

[Translation]

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(Stock Exchange Code 8050)

June 9, 2023

(Start date for electronic provision measures) May 30, 2023

**To Shareholders with Voting Rights:**

Shuji Takahashi

President

SEIKO GROUP CORPORATION

5-11, Ginza 4-chome, Chuo-ku, Tokyo

**NOTICE OF  
THE 162ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

Please be informed that we will hold the 162nd Ordinary General Meeting of Shareholders of SEIKO GROUP CORPORATION (the “Company”). The meeting will be held for the purposes described below.

In convening this Meeting, the Company has adopted measures for the electronic provision of information contained in the Reference Documents for the General Meeting of Shareholders (electronic provision measures) and has posted such information on the following websites on the Internet. Please access either website to view the documents.

<b>The Company’s website</b>	<a href="https://www.seiko.co.jp/en/ir/library/meeting.html">https://www.seiko.co.jp/en/ir/library/meeting.html</a>
<b>Tokyo Stock Exchange Website (Listed Company Search)</b>	<a href="https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show">https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show</a> Searched by entering “Seiko Group” or “8050” in the issue name (company name) or stock exchange code field, and selecting “Basic information,” then “Documents for public inspection/PR information.”
<b>Convocation on the Internet</b>	<a href="https://s.srdb.jp/8050/">https://s.srdb.jp/8050/</a> Scheduled to be posted on Thursday, June 8, 2023.

Please review the attached Reference Documents for the General Meeting of Shareholders (pages 5 through 26), and exercise your voting rights in accordance with the “Notice regarding Exercise of Voting Rights” (pages 4) by 6 p.m. on Wednesday, June 28, 2023, Japan time.

**1. Date and Time:** Thursday, June 29, 2023, at 10 a.m. Japan time

(The reception desk will open at 9 a.m. Japan time.)

**2. Place:** Toranomon Hills Forum Hall B

Toranomon Hills Mori Tower 4F

23-3, Toranomon 1-chome, Minato-ku, Tokyo, Japan

**3. Meeting Agenda:**

**Matters to be reported:** The Business Report, Non-consolidated Financial Statements, Consolidated Financial Statements and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements, for the Company's Fiscal Year Ended on March 31, 2023 (from April 1, 2022 to March 31, 2023)

**Proposals to be resolved: Proposal 1:** Distribution of Surplus

**Proposal 2:** Election of Nine (9) Directors

**Proposal 3:** Election of Two (2) Corporate Auditors

**Proposal 4:** Revision of Upper Limit of Stock Compensation, etc. for Directors

**4. Decisions Concerning Convocation**

- (1) Should you choose to exercise your voting rights via a proxy, you may designate a shareholder other than yourself, who is entitled to vote with respect to the Company, as your proxy. In such case, please have the proxy submit a power of attorney together with your Voting Rights Exercise Form to the reception desk.
- (2) Should you diversely exercise your voting rights, please notify the Company in writing to this effect, together with the reason thereof, at least three (3) days prior to the date of the General Meeting of Shareholders.

◎ Among the matters related to electronic provision measures, the following matters are not included in the paper copy delivered to shareholders who have requested, but are posted on each of the aforementioned websites on the Internet, pursuant to the provisions of laws and regulations and Article 16, paragraph 2 of the Articles of Incorporation of the Company.

- (i) "Overview of the system to ensure proper operations and the implementation status thereof" for the Business Report
- (ii) "Consolidated Statements of Changes in Equity" and "Notes to Consolidated Financial Statements" for Consolidated Financial Statements
- (iii) "Non-Consolidated Statements of Changes in Equity" and "Notes to Non-Consolidated Financial Statements" for Non-Consolidated Financial Statements

The Accounting Auditor and Corporate Auditors have audited each document subject to auditing, including (i) to (iii) above.

◎ Corrections, if any, to the matters related to electronic provision measures, will be posted on each of the aforementioned websites on the Internet, indicating the matters both before and after correction.

## Notice regarding the distribution of the Business Report video

Prior to the meeting, a video regarding the Business Report will be distributed.

Distribution period (scheduled): Thursday, June 15, 2023 to Friday, September 29, 2023

Distribution URL: [https://v.srdb.jp/8050/2023soukai\\_visual/](https://v.srdb.jp/8050/2023soukai_visual/)

## Notice of Live Streaming of the General Meeting of Shareholders

The proceedings of the General Meeting of Shareholders will be streamed live via the Internet.

