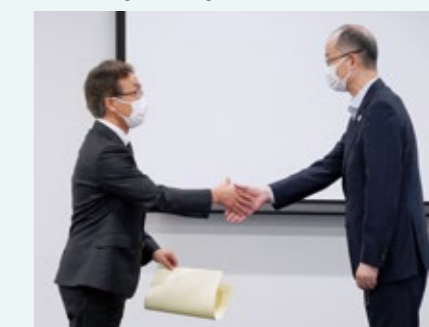
We are promoting various activities to encourage each employee to reconfirm the link between the Group's Statement of Purpose and operations, deepen employee empathy with the Purpose, and to realize the Purpose as the Group as a whole.

From 2021, we adopted the system of "Purpose Awards" to recognize activities that make special contributions to the creation of the Group's value from the perspectives of "trust, inspiration, smiles, innovation, and pursuit," which are key words of the Group's Statement of Purpose. From the second half of 2022, in an effort to create a corporate culture that encourages challenges and turns failure into value, we established the "Big Challenge Awards" to recognize activities that take on ambitious goals and from which lessons for future growth can be learned.

In addition, to promote the understanding of the Group's Statement of Purpose, we published booklets on the Purpose and distributed a copy to each of the employees of the domestic Group companies. In March 2022, the Company held its first Purpose Workshop and held discussions and exchanged opinions including those of the officers on the theme of the "Division's Purpose."

### Purpose Awards Ceremony

Scenes from the ceremony for the "Big Challenge Awards"



Award for "the development of production facilities and improvement of productivity through analog and digital synergies" Seiko Instruments Inc.

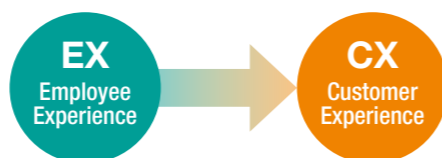
# Digital Transformation Strategy

We use digital technology and data to provide better customer experience (CX) through our customer-centric products and services.

## Basic Policy

The Group believes that digital transformation (DX) consists of “understanding customers’ pains and gains and using digital technology to improve assets, both internal and external, to supply products and services with even better customer experience (CX).” Enriching employee experience (EX) is vital to providing superior CX. Led by the basic policy, we are more dedicated than ever to digital technologies and data, and we will continuously carry out initiatives toward DX.

Make full use of digital technology and data to create high-added-value business that is customer-centric and that places an emphasis on the customer experience



## Main efforts in activity areas

<p><b>BtoC biz.</b></p> <ul style="list-style-type: none"> <li>Improve customer experience through OMO (Online Merges with Offline) measures</li> <li>Customer-oriented digital marketing</li> </ul>	<p><b>BtoB biz.</b></p> <ul style="list-style-type: none"> <li>B2B digital sales</li> <li>Marketing enhancement</li> </ul>	<p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>Create new business models</li> <li>Reform business models</li> </ul>
<p><b>Digitalization</b></p> <ul style="list-style-type: none"> <li>Digitalization and automation of business processes</li> </ul>	<p><b>Business Systems</b></p> <ul style="list-style-type: none"> <li>Develop and upgrade the business systems operated by Group companies</li> </ul>	<p><b>Infrastructure/Security</b></p> <ul style="list-style-type: none"> <li>Sophisticated IT operations / Enhance our system architecture</li> <li>Response to security incidents</li> </ul>

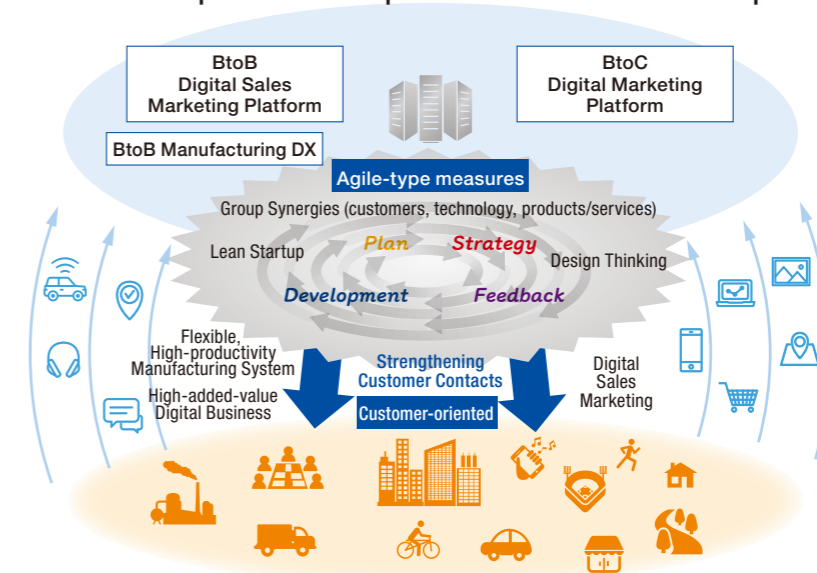
In order to create better CX and EX, we will focus our efforts in specific activity areas, such as the following. For CX, we will carry out initiatives aligned with the business performed by specific companies within the Group. In our BtoC business, we will promote Online Merges with Offline (OMO) measures, fusing online and offline to enrich customer experiences. In our BtoB business, we will further refine our digital sales and marketing as sales DX, while working to create a manufacturing system with high productivity and flexibility by leveraging information technology as manufacturing DX. Furthermore, we will carry out innovation activities to cultivate a mentality focused on transformation, to provide spaces for this mentality to be put into action, and to advance the creation of new businesses. With regard to EX, we will improve productivity and review and revise our operation processes through the digitalization of business processes, including RPA\*1. We will also accelerate our management decision-making by introducing digital contract systems, and will reduce the labor and monetary costs of associated operations. To improve our operation systems, we will operate our core operation systems with a high level of precision and upgrade and update these systems, thereby continuously supporting the rational and stable implementation of DX. We will also operate our IT infrastructure stably and without interruption while enhancing its security in order to take our IT operation to a higher level.

\*1 RPA: The use of software robot technologies to automate computer-related work processes (Robotic Process Automation)

## Practices

Practices are an important aspect of advancing DX. We place great value on being “customer-oriented,” “data driven,” “motivation,” and “business conceptualization ability.” We will leverage digital technology and data to provide better CX and enrich EX, thereby providing high-added-value business.

Make full use of digital technology and data to create high-added-value business that is customer-centric and that places an emphasis on the customer experience



## Digital Transformation Education

In order to steadily implement our MVP strategy, we believe that it is necessary to develop digitally skilled human resources and transform practices. That is why from June to October 2022, we conducted “DX fundamentals training” for all employees in Japan. To accurately reflect the needs of the Group, we used educational video content created in-house. We plan to follow up on this compulsory education with the following training.

- Practical training in which participants bring their own ideas for new businesses and operation reforms, build hypotheses, verify them, and then repeat this cycle, ultimately creating implementation plans (Participants must apply to take part in this training)
- Training for employees in Group companies that develop their abilities as innovators and creators of new business (Participants are selected based on recommendations)

In addition, we also hold every month “DX Update,” an event featuring lectures, dialogues, and panel discussions by experts with actual DX promotion experience from outside the Group. These events are held for the purpose of sharing the latest information regarding DX throughout the Group.

### Themes of the “DX Update” internal event

- Continuously Changing in Order to Stay the Same ~Shrine in the Modern Era~
- Introduction to DX: Global Trends and You
- DX Initiatives by Veteran Department Stores
- Accelerating Corporate Transformation through Digital Technology and Co-creation
- The Pinnacle of DX Transformation - The Latest Technologies x Innovations by keen insight at customer contacts
- The Digital Innovation that Results from a Thorough Customer-Oriented Approach
- Consumer Changes and Ethical e-Commerce
- The New Value Creation Demanded by Our Changing Times
- The Latest Trends and the Future Outlook of DX in the Medical and Healthcare Fields

## OMO Initiative

For WAKO Co., Ltd., we have formulated measures based on the results of our analysis of customer data. The first of these will be measures aimed at inactive customers, who purchased a product in the past but have not purchased any additional products for a long period of time thereafter. We have also considered the personas of our target customers and are designing customer journeys based on these in order to bring in new customers.

## Digital Marketing Initiative

SEIKO Solutions Inc. has created a database based on MA\*2 and CRM\*3 in order to respond to the changes in customer behavior that have become more prominent as a result of the COVID-19 pandemic. We will integrate and analyze information such as web activity, inquiries, email, event participation, and contact with salespeople, and create a more pleasant experience closely aligned with our customers. We will use this experience to promote digital marketing and digital sales in all companies in the Seiko Group.

\*2 MA : Marketing Automation  
\*3 CRM : Customer Relationship Management

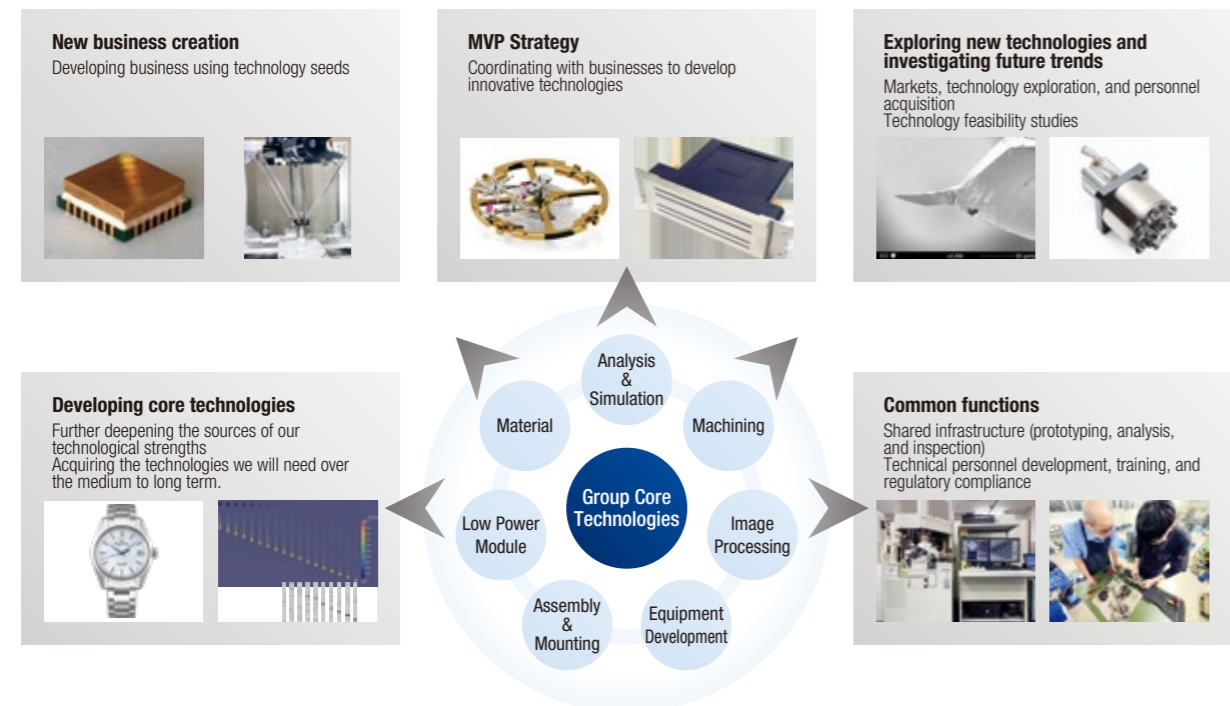
# R&D Strategy

We will leverage synergy between “Craftsmanship, Miniaturization, and Efficiency” and “Digital Technology” to establish high-added-value product development and production technologies as a solutions company that inspire people and society.

## Basic Policy

Under SMILE145, we will realize the Group's 10-year Vision of “analog & digital synergies” and establish product development and production technologies as a “a solutions company that offers high-added-value products and services that create excitement and generate substantial profits” defined in SMILE145 based on the Emotional Value Solutions Domain and Devices Solutions Domain, according to the basic policy of our R&D strategy. We will expand our luxury/premium domain, which is part of the MVP strategies of each business domain, accelerate our coordination with the planning division and other divisions in each operating company to strengthen the Society 5.0 field, and carry out innovative technology development. For the Group to keep staying as a sustainable enterprise, we are also working to reduce resource usage and labor, as required by the SDGs, and to create production technologies that contribute to decarbonization through the optimization of processes. We will also actively promote new business creation and synergy between businesses, while developing technologies that will serve as the sources of added value and competitive advantage in the expansion domain.

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



## Establish a new R&D company, Seiko Future Creation Inc.

As of July 1, 2022, we established Seiko Future Creation Inc. (SFC), whose main functions will be the overall Group research and development, production technology development, business support, and Group-wide new business development. Our goal is to strengthen the system we will use to advance SMILE145's R&D strategy. We have allocated the Group's development resources to SFC, making it the development base within the Group. It will strengthen the system of collaborations between each business domain, promote collaboration with outside parties to provide research functions for investigating matters such as future trends and to make up for weak areas, and acquire and train development personnel who will contribute to the future. As its name indicates, the SFC's goals are for all employees to have strong belief in using their technologies to create a richer future and to boldly advance into every business area.



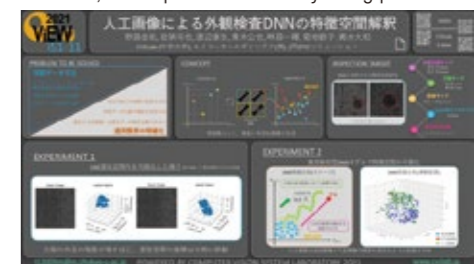
**Tetsu Kobayashi**  
Seiko Future Creation Inc.  
President

## R&D Activities

### Research in the practical application of vision engineering

In December 2021, The Japan Society for Precision Engineering's Technical Committee on Industrial Application of Image Processing held “VIEW2021 (Vision Engineering Workshop 2021).” Together with joint research partners, Chukyo University and YYC Solution\*1, Seiko gave a presentation titled “Interpreting the Feature Space of Visual Inspection DNN\*2 Using Artificial Inspection Images.”

We are developing equipment that uses “deep learning\*3” for some of the visual inspection work that the Group has had difficulty performing using conventional methods, and introducing them to worksites. To successfully perform visual inspection using deep learning, it is essential to create a high performance, trained DNN. However, with deep learning, there are no clear criteria for determining what level of defect is considered acceptable and what should result in a failing inspection. For this reason, development is currently being performed through successive rounds of learning using actual samples and evaluation of judgment accuracy. In this research, we examined methods for visualizing the judgment criteria of a trained DNN and evaluating its performance and learning weaknesses.



Publications of “VIEW2021”

\*1 YYC Solution (YYC Solution LLC.) : A consulting company specializing in imaging technologies. Its head, Hiroyasu Koshimizu, is an emeritus professor at Chukyo University and a project researcher at the Chukyo University Institute for Advanced Studies in Artificial Intelligence.  
\*2 DNN (Deep Neural Network) : The learning model used in deep learning.  
\*3 Deep learning : An AI method for teaching computers activities that humans perform naturally. Well-known examples include playing Go or Shogi, automated driving, and machine translation.

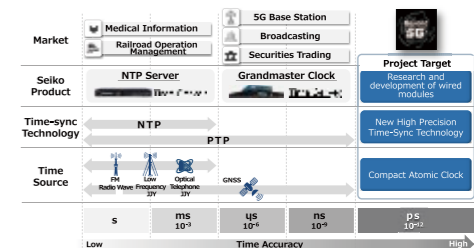
### High-precision time synchronization in preparation for the world Beyond 5G

SEIKO Solutions Inc. submitted a joint proposal with the National Institute of Information and Communications Technology (hereinafter, “NICT”) and other organizations for research and development to expand radio frequency resources, which was newly implemented by the Ministry of Internal Affairs and Communications in fiscal year 2022. This proposal was selected for “Research and Development of High-Accuracy Time Synchronization Infrastructure for Effective Use of Frequency Resources.” We started researching and developing wired time and frequency synchronization technology with a compact atomic clock in August 2022.

The Network Time Protocol (NTP) for time synchronization and the Precision Time Protocol (PTP) for even higher precision time synchronization are indispensable technologies for IT systems. SEIKO Solutions Inc. has been providing high-precision NTP servers and PTP Grandmaster Clock, among others, for over 20 years, and has made significant contributions to the operation of financial, telecommunication, broadcasting, and other social infrastructures.

The construction of this new autonomous, decentralized time synchronization system that uses compact atomic clocks, which we proposed in concert with NICT et al., has high potential for use in mission critical applications such as automated driving that uses the mobile communications systems in the next generation that will follow 5G, known as “Beyond 5G.”

Our aim is to build a time synchronization infrastructure with unprecedented accuracy that can be used safely when and where it is desired.



Time synchronization technologies and Seiko's initiatives

## Examples of new technologies and products introduced to the market in 2022

Grand Seiko's first complication watch

### Kodo

Launched in October 2022.

➔ P.42



### Liner-free label printer

that reduces environmental impact.

Launched in February 2022.

➔ P.47



# Branding Strategy

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

## Basic Policy

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

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

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

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

**Social value** A brand that contributes to a sustainable society

- Well-being** A better life
- Inclusion** For all people
- Trust** Certainty and Trust
- Harmony** Harmony with the Earth

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

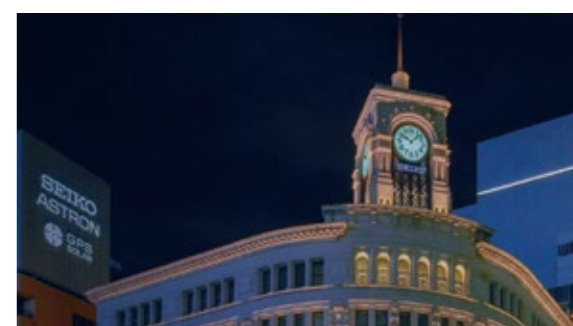
- Initiatives to be strengthened**
- ▶ Global branding that helps upgrade brand value
  - ▶ PR activities that contribute to the Group's overall business
  - ▶ Support to Team Seiko's athletes and their contribution to branding
  - ▶ A next-generation development program that children will be excited about



## Main Initiatives



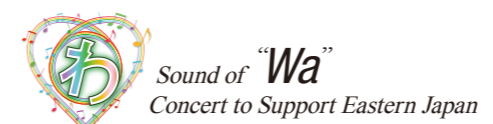
Seiko House Ginza is the center for communicating information of the Seiko brand. We are working to use Seiko House Ginza as a place to highlight Seiko's journey with society, while passing on to the future the technology of Japanese craftsmanship and our thoughts on manufacturing. Using this historical space where one can feel the richness of time, we will work to upgrade our brand value.



For 37 years, we have been the official timer for the World Athletics Championships. Through our experienced timing team and accurate timing and measurement of the latest equipment, we have delivered moments of smiles and excitement to audiences around the world. At the Oregon Championships, Seiko introduced a new piece of equipment, the "JMS-Jump Management System," the result of Seiko's innovation. We also worked with SEIKO WATCH CORPORATION to strengthen product branding in the global market.



This is a class that brings excitement to children and fosters a prosperous future through authentic experiences that only Seiko can deliver. Having started with a class on time and timepieces, the program has been expanded to include sports classes such as athletics and swimming, environmental classes in Shizuishi-cho, Iwate Prefecture, where there is a watch assembly workshop, and sun dial classes in the Sky Garden, the rooftop of Seiko House Ginza. We are working on education of the next generation through this program where children themselves are creating a brighter future.



This concert began as an event for people to offer support to all those affected by the Great East Japan Earthquake. Eleven years on, victims of the disaster themselves participate in the event, which serves as a stage for hope to move forward strongly on the road to reconstruction. Tapping into the power of music, we will continue to move toward a future filled with smiles.



# Four Business Opportunities

In light of the global changes taking place in our business environment, we have set four new business opportunities and aim to create new businesses through “multiplicative synergy” that multiplies the Company’s strengths.

## Environment Recognition for the Future

In recent years, the outlook of the global economy has become increasingly uncertain due to intensifying geopolitical tension, as epitomized by the COVID-19 pandemic, the situation in Russia and Ukraine, mounting tensions between the U.S. and China, and more. As for the environment, in addition to the changes in our living environment including air, water, and soil, factors such as the deterioration of the environment that extends to the whole ecosystem as well as increased emissions of greenhouse gases have made initiatives toward the realization of a recycling-oriented society a task that should be pursued by all mankind. In addition, in Japan and many other countries and regions of the world, changing demographic composition as a result of aging populations and falling birth rates, among other factors, are making it difficult to secure the necessary human resources, which, in turn, have given rise to the need to improve business efficiency. Furthermore, digitalization has been accelerated due to the COVID-19 pandemic, and a transition to a data-driven society utilizing IT as well as the progress of automation and robotization through digital transformation (DX) are expected. Amid such changes and increasingly diverse values and lifestyles of consumers, the Group has set four business opportunities, as described on the right, as business fields, in which the Group will be capable of leveraging its strengths to implement solutions.

**Changing Demographic Composition, Heightened Geopolitical Risks**

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

**Environmental Problem**

**Evolution of Electronics Technology and Digitization**

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

- : Emotional Value Solutions (EVS) Domain
- : Devices Solutions (DS) Domain
- : Systems Solutions (SS) Domain

## Four Business Opportunities

**Foundation Domain**

### Emotional Consumption

Business field targeting customers who focus on products and services that appeal more directly to the emotions and senses

**Main Strategic Domain**

### Society 5.0

Business field that contributes to development of the digital society, by offering devices and ICT products and services related to a high-level integration of cyberspace and physical space

**Main Strategic Domains**

**Expansion Domain**

### Wellness

Business field oriented toward offering products and services that improve people’s quality of life (QOL) from sports, healthcare, and medical perspectives

**Main Strategic Domains**

### Society / Environment

Business field that solves challenges for the development of society, such as helping to build infrastructure for each industry involved in social development, and contributing to the global environment

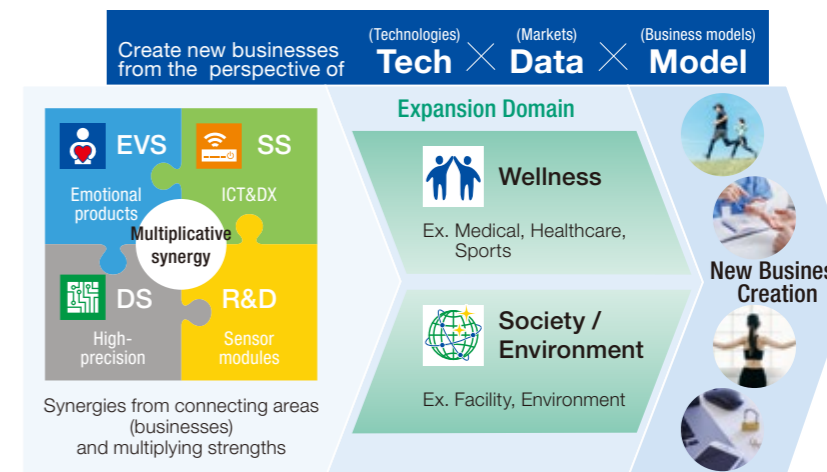
**Main Strategic Domains**

## Creating new businesses through “multiplicative synergy”

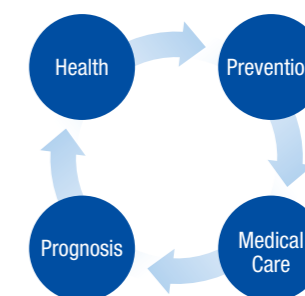
Starting from fiscal year 2022, in order to achieve the Group’s 10-year Vision, we have set three strategic domains based on the solutions that we offer and promoted our strategies within the context of the four business opportunities, mentioned above. The Group aims to generate synergy effects by multiplying its strengths in these three strategic domains, together with the cooperation of the R&D division. With this “multiplicative synergy,” the Group aims for growth in new businesses, especially in the expansion domain.

In the Wellness field, we will aim to create value as required by society by focusing on the health cycle (diagram on the right) to improve Quality of Life (QOL) and determine which area has the potential for business creation. For “Health,” we will contribute to initiatives such as sports-related DX, starting from the utilization of recorded measured data relating to sports. In “Prevention,” “Medical care,” and “Prognosis,” we will meet various needs such as of digitalization and cloud-based medical data and provide solutions backed by robust security to make medical services more efficient and labor-saving. Meanwhile, in the Society/Environment field, we will aim for the realization of facility solutions based on the theme of development of products and services that help improve the security and convenience of social infrastructure. We will also engage in initiatives to expand various data measurement areas to keep up with the changes in society/environment and advance environmental DX to promote the development of incidental services. In addition, we will contribute to realizing a sustainable society by such means as studying the possibility of providing solutions to meet corporate needs to reduce CO<sub>2</sub> emissions.

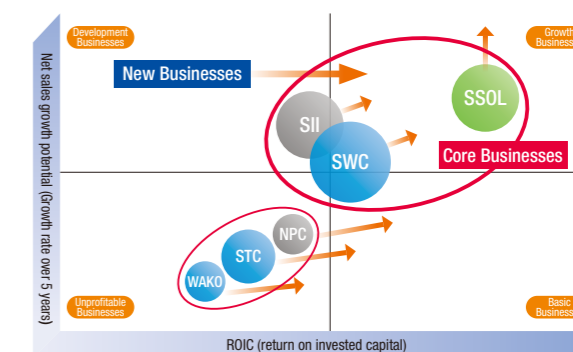
These business themes will be discussed by the Business Strategic Council, comprised of the Company’s officers and the presidents of the major operating companies, where we will identify the markets in which the businesses will be developed based on market research and analysis. In this way, through the creation of synergies by multiplying the strengths unique to the Group based on various viewpoints, we will aim to transform new business fields into growth businesses.