1. Please access the following website designated by the Company.

Distribution date and time	Thursday, June 29, 2023, from 10 a.m. Japan time to the end of the meeting * The website can be accessed from 9 a.m. Japan time.
Distribution URL	<a href="https://v.srdb.jp/8050/2023soukai/">https://v.srdb.jp/8050/2023soukai/</a>

2. When the screen for entering your ID and password appears, please enter your ID and password as shown below.

ID	Notified to shareholders on written Notice of the General Meeting of Shareholders
Password	Notified to shareholders on written Notice of the General Meeting of Shareholders

### Notes:

- Please note that you may not be able to view the live streaming, depending on your computer or other devices, your Internet connection environment, or your connection conditions.
- Shareholders will be responsible for communication charges and other costs associated with viewing the live streaming.
- Shareholders who view the live streaming will not be able to participate in the resolutions on the day of the General Meeting of Shareholders. Please exercise your voting rights in advance, using any of the methods described on pages 4 below, prior to viewing the live streaming.
- We will not be able to accept questions or comments from shareholders who are viewing the live streaming.
- In consideration of the privacy of the shareholders who attend the meeting, the live streaming will be limited to the vicinity of the Chairman's and officers' seats. However, please note that there may be cases where shareholders are unavoidably visible.
- The live streaming may be unavoidably interrupted or cancelled due to the Internet environment, equipment trouble, or other circumstances.
- Please refrain from recording, photographing, or saving the live streaming. Please do not disclose your ID or password to the public.

### For inquiries on how to view the live streaming and network on the day of the meeting:

TAKARA PRINTING CO., LTD. (Live streaming support company)	Contact phone number: Notified to shareholders on written Notice of the General Meeting of Shareholders	Contact time: Thursday, June 29, 2023, from 9 a.m. to 12 p.m. Japan time
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## Notice regarding Exercise of Voting Rights

Voting rights may be exercised by any of the means described below. Shareholders are requested to review the Reference Documents for the General Meeting of Shareholders before exercising voting rights.

<p>Shareholders attending the meeting in person</p> <p>Date and time of the meeting: Thursday, June 29, 2023, at 10 a.m., Japan time When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.</p>
<p>Shareholders not attending the meeting in person</p> <p><u>Exercise of voting rights in writing</u></p> <p>Deadline: Must reach the Company by 6 p.m. on Wednesday, June 28, 2023, Japan time</p> <p>Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and return the same so that it is received by the deadline for exercising voting rights. Any proposals which have not been voted for or against will be construed to have been voted for.</p>
<p><u>Exercise of voting rights via “Smart Exercise”</u></p> <p>Deadline: By 6 p.m. on Wednesday, June 28, 2023, Japan time</p> <ol style="list-style-type: none"><li>1. Scan the “Smart Exercise” QR code on the bottom right of the enclosed Voting Rights Exercise Form using a smartphone or tablet device. * An application or function that can scan QR codes is required. (QR code is a registered trademark of DENSO WAVE INCORPORATED.)</li><li>2. Enter your votes for or against the proposals in accordance with the screen instructions.</li></ol> <p>! If you wish to change your exercise content after exercising your voting rights, you will need to scan the QR code again, and enter your “voting rights exercise code” and “password” displayed on the Voting Rights Exercise Form.</p>
<p><u>Exercise of voting rights via the Internet</u></p> <p>Deadline: By 6 p.m. on Wednesday, June 28, 2023, Japan time</p> <p>Please access the voting website (<a href="https://soukai.mizuho-tb.co.jp/">https://soukai.mizuho-tb.co.jp/</a>), and exercise your voting rights in accordance with the screen instructions.</p>

< Contact information regarding “Smart Exercise” and exercise via the Internet >  
Stock Transfer Agent Department, Mizuho Trust & Banking Co., Ltd.  
Phone number: 0120-768-524 (toll free, accessible only in Japan)  
(Usage time: 9 a.m. to 9 p.m. (excluding the year end and New Year holidays))

(For reference)

Institutional investors may use the electronic proxy voting platform operated by ICJ, Inc.

If duplicate votes are exercised

- \* If you exercise a voting right both in writing and via the Internet (including “Smart Exercise”), the vote exercised via the Internet will be taken as the valid vote.
- \* If you exercise a voting right multiple times via the Internet (including “Smart Exercise”), the vote last exercised will be taken as the valid vote.

[Translation]

**Reference Documents for the General Meeting of Shareholders**

Agenda of the Ordinary General Meeting of Shareholders

**Proposal 1: Distribution of surplus**

The Company has a policy to provide consistent dividend payments while considering the consolidated business results for the fiscal year under review and taking into account the enrichment of internal reserves to strengthen our management foundation. Based on this policy, with regard to the year-end dividend for the fiscal year under review, we hereby propose to distribute the surplus as described below.

Matters related to the year-end dividend

(1) Type of dividend assets

Cash

(2) Allotment of dividend property to shareholders and its total amount

Amount per common share: 37.5 yen

Total amount of dividends: 1,550,376,638 yen

Note: As the Company has already paid an interim dividend of 37.5 yen per share, the annual dividend for the 162nd fiscal year will be 75 yen per share.

(3) Effective date of distribution of surplus

June 30, 2023

[For reference]

<Cash dividends per share (full year)>

	FY2018	FY2019	FY2020	FY2021	<b>FY2022</b>
Cash dividends per share (full year)	75 yen	75 yen	37.5 yen	50 yen	<b>75 yen</b>

## Proposal 2: Election of Nine (9) Directors

The Company proposes the election of nine (9) Directors, as the terms of office of all nine (9) Directors will expire at the closing of this General Meeting of Shareholders.  
The candidates for Director are as follows.

Candidate No.		Name	Gender	Positions and responsibilities at the Company	Attendance at the Board of Directors meetings
1	Reappointed	<b>Shinji Hattori</b>	Male	Chairman Group CEO, Group CCO (Group Chief Culture Officer)	13 out of 13 meetings (100.0%)
2	Reappointed	<b>Shuji Takahashi</b>	Male	President	13 out of 13 meetings (100.0%)
3	Reappointed	<b>Akio Naito</b>	Male	Director, Senior Executive Vice President in charge of Emotional Value Solutions Domain, Legal and Intellectual Property	10 out of 10 meetings (100.0%)
4	Reappointed	<b>Takahiro Naito</b>	Male	Director, Senior Executive Vice President in charge of Devices Solutions Domain	10 out of 10 meetings (100.0%)
5	Reappointed	<b>Jun Sekine</b>	Male	Director, Senior Executive Vice President in charge of Systems Solutions Domain, IT Planning and DX Business Promotion	13 out of 13 meetings (100.0%)
6	Newly Appointed	<b>Taku Yoneyama</b>	Male	Executive Vice President, General Manager of Corporate Management Division	—
7	Reappointed	<b>Yasuko Teraura</b>	Female	<span style="border: 1px solid black; padding: 2px;">Outside Director</span> <span style="border: 1px solid black; padding: 2px;">Independent Director</span> Outside Director	13 out of 13 meetings (100.0%)
8	Reappointed	<b>Noboru Saito</b>	Male	<span style="border: 1px solid black; padding: 2px;">Outside Director</span> <span style="border: 1px solid black; padding: 2px;">Independent Director</span> Outside Director	10 out of 10 meetings (100.0%)
9	Newly Appointed	<b>Hideki Kobori</b>	Male	<span style="border: 1px solid black; padding: 2px;">Outside Director</span> <span style="border: 1px solid black; padding: 2px;">Independent Director</span> —	—

1. Shinji Hattori (Date of Birth: January 1, 1953) (Reappointed)



- (1) Number of shares of the Company held: 2,279,289
- (2) Length of service as a Director: 16 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 13 out of 13 meetings (100.0%)

(4) Career, positions, and responsibilities

April 1975	Joined Mitsubishi Corporation
July 1984	Joined Seikosha Co., Ltd.
January 1996	Director of Seiko Precision Inc.
June 2001	President of Seiko Precision Inc.
June 2003	President & CEO of SEIKO WATCH CORPORATION
June 2007	Director of the Company
June 2009	Executive Vice President of the Company
April 2010	President of the Company
October 2012	Chairman of the Company (to present)
June 2015	President & CEO of SEIKO WATCH CORPORATION
April 2017	Chairman & CEO of SEIKO WATCH CORPORATION
June 2020	Chairman of WAKO Co., Ltd. (to present)
April 2021	Chairman of SEIKO WATCH CORPORATION (to present)

<Responsibilities>

Group CEO, Group CCO (Group Chief Culture Officer)

(5) Significant concurrent positions:

Chairman of SEIKO WATCH CORPORATION  
Chairman of WAKO Co., Ltd.

(6) Reasons for nomination as candidate for director:

The Company nominates Mr. Shinji Hattori as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having served as President of the Company and its group companies; and (ii) currently being engaged in strategic planning and management direction for the entire Company Group from a medium- to long-term, and global perspective as Group CEO of the Company.

(7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Shinji Hattori.

2. Shuji Takahashi (Date of Birth: August 29, 1957) (Reappointed)



- (1) Number of shares of the Company held: 11,600
- (2) Length of service as a Director: 10 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1980	Joined the Company
February 2011	Senior Vice President of SEIKO WATCH CORPORATION
June 2012	Director, Senior Vice President of SEIKO WATCH CORPORATION
June 2013	Director of the Company
April 2014	Director, Executive Vice President of SEIKO WATCH CORPORATION
June 2015	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION
June 2016	Executive Director of the Company
April 2017	Director of the Company
April 2017	President & COO & CMO of SEIKO WATCH CORPORATION
June 2021	President of the Company (to present)

- (5) Significant concurrent positions:

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- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Shuji Takahashi as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having promoted the Global Brand strategy for the Watches Business as President of SEIKO WATCH CORPORATION; and (ii) currently being engaged in management direction for the Company Group as President of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Shuji Takahashi.