### Health Cycle to Improve of QOL



### SMILE145 Group-wide Business Portfolio Strategy



- 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.

# Emotional Value Solutions (EVS) Domain

Through cooperation within the domain, we will provide solutions to customers who demand a sense of deep satisfaction and lasting value.

The pandemic that began in 2020 brought about major changes to society. Restrictions on social activities worldwide caused a shift toward digital shopping and entertainment, gradually transforming people's thinking. The desire for quality time has grown stronger than ever, and it has never been more important to ask oneself what real, personal fulfillment is and what provides real, lasting value. Since our foundation in 1881, the Seiko Group has created high-quality products and services that are sincerely focused on meeting our customers' needs. For many years, the core businesses of our Group have focused on the manufacture and sale of clocks and watches, which is what our business was founded on, and Wako, our upscale specialty retail store in Ginza, where our Group began. Under our new Mid-Term Management Plan, which started in fiscal year 2022, we have named these businesses our "Emotional Value Solutions Domain." Through coordination among our three business segments in this domain, we will provide solutions to customers who demand deep satisfaction and long-lasting value in the new post-pandemic era.



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

**Akio Naito**

## Vision

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

## Target Value

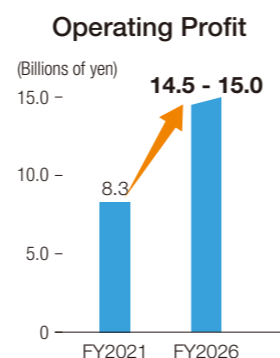
Operating Profit **14.5 - 15.0** billion yen  
MVP Ratio\* **60%**  
\*Growth areas as % of EVS domain sales

## Social Needs

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

## MVP Strategy

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



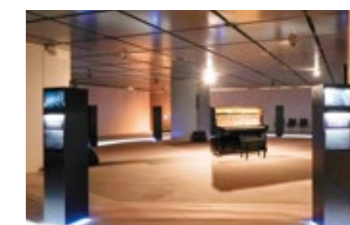
## Seiko House Ginza

Kintaro Hattori, the founder of Seiko, opened a shop selling and repairing watches and clocks on a corner lot in Ginza 4-chome in 1894. At that time, the founder, Kintaro Hattori, insisted on installing a clock tower on the roof of the building as a service to the people of Ginza. Later, as a symbol of Tokyo's reconstruction after the Great Kanto Earthquake, a new building was completed on this site in 1932, and it, too, featured a clock tower. Today, the Wako building, with its iconic clock tower, is perhaps the most easily recognizable symbol of this world-famous shopping district. In 2022, to mark the 90th anniversary of this edifice, we redeveloped the main Wako building and renamed it "Seiko House Ginza." We reviewed the role of this place, which is the starting point of the Seiko Group's business, and will implement various measures to make it a place that communicates the technology and the eternal spirit of Japanese craftsmanship to the future and Seiko's progress with society.



## A sound installation for experiencing cultural heritage and harmony

As part of the opening events for Seiko House Ginza, we held a special exhibition, "Seiko Harmony—Twelve Sounds of Master Craftsmanship." In the space, twelve different sounds, representing the craftsmanship of the EVS Domain, which Seiko hopes to pass on to the next generation, together formed a harmony, and items related to each sound were displayed. Through the exhibit, we aimed to engage with visitors through their senses, allowing them to experience each aspect of craftsmanship visually and aurally.



## Atelier Ginza

In December 2022, we will open the Atelier Ginza, a workshop on the 7th floor of the Seiko House Ginza that will bring together the craftsmanship of the Seiko Group. We will use it not only as a manufacturing workshop focusing on high-end products, but also as a place to communicate information about manufacturing culture and craftsmanship.



**ATELIER GINZA**

## Upcoming initiatives for the EVS Domain

Our three operating companies, SEIKO WATCH CORPORATION, SEIKO Time Creation Inc., and WAKO Co., Ltd., have until now been operating independently. Going forward, we will aim to provide customers with an excellent customer experience that creates excitement by demonstrating synergies of the three businesses, including the use of Atelier Ginza that is planned to be opened, and by providing products, services, events, etc. unique to the EVS Domain.





## Watches Business

### Growth Strategy for SMILE145

In the Watches Business, as one of the world's leading manufacturers, we offer our customers around the world not only functional value, but also emotional and social value, from initial design through planning and development, to manufacturing, marketing, sales, and after-sales service. Continuing on from the previous Mid-Term Management Plan, we have positioned the Global Brands (GB) strategy as a growth strategy for SMILE145. We aim to create solutions that deliver deep excitement and great satisfaction to people around the world with high-added-value products and services centered on Grand Seiko (GS), while continuing to provide highly profitable and sustainable products and services.

#### Global Brands (GB) Strategy

We are developing products with "technological capabilities" and "special stories" that bring "joy and excitement" to our customers around the world. We align our marketing activities with each signature story.

Watches Business KPI (FY2026) GB Ratio\* Over **85%**

\*Percentage of GB sales to total completed watches sales

### Expansion of high-end products business centered around Grand Seiko

The share of high-end products in the global watch market is increasing each year. It has more than doubled\* over the past 20 years. In recent years, Seiko has also seen strong growth in GS sales. During the five years of SMILE145, we will further strengthen our high-end product business centered on GS.

\*Source: Data from the Federation of the Swiss Watch Industry

#### Grand Seiko

Since becoming an independent brand in 2017, GS has worked to increase recognition in Japan and overseas by actively communicating information through digital marketing. Overseas, after establishing Grand Seiko Corporation of America in 2018 and recording remarkable growth in the U.S., we established Grand Seiko Europe S.A.S (headquartered in Paris) in 2020 to strengthen sales of GS in the European market. We also opened a directly managed GS boutique in Place Vendôme, Paris.

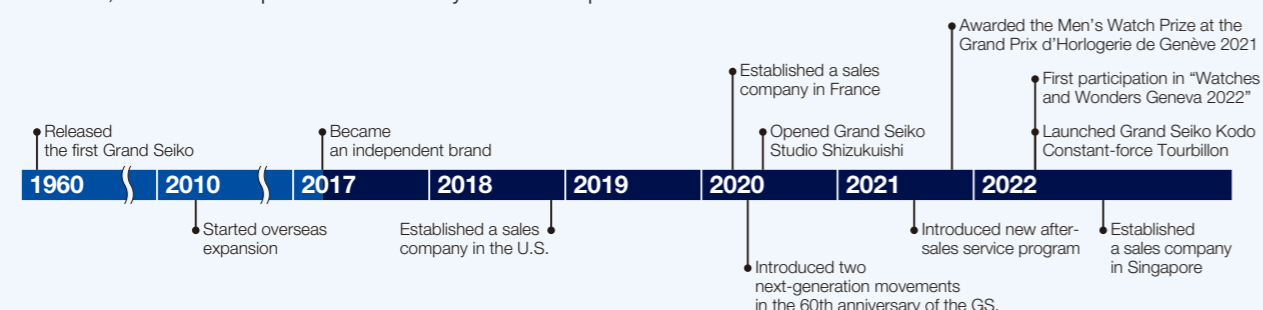
In March 2022, the brand exhibited for the first time at the prestigious Watches & Wonders Geneva fair, and introduced the Grand Seiko Kodo Constant-force Tourbillon, the brand's first mechanical complication watch incorporating a new mechanism that is the first of its kind in the world.

Furthermore, in October 2022, "Grand Seiko Asia-Pacific Pte. Ltd." was established in Singapore. Following Europe and the U.S., we will work to expand GS sales in the Asia-Pacific region.

In line with the GS brand philosophy, we will strengthen each design area to further add value to our products. We will also work on initiatives such as strengthening our directly managed boutiques and e-commerce, and enhancing our global after-sales service. Through our products and services, we aim to inspire customers beyond their expectations.



Grand Seiko Kodo Constant-force Tourbillon



### Strengthening the Grand Seiko global after-sales service system

As we expand sales overseas, we are working to improve our global after-sales service system. We are continuously training GS repair technicians from various countries and conducting technical training to upgrade their skills. In 2021, we introduced an after-sales service program that extends the warranty period to five years worldwide to ensure long-lasting use by our customers. At the same time, we have enhanced convenience for our customers by digitizing warranty forms and established a system that enables us to provide more accurate and prompt after-sales service.

In Japan, we have developed an "exterior repair polish service" that can repair deep scratches on cases or bracelets that cannot be handled with conventional polishing. With a focus on the maintenance of exteriors such as cases and bracelets, we aim to earn a high level of customer satisfaction for our after-sales service system.

### Supporting high-end watches by cultivating craftsmen and passing on technology

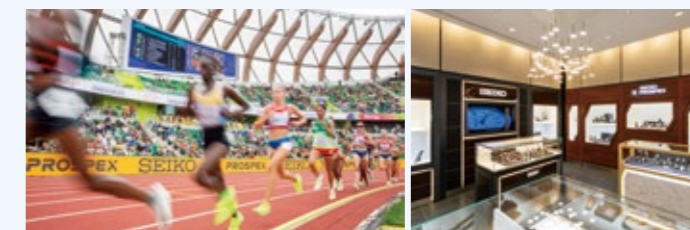
"Craftsmen" is our term for the technicians who support the manufacture of our high-end watches such as GS. SEIKO WATCH CORPORATION, Morioka Seiko Instruments Inc., and SEIKO TIME LABS CO., LTD. have five recipients of the Medal with Yellow Ribbon and eight recipients of "Contemporary Master Craftsmen" (some of whom also received the Medal with Yellow Ribbon). We have introduced an in-house qualification "professional system" to promote the succession of advanced technology. This puts in place a structure for grading technicians according to their level of proficiency, and for skilled technicians to provide technological guidance to young technicians and take responsibility for their development. This ensures that we pass on craftsmanship thoroughly to the next generation.

### Expansion of mid-range products business by Global Brands (GB)

We aim to expand business by placing GB in the mid-price range at the core of our intermediate product business and increasing their high-added-value.

Seiko served as the official timer at the World Athletics Championships in Oregon (July 2022). At the event, we displayed the logo of Seiko Prospex, which is popular mainly for its diver's watches, along with the logo of Seiko. Through global media exposure throughout the championships, we were able to promote a brand story based on Seiko's timekeeping history, while showing our presence as a sports watch brand.

In addition, as part of our expansion measures to strengthen directly managed boutiques, we opened our 10th directly managed Seiko Boutique in Europe (Milan, Italy) in June 2022.

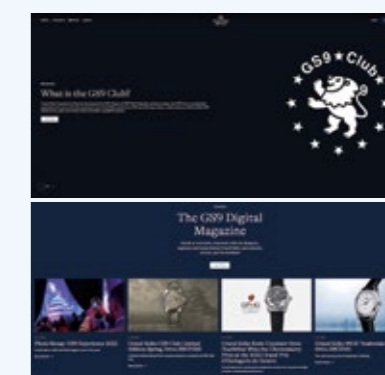


### Provide excitement to people and society through superior customer experience

The evolution of the information society and other changes have brought a shift in customers' purchasing behavior toward a focus on the customer experience. For customers to choose our products, we must increase customer satisfaction at every point of contact. It is important that they become fans of our products.

We aim to use digital transformation to create high quality, high-added-value customer experiences. We will enhance brand value and gain loyal customers through the customer journey.

For example, the "GS9 Club," a club for GS owners, allows members in Japan to check their purchased products, store registration status, and maintenance history through a members-only website. In addition to delivering quality content suitable for GS owners, we also hold members-only events, factory tours, and more.



"GS9 Club" member site

## Watches Business

### Developing Grand Seiko in the European market

We spoke with the head of Grand Seiko Europe S.A.S. (GSE) about GS, which has been steadily increasing sales in the European market since 2020, to learn why GS has been so well received in Europe.

#### 1 When GSE was established in February 2020, what challenges did you face in Europe at that time in order to strengthen GS sales?

At that time, each local subsidiary in Europe was working on its own to strengthen sales of GS. We had to go from those previous efforts back to a blank page and restart, which was a big challenge. The strategy was clear: "Harmonization" and "Vision." By positioning GS in the €6,000 to €15,000 price range, and reviewing the distribution, sales and advertising methods appropriate for that position, we differentiated GS from the Seiko brand. It also worked in our favor that GS was one of the few brands that could communicate positive announcements even during the COVID-19 pandemic.

#### 2 GS has been steadily increasing sales in European market. What kind of initiatives have been successful?

The opening of Europe's first GS boutique in Place Vendôme, Paris in June 2020 was the first major stepping stone in restarting the European business. The presence of a GS boutique, where customers can experience the essence of the GS brand value, has made it possible to develop and promote high-end distribution in Europe and clearly share the GS brand story.