3. Akio Naito (Date of Birth: November 9, 1960) (Reappointed)



- (1) Number of shares of the Company held: 9,700
- (2) Length of service as a Director: 1 year
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 10 out of 10 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1984	Joined the Company
January 2002	Managing Director of SEIKO Australia Pty. Ltd.
April 2006	General Manager, Legal & Intellectual Property Department of the Company
June 2011	Director of the Company
June 2013	Executive Director of the Company
June 2016	Director of the Company
June 2016	Director, Senior Executive Vice President of SEIKO WATCH CORPORATION
October 2018	Chairman & CEO of Grand Seiko Corporation of America
December 2019	Director, Deputy Chief Operating Officer of SEIKO WATCH CORPORATION
April 2021	President of SEIKO WATCH CORPORATION (to present)
June 2022	Director, Senior Executive Vice President of the Company (to present)

<Responsibilities>

Emotional Value Solutions Domain, Legal and Intellectual Property

- (5) Significant concurrent positions:

President of SEIKO WATCH CORPORATION

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Akio Naito as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in legal affairs, and overseas marketing for the Watches Business as a member of the Company Group since joining the Company; and (ii) currently being engaged in management direction as President of SEIKO WATCH CORPORATION and being in charge of the Emotional Value Solutions Domain, legal and intellectual property as Director and Senior Executive Vice President of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Akio Naito.

4. Takahiro Naito (Date of Birth: September 5, 1955) (Reappointed)



- (1) Number of shares of the Company held: 2,100
- (2) Length of service as a Director: 1 year
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 10 out of 10 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1979	Joined Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation)
December 2001	Manager of Hong Kong Branch of Seiko Epson Corporation.
October 2006	General Manager of Audit Office of Seiko Epson Corporation.
October 2010	General Manager of Watch Business of Seiko Epson Corporation.
September 2015	Director of SEIKO WATCH CORPORATION
June 2016	Senior Vice President, Director of SEIKO WATCH CORPORATION
April 2019	Senior Vice President of Seiko Instruments Inc.
April 2019	General Manager, Motion Device Business of Seiko Instruments Inc.
June 2019	Director of Seiko Instruments Inc.
April 2020	General Manager, Precision Device Business of Seiko Instruments Inc.
June 2020	Director, Executive Vice President of Seiko Instruments Inc.
April 2021	Director, Senior Executive Vice President of Seiko Instruments Inc.
April 2022	President of Seiko Instruments Inc. (to present)
June 2022	Director, Senior Executive Vice President of the Company (to present)

<Responsibilities>  
Devices Solutions Domain

- (5) Significant concurrent positions:  
President of Seiko Instruments Inc.
- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Takahiro Naito as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having held key positions at precision device companies; (ii) having been engaged in precision device business and motion device business since being appointed as Senior Vice President of Seiko Instruments Inc. in April 2019 and having a broad range of knowledge and experience regarding its businesses; and (iii) currently being engaged in management direction as President of Seiko Instruments Inc. and being in charge of

the Devices Solutions Domain as Director and Senior Executive Vice President of the Company.

(7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Takahiro Naito.

5. Jun Sekine (Date of Birth: October 1, 1959) (Reappointed)



- (1) Number of shares of the Company held: 2,000
- (2) Length of service as a Director: 2 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1984	Joined IBM Japan, Ltd.
April 1998	Sales Manager, Insurance of IBM Japan, Ltd.
June 2002	General Manager, Insurance of IBM Japan, Ltd.
January 2006	Managing Director of IBM Japan, Ltd.
July 2012	President and Director of ESCCO JAPAN K.K.
January 2013	Vice President and General Manager, Strategic Business Division of SAP Japan Co., Ltd.
July 2015	Vice President and Chief Customer Officer of SAP Japan Co., Ltd.
December 2015	Director and Executive Vice President of SEIKO Solutions Inc.
April 2017	President of SEIKO Solutions Inc. (to present)
June 2021	Director of the Company
June 2022	Director, Senior Executive Vice President of the Company (to present)

<Responsibilities>

Systems Solutions Domain, IT Planning and DX Business Promotion

- (5) Significant concurrent positions:

President of SEIKO Solutions Inc.

- (6) Reasons for nomination as candidate for director:

The Company nominates Mr. Jun Sekine as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having extensive knowledge and a wide-ranging network in the IT industry from having served as a management member of foreign-affiliated IT corporations; and (ii) currently being engaged in management direction as President of SEIKO Solutions Inc. and being in charge of the Systems Solutions Domain and IT Planning and DX Business Promotion as Director and Senior Executive Vice President of the Company.

- (7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Jun Sekine.

6. Taku Yoneyama (Date of Birth: November 15, 1962) (Newly Appointed)



(1) Number of shares of the Company held: 2,000

(2) Length of service as a Director: —

(3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: —

(4) Career, positions, and responsibilities

April 1986      Joined the Company

May 2011      General Manager, Corporate Strategy Planning Department of the Company

February 2015      Senior Vice President of SEIKO WATCH CORPORATION

June 2015      Director, Senior Vice President of SEIKO WATCH CORPORATION

April 2017      Director, Executive Vice President of SEIKO WATCH CORPORATION

April 2020      Director, Senior Executive Vice President of SEIKO WATCH CORPORATION

April 2023      Executive Vice President, General Manager of Corporate Management Division of the Company (to present)

(5) Significant concurrent positions:

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(6) Reasons for nomination as candidate for director:

The Company nominates Mr. Taku Yoneyama as a candidate for Director, expecting him to perform full functions as a Board member in the decision-making to execute important business and supervise the other Directors' execution of their duties by utilizing his wealth of experience and achievement, including the following: (i) having been engaged mainly in corporate strategy planning as a member of the Company Group since joining the Company; and (ii) having been in charge of business management in general, including corporate strategy planning, corporate management, general affairs, and human resources as General Manager of the Corporate Strategy & Planning Division at SEIKO WATCH CORPORATION.

(7) Special relationship of interest between the Company and the candidate for Director:

There is no special relationship of interest between the Company and Mr. Taku Yoneyama.

7. Yasuko Teraura (Date of Birth: October 16, 1970)  
(Reappointed) (Outside Director) (Independent Director)



- (1) Number of shares of the Company held: 900
- (2) Length of service as a Director: 4 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 13 out of 13 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 2000	Registered as an attorney
October 2006	Certified as a New York State attorney
March 2010	Established Endeavour Law Office, Partner Attorney of Endeavour Law Office (to present)
June 2019	Outside Director of the Company (to present)
June 2022	Outside Director (Audit and Supervisory Committee Member) of Ryosan Company, Limited (to present)

- (5) Significant concurrent positions:

Partner Attorney of Endeavour Law Office  
Outside Director (Audit and Supervisory Committee Member) of Ryosan Company, Limited

- (6) Reasons for nomination as candidate for Outside Director and the overview of expected roles:

The Company nominates Ms. Yasuko Teraura as a candidate for Outside Director, expecting her to contribute to strengthening supervisory functions over the execution of business and provide advice by leveraging her legal expertise based on her extensive knowledge and experience cultivated over many years as an attorney. Although Ms. Yasuko Teraura does not have any previous experience of being involved in corporate management other than through serving as an Outside Officer, the Company has determined that she is capable of appropriately performing the duties of an Outside Director based on the aforementioned reasons.

- (7) Special relationship of interest between the Company and the candidate for Outside Director and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Ms. Yasuko Teraura.

Ms. Yasuko Teraura satisfies the requirements of an independent director under the rules of the Tokyo Stock Exchange, and has been reported thereto as an independent director. If her appointment is approved at this Ordinary General Meeting of Shareholders, she will continue to serve as an independent director.

8. Noboru Saito (Date of Birth: August 8, 1961)  
(Reappointed) (Outside Director) (Independent Director)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Director: 1 year
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 10 out of 10 meetings (100.0%)
- (4) Career, positions, and responsibilities

April 1986	Joined Burroughs Corporation (currently BIPROGY Inc.)
April 2004	General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.)
April 2009	General Manager, Industry & Commerce of Nihon Unisys, Ltd. (currently BIPROGY Inc.)
April 2010	General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.)
April 2012	General Manager, Business Services of Nihon Unisys, Ltd. (currently BIPROGY Inc.)
April 2013	Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.)
April 2016	Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.)
June 2016	Director, Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.)
April 2020	Representative Director, Executive Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) (to present)
June 2022	Outside Director of the Company (to present)

- (5) Significant concurrent positions:

Representative Director, Executive Corporate Officer of BIPROGY Inc.

- (6) Reasons for nomination as candidate for Outside Director and the overview of expected roles:

The Company nominates Mr. Noboru Saito as a candidate for Outside Director, expecting him to contribute to strengthening supervisory functions over the execution of business and provide advice from a wide-ranging management perspective based on his extensive experience and high insight cultivated in his career as a management member of corporations over many years.

- (7) Special relationship of interest between the Company and the candidate for Outside Director and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Mr. Noboru Saito.

Mr. Noboru Saito is currently serving as Representative Director, Executive Corporate Officer of BIPROGY Inc. The BIPROGY Group and the Company Group have transactions in the Systems Solutions Business. However, these transactions constitute

less than one percent of BIPROGY Inc. and the Company's consolidated net sales, and is thus insignificant.

Mr. Noboru Saito satisfies the requirements of an independent director under the rules of the Tokyo Stock Exchange, and has been reported thereto as an independent director. If his appointment is approved at this Ordinary General Meeting of Shareholders, he will continue to serve as an independent director.