Next, at Watches and Wonders Geneva 2022, GS showed its presence alongside other international brands in the same price range. We could say this was a sign of recognition of GS's "Vision" to become a major brand in the global high-end watch market. Finally, with the launch of the new 9SA5 and 9RA5 calibers in 2020 and the Grand Seiko Kodo in 2022, we demonstrated the excellent technological capability of GS's watchmaking that continues to innovate towards the next generation while reinforcing our technological reliability.



**Frédéric Bondoux**  
President  
Grand Seiko Europe S.A.S.

#### 3 What do you think of the reason GS has kept growing in these years in the European market?

The GS vision has played a major role in building the brand. GS, a top-of-the-line watch made in Japan with excellent emotional value, has attracted talented personnel in recruitment, which is most important for expanding sales in Europe. Over the past three years, we have been able to develop our distribution in Europe in line with GS's vision for the future. The brand's values and reputation have helped us to establish brand messages of elegance, tradition, superior performance, technological capability, and product reliability. This has enabled us to attract many new and younger customers since GSE was founded.

GS's superior performance and sophisticated design has contributed to the success of GS in Europe.

#### 4 Please tell us about the future growth potential of GS in the European market, and what are the key points for growth from your point of view?

Establishing a strong position in the global high-end watch market requires clear brand values and outstanding marketing strategies.

We are now working to establish GS's position through our differentiation strategy.

GS allows customers to enjoy sophisticated Japanese aesthetics. At the same time, we continue to innovate every day in areas such as movement, design lineup, various services such as after-sales, omnichannel, and environmental protection.

The values that GS offers fit perfectly with the needs of the new generation in Europe. The brand projects a uniquely Japanese sense of beauty and spirituality that continues to earnestly pursue GS's brand philosophy, "THE NATURE OF TIME."

There is plenty to come for GS in the European market, so please look forward to it.

## Time Creation Business

In addition to manufacturing and selling clocks, the core businesses upon which the Group was founded, for SMILE145 in the Time Creation business which handles systems clocks and sports timing, we aim to provide integrated solutions in every time-related issue by combining traditional analog technology with the latest digital technology.

In clocks, we will strengthen the luxury area and products with high emotional value. In system clocks and displays and sports timing devices, IoT enables the provision of "time + α" information in various facilities, buildings, and equipment, including general households. Through sports digital transformation (DX), health DX, and facility solutions, we will work to develop products to solve users' issues and improve CX.



## WAKO Business

In 2022, the Wako Clock Tower, a famous symbol of Ginza, celebrated its 90th anniversary. It was also the 75th anniversary of the founding of Wako. In the Wako business, we will carry out rebranding under SMILE145 with the aim of becoming a "Japanese luxury brand." We will strive to expand our customer base through new products and sales methods. As part of this effort, in October 2022, we opened "WAKO SITE," a new concept shop with a collection of Wako bags, in the Odakyu Department Store Shinjuku. In addition, we will promote the integration of real stores and online stores (OMO). Furthermore, we will move ahead with building an infrastructure environment that enables employees to focus on customer service. This will include improving One-to-One marketing by enhancing customer information analysis and centralizing our inventory management. In this way, we will deliver customer satisfaction and excitement by providing higher quality hospitality.



# Devices Solutions (DS) Domain



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

**Takahiro Naito**

## Providing best-in-category device solutions by creating new value and employing a thorough design-in approach.

— Contributing to the realization of a more digitally connected society through the evolution of “Craftsmanship, Miniaturization, and Efficiency”\* —

While social issues, such as global warming, other environmental problems, and negative population growth are becoming more severe, the COVID-19 pandemic has accelerated efforts aimed at achieving an ultra-smart society that integrates cyberspace and physical space at a high level. We have therefore defined our new vision as “providing best-in-category device solutions by creating this new, digitally connected society and employing a thorough design-in approach.” IoT, which connects cyberspace and physical space, is vital to the realization of this new vision of society. The electronic and precision components used in IoT devices must be compact, precise, and of very high quality, with low power consumption, low waste and loss, and a long product lifetime. We will further evolve our tradition of “Craftsmanship, Miniaturization, and Efficiency,” which we have developed over many years, and our highly reliable semiconductor technologies, applying a thorough design-in approach to requests from customers in order to provide the best device solutions in this category.

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

### Vision

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

### Target Value

Operating Profit **7.5 - 8.0** billion yen  
MVP Ratio\* **60** %

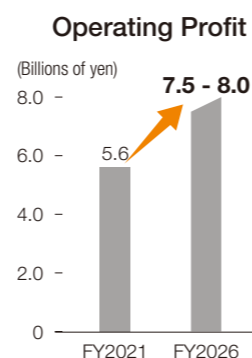
\* Growth areas as % of DS domain sales

### Social Needs

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

### MVP Strategy

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



## Initiatives for a design-in approach

The strengths of micro batteries developed in the watch business are compact, thin, lightweight, and high energy density. Leveraging these strengths, several years ago we began expanding into a new field of healthcare devices, and have been building relationships of trust with new customers. When a customer is launching a new series of products, we have been able to drill down into the customer's thinning needs from the development stage, quickly developing technologies that solve their issues. By proposing our own technologies, we have been able to contribute to the miniaturization and thinning of our customers' products, while also significantly increasing our share in the new series. These efforts are not limited to batteries. We are also carrying them out in many of the Group's businesses. For example, it is vital to prepare to match the customer's product, which is a very important factor in quartz crystals. We aim to create solutions that are unique to us because of the long-standing relationships of trust that we have with our customers. In the thermal printer business, we were able to respond to raw material shortages that occurred in fiscal year 2021 by working across divisions to change specifications to match the materials that were available to our customers. This further strengthened our relationships of trust with our customers, which, in turn, generated win-win results. Rather than merely supplying general-purpose products, we will continue to stay close to our customers and carry out development activities with the most focus on their perspective, thereby building a business model that will enable us to provide solutions quickly.



Exhibited at “CEATEC 2022,” a comprehensive exhibition of Society 5.0

## Sustainability initiatives

The importance of sustainability initiatives is recognized even in our daily life. To target the new lifestyle patterns that have emerged from the COVID-19 pandemic, we began selling liner-free label printers to the food and beverage industry, where food delivery and takeout, etc. have rapidly gained ground and where demand for thermal printers is expected to increase. This liner-free label printer reduces the amount of wood, water, and electricity required to produce the label backing sheet, helping to “reduce environmental impact by reducing backing sheet waste,” while also “lowering costs and improving efficiency.” Thermal printers have become widespread in society as they offer the most convenient means of transmitting information due to their low cost, long life, and small size and light weight. Through this technology, we continue to propose solutions globally to connect the next generation to daily life where the three elements of the environment, society, and economy are in harmony.



Liner-free label printer with compact design and reduced environmental impact

## Value creation story for the Group's sensors (strengths and future prospects)



**Yoichi Endo**  
SEIKO NPC CORPORATION  
President

The Group's sensors are based on reliable technology built up together with our customers and have been used for over 30 years. In particular, our optical sensors, which are key components of the sensing parts of ATMs and servo motors, incorporate our core technologies, including packaging, module technology, and testing technology centered on semiconductor elements. They have earned us a strong reputation in a wide range of fields, including precision, industrial, and healthcare devices. Going forward, we will continue to expand the application fields and strive to add higher value through such means as providing new solutions by adding digital signal processing and algorithms, as well as upgrading the detection characteristics of sensors from motion detection to motion prediction, in order to realize the reduction of manpower and environmental impact, and more.

# Systems Solutions (SS) Domain



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

**Jun Sekine**

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

In the roughly 10 years since it began conducting business in 2013, Seiko Solutions Inc., the core company of the SS Domain, has grown by 600 employees, including those who joined through M&A activity. It is now an organization with over 1,100 members. The SS Domain is gradually realizing its vision of promoting diversity and cultivating a culture of collaborative creation while achieving growth through the efforts of individual employees with a management mindset. We have endeavored to contribute to our customers' success by providing solutions tailored to their needs that substantially exceed their expectations, and by continuously increasing the value we provide through these solutions. Our business environment is changing dramatically, and working on new solutions is becoming increasingly important. To achieve sustained business growth in this environment, we will strive to ensure that every employee sees this business as something that affects them personally, thereby accruing decision-making experience. In that way, our organization will become one that produces more entrepreneurial employees and creates new business from within the company. SS Domain's businesses are the kind that lead to this new model of society. By helping to bring this about, we aim to help create a society in which everyone, including our customers, employees, and stakeholders, is able to grow.

### Vision

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

### Target Value

Operating Profit **6.5 - 7.0** billion yen  
MVP Ratio\* **73%**  
\* Stock Business as % of Marginal Profit in the SS domain

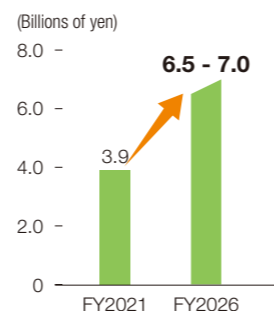
### Social Needs

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

### MVP Strategy

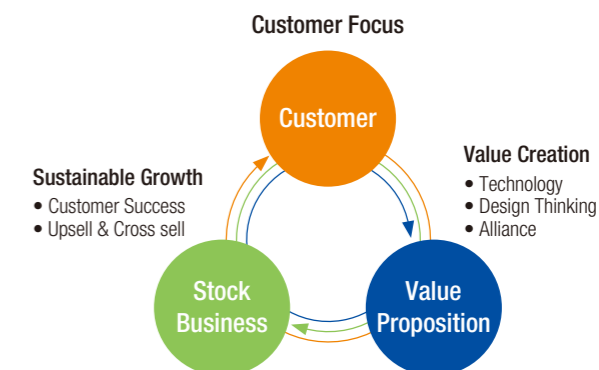
- Further advance the transition to the stock business
- Diversify further through M&As and alliances
- Expansion of digital transformation platforms

### Operating Profit



## Stock Business

In the SS Domain, continuing on from the previous Mid-Term Management Plan, in SMILE145 we have positioned the expansion of the stock business as one of our growth strategies. The Group's stock business is summarized in the figure on the right. Everything starts with the customer. By using design thinking to build a business from the issues to be solved, we can enable customers to quickly use the products and services they need. At the same time, by continuing to provide services not only by delivering products, but also as a stock business, we will enable our customers to use services that are continuously evolving. In an era of rapid changes in the business environment, ensuring the success of our customers depends on constantly providing services according to the situation. The key to this is a sense of distance from the customer. By thinking together about changes in the field and in the surrounding environment, about management's strategies and issues, and how we feel about them, we can understand the fundamental issues faced by our customers. We can provide value accordingly, enabling us to support our customers' continued success. This will also power the growth of each of our employees related to this process. We are committed to building these spirals of positive change.



## Digital Communication Tool



Instruction Co., Ltd. uses the metaverse for teleworking.

## Diversification

At SEIKO Solutions Inc., we strive to promote diversity to accelerate the launch of new solutions. To further strengthen IIM Corporation's business, which has grown significantly since joining the Group in 2017, in April 2022, we newly welcomed three companies: Instruction Co., Ltd., a cloud application company; BackStore Co., Ltd., a provider of backup security; and Prestige Co., Ltd., which strengthens the business for finance, where the demand for digitalization is growing significantly. In promoting diversity, it is important for a company to be attractive to its employees. With this in mind, we are also focusing on optimizing our working environment and conditions. In particular, we have partly begun to use the metaverse internally. We are carrying out development toward proposing new solutions that go beyond our own organization to connect people with other people, and people with companies.

### Instruction Co., Ltd.



Instruction Co., Ltd. caters to the rapidly increasing cloud needs, providing construction, operation, and maintenance management services in the cloud. It provides meticulous support using IT capabilities on a par with those of major corporations.

### BackStore Co., Ltd.



BackStore Co., Ltd. provides cloud backups, an area of growing demand, enabling data backups for each business environment without the need for specialized skills.

### Prestige Co., Ltd.



Prestige Co., Ltd. provides advanced financial systems engineering services for megabanks, leveraging long-established experience, insight, and analytical skills in the financial industry.

# CFO Message



**We will work to establish SMILE145 throughout the Group and realize our MVP strategy.**

**Shimesu Takizawa**  
Director, Executive Vice President  
Group CFO

## KPIs of our new Mid-Term Management Plan, “SMILE145”

The COVID-19 pandemic struck during the first year of our 7th Mid-term Management Plan, and we found ourselves unable to reach our consolidated net sales or operating profit targets. However, the growth strategies we implemented in our businesses have produced steady results, and it has now become clear what issues we face as we consider the future direction of our Group.

Based on these insights, we have developed our new Mid-Term Management Plan, SMILE145, which sets operating profit as its most important KPI. We have set a target of 18 billion to 20 billion yen in total operating profit for our three strategic domains, a business scale that will enable us to achieve sustainability even beyond our 150th anniversary. In addition to these targets, we have defined gross profit margin, ROIC, and ESG as KPIs for SMILE145.