9. Hideki Kobori (Date of Birth: February 2, 1955)  
(Newly Appointed) (Outside Director) (Independent Director)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Director: —
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: —
- (4) Career, positions, and responsibilities

April 1978	Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corp.)
July 2004	General Manager, Corporate Strategy and Planning Department of Asahi Kasei EMD Corp.
April 2007	General Manager, Electronics Devices Marketing & Sales Center of Asahi Kasei EMD Corp.
April 2008	Director and Senior Executive Officer of Asahi Kasei EMD Corp.
April 2009	Director and Primary Executive Officer of Asahi Kasei Microdevices Corp.
April 2010	President & Representative Director, Presidential Executive Officer of Asahi Kasei Microdevices Corp.
June 2012	Director and Senior Executive Officer of Asahi Kasei Corp.
April 2014	Representative Director, Primary Executive Officer of Asahi Kasei Corp.
April 2016	President & Representative Director, Presidential Executive Officer of Asahi Kasei Corp.
April 2022	Chairman & Representative Director of Asahi Kasei Corp.
June 2022	Vice Chair of KEIDANREN (Japan Business Federation) (to present)
April 2023	Chairman & Director of Asahi Kasei Corp. (to present)

- (5) Significant concurrent positions:

Chairman & Director of Asahi Kasei Corp.  
Vice Chair of KEIDANREN (Japan Business Federation)

- (6) Reasons for nomination as candidate for Outside Director and the overview of expected roles:

The Company nominates Mr. Hideki Kobori as a candidate for Outside Director, expecting him to contribute to strengthening supervisory functions over the execution of business and provide advice from a wide-ranging management perspective based on his extensive experience and high insight cultivated in his career as a management member of corporations over many years.

- (7) Special relationship of interest between the Company and the candidate for Outside Director and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Mr. Hideki Kobori.

Mr. Hideki Kobori satisfies the requirements of an independent director under the rules of the Tokyo Stock Exchange, and will be reported thereto as an independent director, if his appointment is approved at this Ordinary General Meeting of Shareholders.

Note 1: The Company entered into an agreement with Ms. Yasuko Teraura and Mr. Noboru Saito to limit liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to Article 427, paragraph 1 thereof. The limit on the liability for damages under the said agreement will be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act. If their appointment is approved, the Company will continue the aforementioned liability limitation agreement with them. If the appointment of Mr. Hideki Kobori is approved, the Company plans to enter into a similar agreement with him.

Note 2: The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company, with all Directors of the Company as the insured, as prescribed in Article 430-3, paragraph 1 of the Companies Act. The details of the insurance policy are as described in the Business Report, “4. Matter related to officers, (3) Overview of directors and officers liability insurance.” If the appointment of the candidates is approved, each candidate will be included as an insured under the insurance policy. The Company plans to renew the insurance policy with the same conditions during the term of office of each candidate.

### Proposal 3: Election of Two (2) Corporate Auditors

The Company proposes the election of two (2) Corporate Auditors, as the terms of office of two (2) Corporate Auditors, Mr. Hideki Amano and Mr. Masatoshi Yano, will expire at the closing of this General Meeting of Shareholders.

The Company has obtained consent from the Board of Corporate Auditors with regard to this proposal.

The candidate for Corporate Auditor is as follows.

1. Hideki Amano (Date of Birth: November 26, 1953)  
(Reappointed) (Outside Corporate Auditor) (Independent Auditor)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Corporate Auditor: 4 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 13 out of 13 meetings (100.0%)  
Attendance at the Board of Corporate Auditors meetings during the fiscal year ended March 31, 2023: 10 out of 10 meetings (100.0%)

- (4) Career and positions

April 1976	Joined Arthur Andersen (currently KPMG AZSA LLC)
September 1980	Registered as a certified public accountant
September 1992	Representative Partner of Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC)
September 2011	Vice President (Audit Division) of KPMG AZSA LLC
July 2015	Executive Senior Partner of KPMG AZSA LLC (retired in June 2016)
March 2017	Outside Audit & Supervisory Board Member of Kao Corporation (to present)
June 2019	Outside Corporate Auditor of the Company (to present)
June 2022	Outside Auditor of Mizuho Leasing Company, Limited (to present)

- (5) Significant concurrent positions:

Certified public accountant  
Outside Audit & Supervisory Board Member of Kao Corporation  
Outside Auditor of Mizuho Leasing Company, Limited

- (6) Reasons for nomination as candidate for Outside Corporate Auditor:

The Company nominates Mr. Hideki Amano as a candidate for Outside Corporate Auditor, expecting him to perform appropriate audit functions based on extensive knowledge and experience cultivated in his career as a certified public accountant over many years.

Although Mr. Hideki Amano does not have any previous experience of being involved in corporate management other than through serving as an Outside Officer, the

Company has determined that he is capable of appropriately performing the duties of an Outside Corporate Auditor based on the aforementioned reasons.

- (7) Special relationship of interest between the Company and the candidate for Outside Corporate Auditor and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Mr. Hideki Amano.