### Gross profit margin and operating profit

Operating profit is seen as the most important indicator for measuring the success of a business, but from the perspective of stakeholder relations, profit must be accompanied by a high level of satisfaction among business partners and employees. We must therefore earn enough gross profit (GP) to sufficiently invest in growth, quality control, and the like. Needless to say, GP is determined by multiplying net sales by the GP margin, but in this VUCA era, market trends can be dramatically swayed by sudden external factors. Based on the issues faced under the 7th Mid-

Term Management Plan, we have decided this time not to rely on net sales, which can be easily affected by external factors, but instead to set GP margin improvement itself as a KPI. Our goal is to raise the GP margin by 5% within the next five years. We will not do this by expanding scale or changing the composition ratios of our three domains, but by having each domain implement the MVP strategies that are the basic policies of SMILE145, improving their mix of products and distribution, and increasing the profit-generating capabilities of existing businesses while at the same time nurturing new businesses. In situations that could negatively affect the GP margin, we will review and if necessary, revise our business portfolio.

### Introducing ROIC

We have selected ROIC as a KPI for determining the efficiency of the investment necessary for profit expansion and business growth. SMILE145 was originally planned to enable Group employees to understand the Group’s vision, so that they can move forward together, sharing the same objectives as we approach our 145th and 150th anniversaries. We believe that, for many employees, ROIC, which uses the total amount of capital necessary for business operations as a denominator, is easier to understand than ROE or ROA, and it is easier to link ROIC to concrete improvement activities.

Our businesses are diverse, and capital efficiency varies significantly based on the nature of individual businesses. For example, businesses such as those in the SS Domain, have extremely high levels of capital efficiency, but the barrier to entry by competitors tends to be lower. The EVS Domain is less

efficient, because long-term investment is necessary to maintain and grow its differentiated brands. We will not simply look at the level of efficiency, but also at the Group’s overall balance, taking into consideration the characteristics of each business and identifying their opportunities and risks.

### Non-financial KPIs

We consider addressing issues such as environmental and human resource issues to be essential to our Group’s sustainable growth, so we have positioned these as core strategies to be undertaken by the entire Group. Among them, reducing CO<sub>2</sub> emissions and increasing employee engagement are key issues that we must prioritize. But doing so also has a tendency to constrain profitability, and these issues involve activities that must be continued over a longer time period than is the subject of financial reporting. This is why we have defined clear non-financial KPIs in SMILE145 and will work steadily to implement them.

## Cash allocation approach

When it comes to cash allocation, it is important to steadily bring in cash using our MVP (Moving, Valuable, Profitable) strategy. Over the course of five years, we aim to bring in on the order of 130 billion yen in pre-investment activity cash. Of this, we expect to use 100 billion yen for growth investment. This will consist of investment in branding; capital investment; the reinforcement of existing initiatives such as M&A; R&D, which has been positioned as a core strategy; human resource development; the acceleration of our digital transformation (DX); maintaining and expanding MVP products and services; and the creation of new businesses. Some of these investments will require a long time before they contribute to income, but we will maintain a balance of these longer-term investments and those that can produce income in the short term.

With regard to shareholder returns, our policy of issuing stable dividend payouts will remain unchanged. However, net

interest bearing debt exceeded the target of the 7th Mid-Term Management Plan by roughly 15 billion yen due to factors such as inventory increases, so we must work to quickly respond to this situation. We will also consider other means of shareholder returns, not simply dividends alone.

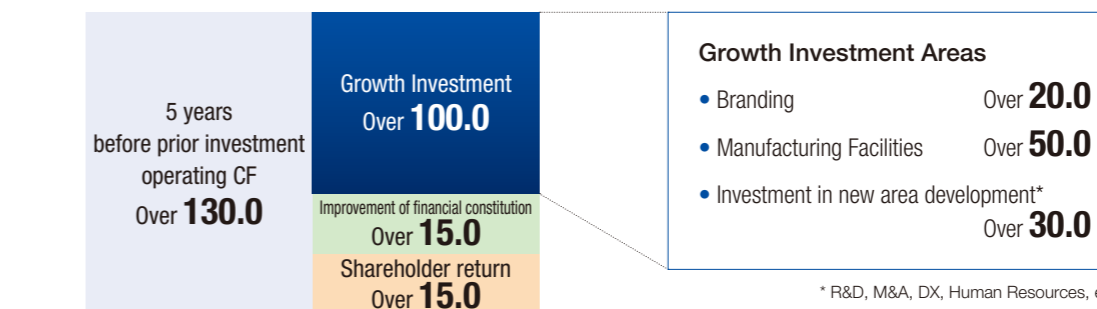
## Our role as the Group’s finance leader

In order for our business divisions to realize the SMILE 145 MVP strategy, I believe the Financial division should work to define the MVP for each business and visualize the consistency of MVP products and services as well as the progress we are making to implement that strategy. We will contribute to the achievement of SMILE 145 by enabling quantitative analysis of qualitative definitions, and by quickly establishing a system to visualize the progress of the MVP strategy.

Our MVP products and services vary depending on the business, and the products and services that fit those definitions will change as the environment changes. Therefore, instead of simply trying to hold onto existing MVP products, it is important for us to always think about which MVP products and services can help us to realize sustainable growth. We must also consider how to improve the accuracy of the “MVP” designation itself. I believe that establishing this approach throughout the Group is also one of the responsibilities of the Finance division.

In formulating SMILE145, we gained many insights from our discussions with investors and analysts. Engaging in ongoing dialogue with all stakeholders, including investors, and disclosing all relevant information in a timely manner are important responsibilities for any company. We will improve the transparency of our business to the greatest degree possible and share our progress toward SMILE145 with all stakeholders. Our aim is to increase our corporate value based on our Statement of Purpose, consistently achieving growth while satisfying our stakeholders and conducting our business in a way that resonates with them.

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



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

# Seiko Group Quality

## SMILE145 and Seiko Group Quality

The Group has defined and is in the process of implementing the “MVP strategy” as the basic policy for achieving our vision for 2026 “a solutions company that offers high-added-value products and services that create excitement and generate substantial profits” under the 8th Mid-Term Management Plan “SMILE145.”

To become a solutions company, it is vital that we have the ability to understand and solve the issues being faced by our customers and that we provide high quality MVP products and services befitting the Seiko brand. The Seiko quality that supports our MVP products and services is the quality we achieve by not being content to simply reach ordinary quality levels, but instead to go above and beyond to reach levels of quality that surpass expectations. It is the product of upstream quality activities consisting of repeated testing and improvement to create stable production processes from the development and design phase, and of downstream quality activities consisting of daily, ongoing quality maintenance.

The Seiko quality we have achieved by fusing our technological capabilities, which we have polished for over 140 years of our company history, and our corporate philosophy, which recognizes trust as paramount value, is constantly evolving and improving through the years.

Based on the solid technologies we have cultivated through wristwatch manufacturing, we develop, manufacture, and sell a wide range of devices. In our 7th Mid-Term Management Plan, we significantly advanced the device business by accelerating our business development in markets related to advanced information society, which demands high quality. We see this growth as the result of society’s recognition of Seiko’s “quality” as contributing to solving social issues. In the Devices Solutions (DS) Domain, we will promote business development in markets which require high levels of quality, based on “Craftsmanship, Miniaturization, and Efficiency”<sup>\*1</sup>, and we will continue to propose solutions that offer the quality that only Seiko can provide.

<sup>\*1</sup> “Craftsmanship” creates new value based on our advanced techniques and know-how. “Miniaturization” reduces product size through precision processing and high-density assembly technologies. “Efficiency” promotes the most efficient use of all resources including energy.

## Reflowable<sup>\*2</sup> manganese-silicon (MS) Lithium Rechargeable Battery<sup>\*3</sup>

The MS lithium rechargeable batteries provided by the Group are compact, high-capacity batteries which suffer little capacity change even after repeated charging and discharging.

We also manufacture products which can be used in high temperature environments. These products are widely used in devices such as security cameras and drive recorders. To meet the new needs of customers, we developed reflowable MS lithium rechargeable batteries in 2019. We are the only group in the world that manufactures and sells this type of product. Reflowing makes automatic mounting on substrates possible, thereby improving customer mounting efficiency and reducing the number of mounting defects.

In developing this product, since reflowing involves high levels of heat that would expose a battery body to a temperature of roughly 260 degrees Celsius, we faced the issues of reduced discharge capacity and a higher likelihood of the battery exterior rupturing. We spent several years in the design phase of product development, exploring new, exceptionally heat-resistant materials and engaging in repeated rounds of prototype evaluation and verification. Through this process, we established optimal elemental technologies that solved these issues.

The batteries’ product design that absorbs variance factors during the production process, and quality verification performed in areas which exceed actual market usage environment and conditions helped ensure Seiko quality in our “tough design,” which realizes a stable level of quality in our mass-produced products.

<sup>\*2</sup> Reflowable: “Reflowing” is short for “reflow soldering.” It consists of placing solder paste at room temperature and then heating the paste to melt it and attach components. Reflowing makes it possible to automatically mount components to substrates.

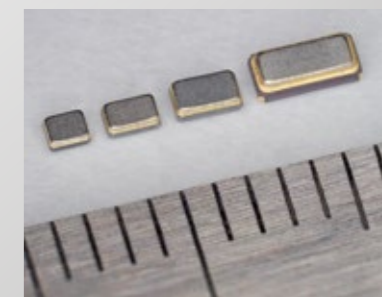
<sup>\*3</sup> manganese-silicon (MS) Lithium Rechargeable Battery: These rechargeable lithium batteries use high capacity silicon oxide developed by Seiko for their negative electrodes and lithium-manganese composite oxide for their positive electrodes.



## Ultra-compact crystal oscillators

Crystal oscillators are used to accurately control time, not just in watches but in all types of electronic devices. Seiko’s crystal oscillators were first developed as the hearts of quartz watches. Through the years, we have constantly striven to make them more compact, higher quality, and more reliable. The Group developed the world’s smallest tuning fork crystals, and we are one of the few manufacturers who can mass produce them. The evolution of IoT is creating a need for greater compactness in electronic components used in wearable devices, such as smartwatches, and hearables, such as wireless earphones. The smaller the size of a crystal oscillator, the more difficult it becomes to maintain consistent accuracy. The Group has developed state-of-the-art fine laser processing technologies which make it possible to perform high precision processing, not leaving behind even trace amounts of material. These technologies have enabled us to succeed at manufacturing ultra-compact crystal oscillators with stable frequencies. Furthermore, these devices must be highly shock resistant. Based on the design philosophy we have cultivated through our watch manufacturing, which places great importance on quality and reliability, we define rigorous product specifications from the development phase and then perform repeated prototyping, testing, and refinement to achieve a high level of shock resistance.

The number of electronic vehicle-mounted systems has rapidly risen in recent years, and the components used in these systems must offer a high level of operational stability even in harsh usage environments. The Group’s crystal oscillators live up to those quality standards.



Ultra-compact crystal oscillators SC-12S (left)  
World’s smallest size: 1.2x1.0mm, Thickness: 0.5mm

## Miniature ball bearings

Miniature ball bearings are important components that assist with the low friction, smooth movement of rotary shafts in machines and motors. They significantly affect the amount of energy that machinery consumes. The most important aspect in reducing friction is the precision of the processing performed on the balls themselves and the surfaces on which they travel. The Group performs in-house manufacturing not only for the balls themselves, but also the internal grinders used to process the surfaces the balls roll on. Based on the precision component assembly technologies we have cultivated through watch manufacturing, we have also set up compact, high-speed automated assembly lines within the Group, and we manufacture tens of millions of precision miniature ball bearings each month. We owe the quality of these components to the Group-wide product development capabilities and manufacturing technology capabilities, including our ability of developing manufacturing equipment. Our high-quality products are used in numerous applications, such as the rotational components of compact cooling fan motors, which must be silent, consume little power, and have long service lives.

For the hard disk drive market, which requires particularly high quality levels, the Group has been supplying pivots, components that contain miniature ball bearings, for over 20 years. Hard disk drives are made up of numerous extremely high-precision mechanisms, hence their high precision and quality requirements. There are currently only three companies in the world, including us, that are able to consistently supply high-quality pivots needed by hard disk drives. The Group’s miniature ball bearings are also used in the rotating drill components of dental handpieces. The ultra-fast rotation speeds of these devices demand high levels of precision, which we meet thanks to our manufacturing technology capabilities, thereby ensuring the quality of the devices used for medical applications.



## Pursuing high quality in order to achieve sustainable growth

We will continue to actively dedicate ourselves to “upstream quality” and “tough design,” in order to provide solutions that “create a future full of smiles” through “constantly pursuing innovation.”

The Group’s dedication to quality is not limited to the DS Domain. In the Emotional Value Solutions Domain, we will polish our skills and sensibilities and maintain a long-term, deeply customer-oriented focus so that we can offer products and services that inspire people. In the Systems Solutions Domain, we will continue to put ourselves in our customers’ shoes as we tackle all types of issues and ceaselessly provide quality that contributes to the realization of IoT society and Society 5.0.