Mr. Amano previously worked at KPMG AZSA LLC, the Accounting Auditor of the Company. However, Mr. Hideki Amano did not directly engage in audit work for the Company, and has not been involved in operation of the audit firm since he retired as Executive Senior Partner from the said audit firm in June 2016.

Mr. Hideki Amano satisfies the requirements of an independent auditor under the rules of the Tokyo Stock Exchange, and has been reported thereto as an independent auditor. If his appointment is approved at this Ordinary General Meeting of Shareholders, he will continue to serve as an independent auditor.

2. Masatoshi Yano (Date of Birth: August 3, 1956)  
(Reappointed) (Outside Corporate Auditor) (Independent Auditor)



- (1) Number of shares of the Company held: 0
- (2) Length of service as a Corporate Auditor: 4 years
- (3) Attendance at the Board of Directors meetings during the fiscal year ended March 31, 2023: 13 out of 13 meetings (100.0%)  
Attendance at the Board of Corporate Auditors meetings during the fiscal year ended March 31, 2023: 10 out of 10 meetings (100.0%)

(4) Career and positions

April 1980	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)
April 2007	Executive Officer, General Manager, Head Office of Mizuho Bank, Ltd.
April 2009	Managing Executive Officer of Mizuho Bank, Ltd.
April 2011	Deputy President of Mizuho Bank, Ltd. (retired in March 2013)
June 2015	President of Chuo Fudosan K.K. (currently Chuo-Nittochi Co., Ltd.) (retired in June 2018)
June 2018	President of Seiwa Sogo Tatemono Co., Ltd. (to present)
June 2019	Outside Corporate Auditor of the Company (to present)

(5) Significant concurrent positions:

President of Seiwa Sogo Tatemono Co., Ltd.

(6) Reasons for nomination as candidate for Outside Corporate Auditor:

The Company nominates Mr. Masatoshi Yano as a candidate for Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his extensive experience and high insight cultivated in his career as a management member of corporations over many years.

(7) Special relationship of interest between the Company and the candidate for Outside Corporate Auditor and the candidate's independence from the Company:

There is no special relationship of interest between the Company and Mr. Masatoshi Yano.

Mr. Masatoshi Yano currently serves as President of Seiwa Sogo Tatemono Co., Ltd. Seiwa Sogo Tatemono Co., Ltd. and the Company Group have transactions related to real estate management. However, these transactions constitute less than one percent of net sales of Seiwa Sogo Tatemono Co., Ltd. and the Company's consolidated net sales, and is thus insignificant. In addition, Mr. Masatoshi Yano previously worked at Mizuho Bank, Ltd., a major lender to the Company. However, Mr. Yano has not been involved in execution of operations at Mizuho Bank, Ltd. since he retired as Deputy President from the said bank in March 2013.

Mr. Masatoshi Yano satisfies the requirements of an independent auditor under the rules of the Tokyo Stock Exchange, and has been reported thereto as an independent

auditor. If his appointment is approved at this Ordinary General Meeting of Shareholders, he will continue to serve as an independent auditor.

Note 1: The Company entered into an agreement with Mr. Hideki Amano and Mr. Masatoshi Yano to limit liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to Article 427, paragraph 1 thereof. The limit on the liability for damages under the said agreement will be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act. If their appointment is approved, the Company will continue the aforementioned liability limitation agreement with them.

Note 2: The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company, with all Corporate Auditors of the Company as the insured, as prescribed in Article 430-3, paragraph 1 of the Companies Act. The details of the insurance policy are as described in the Business Report, “4. Matter related to officers, (3) Overview of directors and officers liability insurance.” If the appointment of the candidates is approved, each candidate will be included as an insured under the insurance policy. The Company plans to renew the insurance policy with the same conditions during the term of office of each candidate.

[For reference]

<Decision process of the nomination of the Director and Corporate Auditor candidates>

In order to procure the objectivity and transparency of the process to nominate officer candidates and to determine compensation for officers, the Company established the Corporate Governance Committee, a majority of the members of which are independent outside officers, as an advisory body for the Board of Directors.

The nomination of the Director candidates listed in Proposal 2 and the Corporate Auditor candidates listed in Proposal 3 were determined by the Board of Directors after being deliberated on by that committee.