# Corporate Governance

List of Directors & Officers (current as of October 2022)

SEIKO GROUP CORPORATION					
<b>Director, Chairman, Group CEO, and Group CCO</b> <b>Shinji Hattori</b>		<b>Director, President</b> <b>Shuji Takahashi</b>		<b>Director, Senior Executive Vice President</b> <b>Akio Naito</b>	
<b>Director, Senior Executive Vice President</b> <b>Takahiro Naito</b>		<b>Director, Senior Executive Vice President</b> <b>Jun Sekine</b>		<b>Director, Executive Vice President</b> <b>Shimesu Takizawa</b>	
<b>Outside Director</b> <b>Tsuyoshi Nagano</b>		<b>Outside Director</b> <b>Yasuko Teraura</b>		<b>Standing Corporate Auditor</b> <b>Haruhiko Takagi</b>	
<b>Outside Director</b> <b>Masatoshi Yano</b>		<b>Outside Director</b> <b>Noboru Saito</b>		<b>Outside Corporate Auditor</b> <b>Hideki Amano</b>	
<b>Outside Corporate Auditor</b> <b>Kenji Sakurai</b>		<b>Executive Vice President</b> <b>Kiyoko Niwasaki</b>		<b>Executive Vice President</b> <b>Makoto Ichimura</b>	
<b>Senior Vice President</b> <b>Naoki Tajima</b>					
SEIKO WATCH CORPORATION					
<b>Director, Chairman of the Board</b> <b>Shinji Hattori</b>		<b>President</b> <b>Akio Naito</b>		<b>Representative Director, Deputy Chief Operating Officer</b> <b>Minoru Ishiguro</b>	
<b>Director, Senior Executive Vice President</b> <b>Taku Yoneyama</b>		<b>Director, Senior Executive Vice President</b> <b>Hiroshi Nakahara</b>		<b>Director, Executive Vice President</b> <b>Hiromi Kanagawa</b>	
<b>Director, Executive Vice President</b> <b>Yoshikatsu Kawada</b>		<b>Director, Senior Vice President</b> <b>Teruyo Ishimaru</b>		<b>Director, Senior Vice President</b> <b>Akira Takakura</b>	
<b>Director</b> <b>Shuji Takahashi</b>		<b>Director</b> <b>Kiyoko Niwasaki</b>		<b>Corporate Auditor</b> <b>Haruhiko Takagi</b>	
<b>Director</b> <b>Hideo Hattori</b>		<b>Corporate Auditor</b> <b>Atsushi Kaneko</b>			
<b>Senior Vice President</b> <b>Yasunori Hagiwara</b>		<b>Senior Vice President</b> <b>Naoaki Tanimura</b>		<b>Senior Vice President</b> <b>Kiyomi Tanemura</b>	
<b>Senior Vice President</b> <b>Katsuyoshi Takizawa</b>		<b>Senior Vice President</b> <b>Shuichiro Seki</b>		<b>Senior Vice President</b> <b>Munehisa Shibasaki</b>	
SEIKO Time Creation Inc.					
<b>President</b> <b>Kenji Hagiwara</b>		<b>Director, Executive Vice President</b> <b>Ryoza Suenaga</b>		<b>Director, Executive Vice President</b> <b>Akira Banno</b>	
<b>Director, Senior Vice President</b> <b>Satoshi Morita</b>		<b>Director, Senior Vice President</b> <b>Susumu Kawanishi</b>		<b>Director, Senior Vice President</b> <b>Osamu Sugita</b>	
<b>Director, Senior Vice President</b> <b>Mitsunaga Yata</b>		<b>Director</b> <b>Shuji Takahashi</b>		<b>Director</b> <b>Naoki Tajima</b>	
<b>Corporate Auditor</b> <b>Kazuo Yamamura</b>		<b>Director</b> <b>Kiyoko Niwasaki</b>		<b>Director</b> <b>Atsutoshi Yamamoto</b>	
<b>Corporate Auditor</b> <b>Takashi Nishimoto</b>		<b>Corporate Auditor</b> <b>Hideo Hattori</b>		<b>Senior Vice President</b> <b>Kenichi Muroya</b>	
<b>Senior Vice President</b> <b>Hisaya Mito</b>					
WAKO Co., Ltd.					
<b>Chairman</b> <b>Shinji Hattori</b>		<b>President</b> <b>Shuntaro Ishii</b>		<b>Senior Executive Director</b> <b>Kazuhiko Sakamoto</b>	
<b>Director</b> <b>Kiyoko Niwasaki</b>		<b>Director</b> <b>Takeshi Endo</b>		<b>Director</b> <b>Kotaro Okajima</b>	
<b>Director</b> <b>Shuji Takahashi</b>		<b>Corporate Auditor</b> <b>Haruhiko Takagi</b>			
<b>Director</b> <b>Minoru Ishiguro</b>					

Seiko Instruments Inc.					
<b>President</b> <b>Takahiro Naito</b>		<b>Director, Chief Executive Vice President</b> <b>Akihiro Okuma</b>		<b>Director, Executive Vice President</b> <b>Satoshi Yoshino</b>	
<b>Director, Senior Vice President</b> <b>Kenji Otsuka</b>		<b>Director, Senior Vice President</b> <b>Koji Tomitsuka</b>		<b>Director</b> <b>Hideo Hattori</b>	
<b>Director</b> <b>Shimesu Takizawa</b>		<b>Corporate Auditor</b> <b>Makoto Hirota</b>		<b>Director</b> <b>Shuji Takahashi</b>	
<b>Senior Vice President</b> <b>Yasuto Nakamura</b>		<b>Corporate Auditor</b> <b>Norimasa Kuroda</b>		<b>Executive Vice President</b> <b>Takumi Yoshitomi</b>	
<b>Senior Vice President</b> <b>Kazuhisa Onishi</b>		<b>Corporate Auditor</b> <b>Takashi Nishimoto</b>		<b>Senior Vice President</b> <b>Yoshihiro Takeda</b>	
		<b>Senior Vice President</b> <b>Tatsuo Sagami</b>			
		<b>Senior Vice President</b> <b>Makoto Matsuda</b>			

SEIKO NPC CORPORATION					
<b>President</b> <b>Yoichi Endo</b>		<b>Director, Senior Vice President</b> <b>Kimio Yomogida</b>		<b>Director</b> <b>Akihiro Okuma</b>	
<b>Director</b> <b>Kunio Nakajima</b>		<b>Senior Vice President</b> <b>Hideaki Tadokoro</b>		<b>Director</b> <b>Shimesu Takizawa</b>	
<b>Senior Vice President</b> <b>Norio Suzuki</b>		<b>Senior Vice President</b> <b>Toshimitsu Ogasawara</b>			

Seiko Future Creation Inc.					
<b>President</b> <b>Tetsu Kobayashi</b>		<b>Senior Executive Director</b> <b>Makoto Ichimura</b>		<b>Senior Executive Director</b> <b>Shinji Nureki</b>	
<b>Director</b> <b>Masao Kasuga</b>		<b>Director</b> <b>Fumiharu Iwasaki</b>		<b>Director</b> <b>Taku Yoneyama</b>	
<b>Director</b> <b>Yoshio Kobayashi</b>		<b>Corporate Auditor</b> <b>Takashi Nishimoto</b>		<b>Director</b> <b>Takahiro Naito</b>	

SEIKO Solutions Inc.					
<b>President</b> <b>Jun Sekine</b>		<b>Director, Senior Executive Vice President</b> <b>Yoshio Kobayashi</b>		<b>Director, Senior Executive Vice President &amp; CFO</b> <b>Yoshiyuki Hashimoto</b>	
<b>Director, Executive Vice President</b> <b>Takeshi Ichikawa</b>		<b>Director</b> <b>Shuji Takahashi</b>		<b>Director</b> <b>Naoki Tajima</b>	
<b>Corporate Auditor</b> <b>Haruhiko Takagi</b>		<b>Director</b> <b>Makoto Ichimura</b>		<b>Corporate Auditor</b> <b>Minoru Nakao</b>	
<b>Corporate Auditor</b> <b>Tsutomu Konomura</b>		<b>Executive Vice President</b> <b>Hiroyuki Watanabe</b>		<b>Executive Vice President</b> <b>Toshimasa Ike</b>	
<b>Executive Vice President</b> <b>Junichi Fujii</b>		<b>Executive Vice President</b> <b>Nobuchika Matsuoka</b>		<b>Executive Vice President</b> <b>Hirofumi Sakamoto</b>	
<b>Senior Vice President</b> <b>Tomoyuki Nakayama</b>		<b>Executive Vice President</b> <b>Seigo Kanamaru</b>		<b>Executive Vice President</b> <b>Masahiro Noguchi</b>	
<b>Senior Vice President</b> <b>Yasushi Moriya</b>		<b>Senior Vice President</b> <b>Tsutomu Shinkawa</b>			

## Toward Strengthening Corporate Governance

The Group believes that strengthening corporate governance is indispensable to be a sustainable company. To this end, we are constantly making efforts to strengthen governance, including evaluating the effectiveness of the Board of Directors. The major initiatives taken in fiscal year 2022 are as follows.

### ▼ Outside Directors account for one-third of all Directors

As a result of the General Meeting of Shareholders held on June 29, 2022, three (3) of nine (9) Directors became Outside Directors. The three (3) Outside Directors of the Company are Tsuyoshi Nagano, Yasuko Teraura, and Noboru Saito.

June 29, 2022, the Company has started disclosing in the notice of convocation a skills matrix of the skills and experiences of the Directors and Corporate Auditors.

### ▼ Introduction of the System of Executive Officer (Senior Vice President)

The Company has introduced the system of executive officer (senior vice president) for the purpose of strengthening supervisory functions of the Board of Directors and accelerating the execution of business, by separating management decision-making and supervision from the execution of business.

### ▼ Revision of the calculation method for performance-linked compensation → P.60

In conjunction with the commencement of the 8th Mid-Term Management Plan "SMILE145" in fiscal year 2022, the proportion of performance-linked compensation to total compensation has been raised and non-financial targets have been added to the traditional financial targets as KPIs for the performance-linked compensation.

The Company has carried out additional measures, such as providing various opportunities to the Directors and Corporate Auditors to acquire the necessary knowledge and information to continue fulfilling their roles and responsibilities.

### ▼ Skills Matrix of Directors and Corporate Auditors → P.58

From the 161st Ordinary General Meeting of Shareholders held on

## Basic Principle of Corporate Governance

Based on the principle "being a company that is trusted by society", Seiko Group Corporation considers "compliance with relevant laws and regulations", "implementation of management transparency and fairness", and "honoring social ethics" as core business goals. In order to achieve these goals, the Company will strengthen and promote its corporate governance framework and strive to achieve the Group's sustainable growth and increase corporate value.

## Basic Policy

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

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

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

The Company recognize that its social responsibility is to contribute to the realization of a sustainable society through implementation of the Group's basic principle "being a company

that is trusted by society". Under such recognition, the Company strives to cooperate appropriately with its various stakeholders, including its shareholders, customers, business partners, members of local communities and employees.

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

In order to obtain appropriate evaluation from its various stakeholders including its shareholders, and to engage in a constructive dialogue with shareholders, the Company strives not only to disclose appropriate information in compliance with relevant laws and regulations, but also to disclose other information in a timely and appropriate manner so that such information would be clear and useful for the people who use it.

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

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

### (5) Dialogue with Shareholders

The Company will promote constructive dialogue with its

shareholders to contribute sustainable growth and enhancement of corporate value over the medium to long-term based on "Basic Policy on Constructive Dialogue with Shareholders".

purpose of deliberating basic matters of business execution and promoting management activities appropriately and promptly.

## Corporate Governance Structure

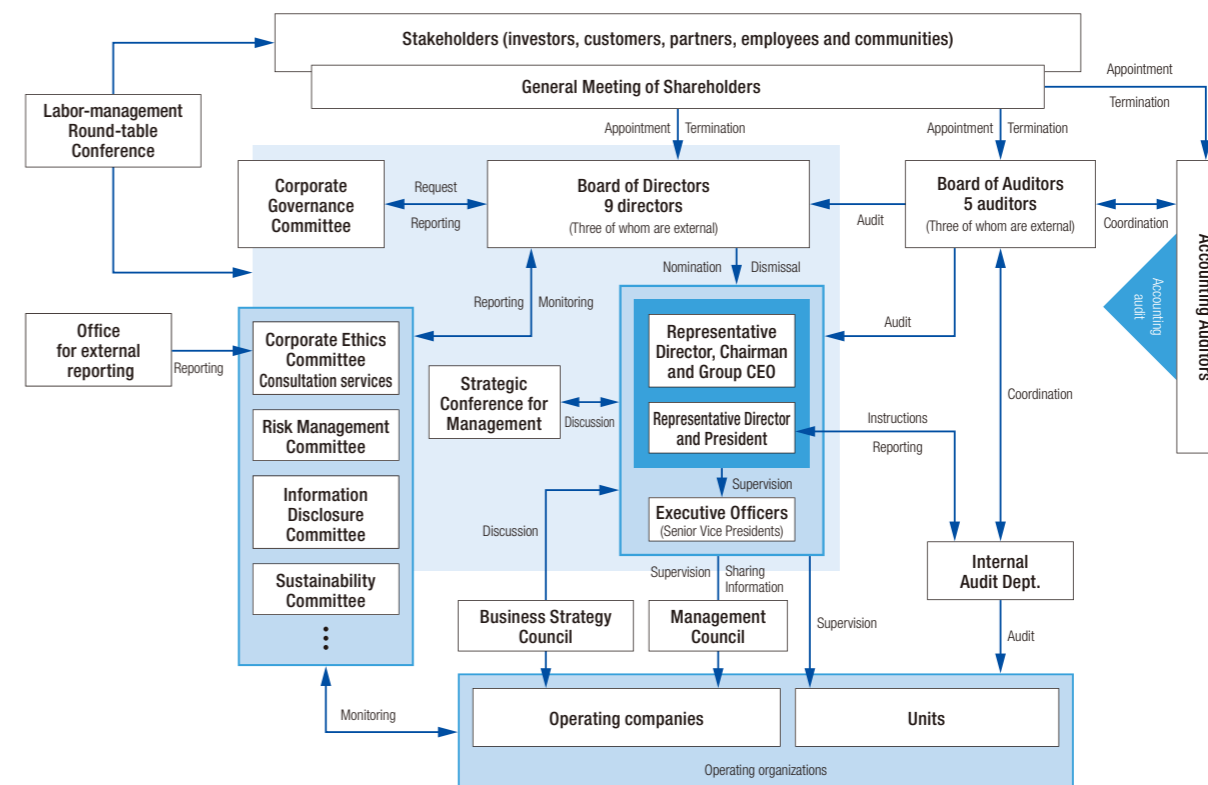
As the holding company, the Company clarifies the management responsibilities in each business and develops an organizational structure for accelerating management decision-making, enhancing the function of business execution and strengthening the management oversight function.

The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when necessary, as well as carries out quick and appropriate decision-making. The Company holds a Management Council and a Business Strategy Council, comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company and the respective Presidents of operating companies, for the purpose of working to share the management policy and management information of the Group and discussing medium-to long-term business strategies. The Company also holds a Strategic Conference for Management comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company for the

## Board of Directors

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

### ● Corporate Governance Structure





● Skills Matrix of Directors and Corporate Auditors

Name	Positions	Length of service	Gender	Skills and experience						
				Corporate management	Brand culture	Marketing	Technology	Finance & Accounting	Legal & Risk management	Global
Shinji Hattori	Chairman & Group CEO Group CCO	15	Male	●	●	●				●
Shuji Takahashi	President	9	Male	●		●	●			●
Akio Naito	Director, Senior Executive Vice President	Newly appointed	Male	●		●			●	●
Takahiro Naito	Director, Senior Executive Vice President	Newly appointed	Male	●			●			●
Jun Sekine	Director, Senior Executive Vice President	1	Male	●		●	●			
Shimesu Takizawa	Director, Executive Vice President	6	Male					●	●	●
Tsuyoshi Nagano	Outside Director	3	Male	●	●	●				●
Yasuko Teraura	Outside Director	3	Female						●	●
Noboru Saito	Outside Director	Newly appointed	Male	●		●	●			●
Haruhiko Takagi	Standing Corporate Auditor	6	Male					●		●
Takashi Nishimoto	Standing Corporate Auditor	2	Male					●	●	
Hideki Amano	Outside Corporate Auditor	3	Male					●	●	
Masatoshi Yano	Outside Corporate Auditor	3	Male	●					●	
Kenji Sakurai	Outside Corporate Auditor	Newly appointed	Male	●		●				●

Evaluation of the Effectiveness of the Board of Directors

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

Analysis and evaluation methods

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

Evaluation Items	Evaluation results	Issues from the previous fiscal year	Status of measures
1) The status of deliberations and operation of the Board of Directors 2) The composition and roles of the Board of Directors 3) The support system for Outside Directors 4) The Corporate Governance Committee 5) Relationships with investors and shareholders  The Board of Directors conducted an analysis and evaluation of its effectiveness based on the replies to the items described above.	It was confirmed that the Board of Directors of the Company was functioning properly and its effectiveness had mostly been assured. As for the issues raised in the previous fiscal year, due to taking the measures described on the right, improvements to issues <b>1</b> and <b>2</b> were confirmed, while it was confirmed that issue <b>3</b> required further improvement in information sharing with the Board of Directors.	<b>1</b> Discussions of medium- and long-term issues by the Board of Directors  <b>2</b> Composition of the Board of Directors as a whole  <b>3</b> Feedback by investors on the Company's evaluation, etc.	· Prioritizing and scheduling key issues · Clarifying the discussion points of the key topics (sharing the background for being placed on the agenda and discussion points, etc.) · Further reviewing the allocation of discussion time and improving prior explanations  · Conducting discussions on the diversity of the expertise, experience, etc. of the members comprising the Board  · Improving the reports on the status of IR activities at the Board of Directors

Regarding "Feedback by investors on the Company's evaluation, etc.," given that the continuing need to improve information sharing with the Board of Directors was confirmed, the Company decided to continue addressing this issue. In addition, in light of the opinions designating necessity of an improvement of the Board's discussion on non-financial items such as human capital and sustainability, the Company decided to newly set them as future issues.

Support system for Directors and Corporate Auditors

The Company provides, mediates, and provides monetary support for the necessary opportunities, such as seminars conducted by outside organizations, to Directors and Corporate Auditors, at their appointment and continuously after their appointment, in order for them to acquire the knowledge and information needed to fulfill their roles and responsibilities. During fiscal year 2022, the Company invited Outside Directors and Corporate Auditors to an inspection tour of "Japan Watch Collection", an exhibition of watches which proposes collection of new products and example of merchandise display at stores to customer watch retailers. The Company held an inspection tour of its business locations, and gatherings for Outside Directors and Outside Corporate Auditors.

Board of Auditors

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

Corporate Governance Committee

In order to enhance the objectivity and transparency of management, the Company establishes the Corporate Governance Committee where Independent Outside Directors and Independent Outside Corporate Auditors account for the majority of members, as an advisory body for the Board of Directors. The Committee deliberates on matters relating to compensation for officers, nomination of officer candidates including succession planning, appointment and dismissal of the senior management such as Representative Directors, and other matters regarding corporate governance from an objective and fair perspective, and reports to the Board of Directors. The members and the chairperson of the Corporate Governance Committee are as follows:

Chairperson	President	Shuji Takahashi
Members	Chairman & Group CEO	Shinji Hattori
	Independent Outside Director	Tsuyoshi Nagano
	Independent Outside Director	Yasuko Teraura
	Independent Outside Director	Noboru Saito
	Independent Outside Corporate Auditor	Hideki Amano
	Independent Outside Corporate Auditor	Masatoshi Yano
	Independent Outside Corporate Auditor	Kenji Sakurai

Compensation of Officers

1. Basic policy of the compensation of officers

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

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

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

## 2. Compensation system for officers

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

To further promote the medium- and long-term improvement of business performance, the Company revised the composition ratio of compensation, the indicators regarding performance-linked compensation, and the calculation method of performance-linked compensation. In terms of the composition ratio, the proportion of performance-linked compensation was raised. To reinforce incentives and ensure the effectiveness of the Mid-Term Management Plan, “consolidated operating profit” “consolidated gross profit margin” and “consolidated ROIC” were set as the three (3) financial indicators. “individual evaluation” and “ESG indicators” (reduction rate of CO<sub>2</sub> emissions, etc.) were set as the two (2) non-financial indicators. In addition, in line with the introduction of the system of executive officer (senior vice president) on June 29, 2022, the Company decided to make Executive Officers (Senior Vice Presidents) eligible for the payment of performance-linked compensation, in addition to Directors who execute business duties.

The approximate compensation ratio of each type is as follows. (When the performance achievement ratio and the payment rate based on qualitative evaluations are 100%)

■ Basic compensation ■ Bonuses ■ Stock compensation

### Representative Directors

Before revision:



After revision:



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

Before revision:



After revision:



## ● Indicators for the performance-linked compensation

	Performance indicators
Bonuses	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Evaluation of individuals
Stock compensation	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Consolidated ROIC 4) Evaluation of ESG: CO <sub>2</sub> emissions reduction rate (SCOPE 1 and 2), etc.

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

The Company believes that it is essential that candidates for senior management, Directors and Corporate Auditors have the character and knowledge suitable for their respective duties. Based on this concept, in the appointment of senior management and the nomination of candidates for internal Directors, comprehensive consideration is given from the standpoint of appointing the right person for the right position, so that talent is appointed in a well-balanced manner to cover functions of the Company as a holding company as well as the Group’s business fields, while ensuring accurate and timely decision-making. In the nomination of candidates for internal Corporate Auditors, comprehensive consideration is given from the standpoint of whether the candidate possesses knowledge of the Group’s businesses as well as insight regarding finance, accounting and legal affairs, and whether the candidate can contribute to ensuring the soundness of management. In the nomination of candidates for Outside Directors, comprehensive consideration is given from the standpoint of whether the candidate possesses abundant experience and high degree of knowledge of corporate management and specific fields. In the nomination of candidates for Outside Corporate Auditors, comprehensive consideration is given from the standpoint of whether the candidate possesses insight regarding finance, accounting and legal affairs, as well as abundant experience and high degree of knowledge of specific fields. Based on the above policy, the Board of Directors determines

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

## Appointment of Advisors, etc.

The Company, in accordance with internal rules, may appoint the former Representative Director and President, etc. as an Advisor, etc. The term of office of Advisors, etc. is one (1) year. The election/dismissal, re-election, duties, compensation, and other treatments are determined by the Board of Directors upon deliberations by the Corporate Governance Committee, the majority of the members of which comprise outside officers. Advisors, etc. are not involved in the management decision-making of the Company.

## Cross-Shareholdings

From the perspective of improving the corporate value of the Group in the mid- to long-term, the Company has a policy to reduce shares that are deemed not to have a significance of holding them, taking comprehensively into consideration the Company’s management strategy, business relationships with clients, and the benefits and risks, etc., associated with holding in view of its capital cost. The Company’s Board of Directors verifies each year the rationale for the holding of all listed shares held in cross-shareholding by the Group through examination of the importance of the issuer as a business partner and benefits and risks of shareholding in light of capital costs and other factors. Most recently, an individual verification was conducted at the meeting of the Board of Directors held in August 2022. With regard to certain shares, which were determined to be lacking in significance or rationale for continued holding, the Company proceeds with discussions toward their disposal. Based on the above policy on cross-shareholdings, the Company sold five stocks among the shares held by its subsidiaries in the fiscal year ended March 31, 2022.

## Standards for exercising voting rights on cross-shareholdings

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

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

## Internal Control System

The Company, in accordance with its basic policy on the internal control system, has established a Group-wide internal control system, including the Group’s business management, corporate ethics, compliance with laws and regulations, risk management and internal audits. Furthermore, the Company monitors the operation status of internal controls and periodically reports the results to the Board of Directors.

# Interview with an Outside Director



**Q What do you see as the role of an Outside Director?**

**A** I believe that an Outside Director's role is to provide advice regarding the formulation and implementation of Company policies so that the organization can achieve sustainable growth while helping to solve social issues and fulfill its Statement of Purpose. We provide advice based on our experience in a variety of roles, including company management. In this way, Outside Directors promote sustainable management. I believe that employee motivation is the most important aspect of the challenges facing management amid the recent dramatic changes in society. Therefore, in my comments as a director, I pay particular attention to the corporate culture and opportunities for employee growth that form the foundation of this motivation.

**Q How would you evaluate the Company's efforts to strengthen corporate governance?**

**A** I am now in my fourth year as an Outside Director here, and I feel that the Company has made steady improvements every year. The more information that the Company provides, the more advice Outside Directors are able to offer. It is important that management be transparent

and that there be frank discussions based on that transparent information. I think President Takahashi's stance of providing all necessary information, openly and candidly, is excellent. Also, over this time, I have seen an increase in the number of opportunities to deliberate medium- and long-term issues and other important matters at Board of Directors meetings. I think it is important to sharpen the focus of discussions on such topics. On the other hand, due in part to the pandemic, I have felt that there has been insufficient dialogue between Outside Directors and both the top management and core personnel in various Group businesses. It is important to gain a deeper understanding of employees and of the organization itself through such communication. I see this as something that needs to be addressed going forward.

**Q The Group has already begun SMILE145, but what kind of discussion went into its formulation?**

**A** In the first half of that process, an explanation of the formulation policy was provided to the Corporate Governance Committee, which consists primarily of outside officers. The basic policies of each business were then explained, and in the last stages of the process, the Board of Directors held three meetings, during which the overall policy, domain strategies, Group core strategies, and the like were explained. I felt that there was quite an active and

vigorous sharing of opinions in these meetings. We were able to sufficiently discuss each newly defined domain's business environment and strategy, including how each one relates to the Statement of Purpose, the Group's 10-year Vision in the run-up to our 150th anniversary, and our sustainability policy, all of which were determined before SMILE145 existed, as well as how each business carried on from the end of the previous Mid-term Management Plan. During these discussions, I occasionally offered some stern comments about the connections between these, as well as the content of some of the plans.

**Q How do you view the current compensation system for officers, which was revised in conjunction with SMILE145?**

**A** Several internal systems were changed when SMILE145 was launched. One of the important changes was a revision to the performance-based compensation system for officers, which is linked with the new KPIs. SMILE145 involves many strategies, and I hope that by demonstrating which of these are the most important for executives, we will have prepared a solid foundation for the execution of SMILE145. In this age of using business activities to help address social issues, I believe that we are sending a strong message by setting non-financial items as performance-based compensation KPIs.

**Q How would you evaluate SMILE145? What issues do you think the Group will face in implementing it?**

**A** Our Statement of Purpose was defined through a process of listening to employees and engaging in repeated discussions. We linked this to the Group's 10-year Vision, and we defined SMILE145 in line with that vision. I was very impressed by the steps in this process and by the discussions that took place around them. SMILE145 has clearly outlined three objectives: (1) Implementing management unified by a common purpose and through a purpose-driven approach; (2) Aiming to become a solutions company; and (3) Building a platform consisting of three domains and engaging in decentralized business-based management. We also defined the Group core strategies that will support these. To improve our execution capabilities under SMILE145, each and every employee must share the same powerful desire to create a company that responds to social issues. In our implementation

of SMILE145, the key challenges we face are establishing a widespread corporate culture and drawing out our Group's bottom-up power through a top-down approach. I believe our human resource strategy will be the key foundation of SMILE145.

**Q Could you share your own expectations for the Company?**

**A** Our Statement of Purpose represents sustainable management itself. We will work to address social issues, bring people greater satisfaction, and in the process, realize corporate growth. It is essential that we thoroughly establish our corporate culture – that is, the ideals expressed in our Statement of Purpose – and align the personal growth of our employees with the business growth of the Group. Each and every employee will be involved in moving the Group forward. These are also the tasks we face as we implement SMILE145. To lead the Group using a bottom-up approach, I think the most important thing will be how well we are able to incorporate the ideals in our Statement of Purpose into our employees' daily actions.

We cannot simply focus on achieving our budget plans; we need to make customers' needs and society's needs into objectives and reflect them in our future plans if we are to be effective in addressing social problems. This will earn us the support of customers, which will lead to higher sales and profits. We need to implement this kind of business cycle. The starting point, or the driving force of this virtuous cycle is, I believe, the motivation of employees who understand our Statement of Purpose. That is why honest and serious dialogue between top management and employees is key. Our real work has only just begun. I think we really need to be passionate and work steadily, and I am positive that this will drive the Group's future growth.

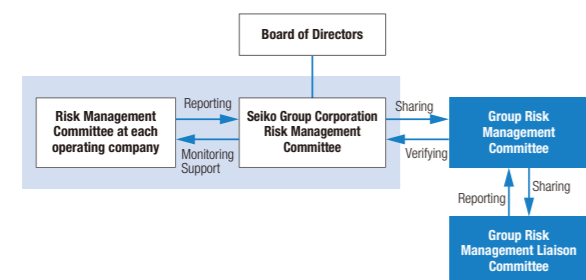


# Risk Management

## Group Risk Management Structure

In order to perform centralized management of risks that could greatly influence the Group's business, Seiko Group Corporation is engaged in the development and strengthening of the risk management structure for the entire Group as well as responses to risks that must be addressed in a cross-organizational manner, led by the Risk Management Committee, with the president of the Company as chairperson. In addition, each operating company independently promotes risk management, while the Company's Risk Management Committee supports the risk management at each company through collecting risk information and managing the status of responses to the risks. Furthermore, for the aim of smooth promotion of the group risk management in close cooperation and coordination among the Group, the Group Risk Management Committee, made up of the presidents of each operating company, has been established to verify and share information on the risks facing the Group. The Company has also established the Crisis Management Manual in preparation for when crises occur, and in normal times, has set out a system capable of responding to crises, such as prompt collection of the necessary information.

### ● Group Risk Management Structure



## Business Risks

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

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

For details, please refer to our Annual Securities Report.  
[https://www.seiko.co.jp/en/ir/assets/AnnualSecuritiesReport\\_2203.pdf](https://www.seiko.co.jp/en/ir/assets/AnnualSecuritiesReport_2203.pdf)

## Initiatives to Improve Risk Management

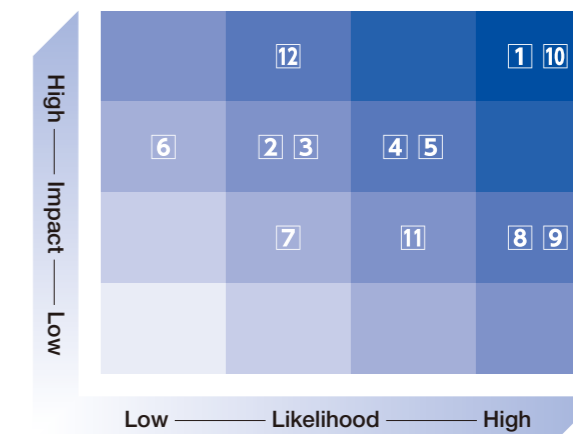
The Risk Management Committee is working on various initiatives to improve risk management. As risks constantly change according to the external environment, the Company has ensured prompt reporting of risk information at various meetings beyond the risk management framework. Through this flexible initiative, prompt cross-Group information sharing and studies of measures have become possible, which has led to minimizing the impact of various risks on businesses.

Going forward, we will continue our efforts to improve risk management to maintain sustainable business activities.

## Initiatives to Address Significant Risks

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

Risk map of Group Significant Risks



### ● Group Significant Risks in FY2022

Category	Risk details
<b>Risks that affect the safety and health of employees and others</b>	<b>1</b> Health hazards to employees and others due to the COVID-19 pandemic
<b>Brand-impairment risks</b>	<b>2</b> Conduct risk
	<b>3</b> Significant legal violations, quality issues, etc. in the supply chain
	<b>4</b> Business operation risk due to computer system failures, etc.
	<b>5</b> Disruption in operation and damage to the Company's image through IT trouble (including cyberattacks)
	<b>6</b> Delays in and increased costs of decarbonization initiatives
	<b>7</b> Risk of tensions between the U.S. and China
<b>Business and financial risks</b>	<b>8</b> Impact of the situation in Russia and Ukraine on sales and procurement activities
	<b>9</b> Difficulties in procuring parts and materials, labor shortages, and disruptions in logistics
	<b>10</b> Deterioration of business performance due to the COVID-19 pandemic
	<b>11</b> Difficulties in securing human resources (development and recruitment)
	<b>12</b> Delays in innovating the business model

# Corporate Ethics / Compliance

Seiko Group Corporation fulfills its corporate social responsibility by complying with statutes, respecting social ethics, and setting up healthy and sensible corporate ethics. Based on this approach, Seiko Group Corporation has established the following as its Basic Principles of Corporate Ethics.

## Basic Principles of Corporate Ethics

- Complying with the laws and rules of the countries and regions where business is conducted and engaging in fair practices in the light of social ethics.
- Aiming to become a sensible corporate citizen, and striving for harmony with society.
- Disclosing information in a timely fashion, and engaging in honest and transparent communications.
- Protecting the irreplaceable earth and contributing to the preservation of the environment.
- Respecting fundamental human rights and individuality, and building up a corporate culture with a broad vision which fosters the spirit of corporate ethics.

## Structure for the Promotion of Corporate Ethics and Compliance

In accordance with the Basic Principles of Corporate Ethics, the Company has established the Corporate Ethics Committee and Action Guidelines for Corporate Ethics, and consistently promotes education and enlightenment, consultation and reporting, auditing, and evaluation, etc. to all its officers and employees. Each operating company of the Group has established its own system of corporate ethics and action guidelines in accordance with characteristics of its business, relevant laws, regulations, and rules. Accordingly, when an incident involving corporate ethics occurs at an operating company, the operating company is responsible for resolving the issue. When requested by an operating company, the Company provides full cooperation and support toward resolving issues.

## Implementing Corporate Ethics and Compliance Structure

The Company regards maintaining and implementing Corporate ethics and compliance structure as a crucial management issue and therefore implements business ethics training for all executives and employees. The Group considers brand impairment as a significant medium-term risk. Since noncompliance with laws and regulations as well as unethical and socially unacceptable acts are highly likely to expose the Group to the risk of an impaired brand image, we have identified a wider range of risks (conduct risks) including compliance risks as significant Group risks from fiscal year 2021. The entire Group has been committed to education, raising awareness, and other activities aimed at strengthening corporate ethics and compliance.

## Internal Reporting System

The Company has established a “Corporate Ethics Helpline” as a contact point to receive consultations and reporting from employees regarding corporate ethics and compliance. In addition to the internal contact point, the Company has set up an external contact point at a law firm and provides an environment that facilitates consultation and reporting for the user. Also, information that may identify the user and information relating to the reporting are strictly managed to protect the user from any disadvantageous treatment.

## Human Right Policy and Procurement Policy

On May 10, 2022, we established our Human Rights Policy. We will fulfill our responsibility to respect fundamental human rights in order to create “a future full of smiles,” as stated in the Group’s Statement of Purpose, and to realize our Corporate Philosophy. In addition, to achieve long-term coexistence and co-prosperity with our suppliers, we have established the “Seiko Group Procurement Policy” that is the basis for the procurement activities of the entire Group.

In fiscal year 2022, as key actions under the materiality of “Implement initiatives for respecting human rights” and “Promote responsible procurement and supply chains,” we established the “Seiko Group Procurement Guidelines” and are engaged in the establishment of a due diligence system for human rights.

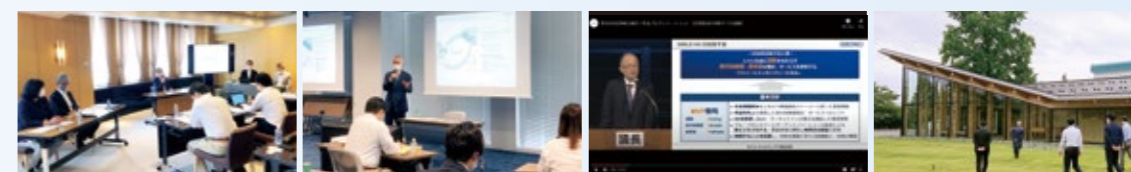
\* Please refer to our website for each policy.  
[https://www.seiko.co.jp/en/csr/sustainability\\_policy/](https://www.seiko.co.jp/en/csr/sustainability_policy/)

## Investor Relations Activities

### IR Policy

Seiko Group Corporation is committed to the facilitation of responsive and transparent communications with our shareholders and investors, making every effort to disclose information on a timely and appropriate basis.

Targets	Activities	Content
Shareholders	General Meeting of Shareholders	Held on June 29, 2022
Institutional investors / Analysts	Financial results briefings	Held on a quarterly basis Briefing materials and summary of Q&A are disclosed on the Company's website (Japanese and English)
	Business briefings	Conducted by officers in charge of each domain Example of past briefings : Systems Solutions Business briefing
	Small meetings	Held separately to discuss individual topics Example of past meetings : Small meeting held by the President to discuss the Mid-Term Management Plan
(Japan and overseas)	Individual Interviews	Interviews and media coverage are handled by the CFO as a general rule, except during quiet period
	Conferences sponsored by securities companies	Every year, we participate in conferences held by securities companies in order to create greater opportunities for dialogue
	Group facility visits	Institutional investors and analysts are invited to Group facilities to provide them with a greater understanding of the Group Example of past visits : Grand Seiko Studio Shizukuishi, Seiko Museum Ginza



Small meeting by the President    Systems Solution Business briefing    General Meeting of Shareholders    Visit to Grand Seiko Studio Shizukuishi

## Measures to improve IR activities

In order to ensure that our IR activities are beneficial to shareholders and investors, we actively conduct interviews, including one-on-one interviews, and questionnaires; actively request evaluations by outside evaluation organizations, etc.; and constantly strive to improve our IR activities. We will continue to engage in active dialogue with stakeholders and provide feedback regarding their valuable opinions to the management, disclose information in an appropriate and timely manner, and conduct IR activities that further increase our corporate value.

More broad-ranging IR information is posted on our Investor Relations website.



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

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



### Main IR content

- Financial Results, IR Presentation
- Mid-Term Management Plan
- Annual Securities Report
- Value Report
- Stocks and Dividends Information
- Financial Data etc.