<Skills of Directors and Corporate Auditors (tentative) after this Ordinary General Meeting of Shareholders>

Name	Positions after this Meeting (tentative)	Gender	Skills and experience						
			Corporate management	Brand culture	Marketing	Technology	Finance & Accounting	Legal & Risk management	Global
Shinji Hattori	Chairman & Group CEO Group CCO	Male	○	○	○				○
Shuji Takahashi	President	Male	○		○	○			○
Akio Naito	Director, Senior Executive Vice President	Male	○		○			○	○
Takahiro Naito	Director, Senior Executive Vice President	Male	○			○			○
Jun Sekine	Director, Senior Executive Vice President	Male	○		○	○			
Taku Yoneyama	Director, Executive Vice President	Male			○	○	○	○	
Yasuko Teraura	Outside Director	Female						○	○
Noboru Saito	Outside Director	Male	○		○	○			○
Hideki Kobori	Outside Director	Male	○	○	○			○	
Haruhiko Takagi	Standing Corporate Auditor	Male					○		○
Takashi Nishimoto	Standing Corporate Auditor	Male					○	○	
Hideki Amano	Outside Corporate Auditor	Male					○	○	○
Masatoshi Yano	Outside Corporate Auditor	Male	○					○	
Kenji Sakurai	Outside Corporate Auditor	Male	○		○				○

## **Proposal 4: Revision of Upper Limit of Stock Compensation, etc. for Directors**

### 1. Reasons for proposal and reasons for appropriateness thereof

The Company received approval for a BBT (Board Benefit Trust), a stock compensation plan (the “Plan”) for the Company’s Executive Directors (excluding Non-Executive Directors and Outside Directors), at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016.

Subsequently, following the introduction of the system of executive officer (senior vice president) on June 29, 2022, Executive Officers were added to the persons eligible for the Plan, and the Plan was put into operation (Executive Directors and Executive Officers eligible for the Plan are hereinafter referred to as “Directors, Etc.”).

The Plan aims to enhance the awareness of the Directors, Etc. to contribute to improve business performance and increase corporate value of the Company in the medium- to long-term, by further clarifying the link between their compensation and medium- to long-term performance and stock value, and by the Directors, Etc. sharing interest with our shareholders.

In July 2022, the Company revised its Directors, Etc. compensation plan to further realize the above objectives, and increased the ratio of stock compensation in the total amount of compensation paid to Directors, Etc. Accordingly, taking into consideration future fluctuations in the Company’s stock price, the Company proposes to revise the upper limit of funds to be contributed by the Company for every three fiscal years (the “Target Period”) and the maximum number of points to be awarded to Directors, Etc.

In light of the purpose of the Plan and the Company’s “Policy for determining compensation for Directors and Executive Officers (Senior Vice Presidents)”, the Company believes that the contents of this proposal are appropriate.

The Company requests approval of this proposal, separate from the amount of compensation for Directors approved at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 (420 million yen or less per year, not including employee salaries).

The Executive Directors eligible for the Plan will be six (6), if Proposal 2: “Election of Nine (9) Directors” is approved and resolved as it is originally proposed.

### 2. Details of revisions

The Company acquires through a trust (the trust created under the Plan hereinafter being referred to as the “Trust”) the Company’s shares reasonably expected to be required in order to provide the shares for each Target Period. The upper limit of the amount of contribution by the Company will be revised from 240 million yen to 540 million yen (including 390 million yen for the Company’s Executive Directors’ portion), and the maximum total number of points to be awarded to Directors, Etc. will be revised to 62,000 points (including 45,000 points for the Company’s Executive Directors’ portion), an increase from 36,000 points per fiscal year (note: the maximum number of points to be awarded to Directors was 180,000 points before the reverse stock split implemented on October 1, 2017).

### 3. Outline of the revised Plan

#### (1) Outline of the Plan

The Plan is a performance-based stock compensation plan where the Company’s shares are acquired through the Trust with funds contributed by the Company, and the Company’s shares and cash equivalent to the market value of the Company’s shares (the “Company Shares, Etc.”) are provided to the Directors, Etc. through the Trust in accordance with the “Rules for Delivery of Shares to Officers” stipulated by the Company. The time at which a Director, Etc. receives the Company Shares, Etc. shall, in principle, be when he or she retires from office.



(2) Persons eligible for the Plan

The persons eligible for the Plan shall be Executive Directors (excluding Non-Executive Directors and Outside Directors) and Executive Officers of the Company.

(3) Upper limit of the amount of contribution by the Company to the Trust

The Company has contributed cash to the Trust up to a limit of 240 million yen as the funds required for the Target Period until now. Subject to the approval of this proposal, the Company will make an additional contribution to the Trust up to a limit of 540 million yen (including 390 million yen for the Company's Executive Directors' portion) for the Target Period from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025 and in each subsequent Target Period. However, in making such additional contribution, if there are any shares of the Company (excluding the Company's shares corresponding to the number of points awarded to the Directors, Etc. pursuant to (5) below, which have not been delivered to them) and cash remaining in the trust assets on the day immediately preceding the commencement of the Target Period for which such additional contribution is to be made (the "Remaining Shares, Etc."), the Remaining Shares, Etc. shall be allocated to the source of delivery to be made under the Plan for the Target Period, and the upper limit of amount that the Company may additionally contribute in the Target Period shall be 540 million yen (including 390 million yen for the Company's Executive Directors' portion) less the amount of the Remaining Shares, Etc. (the value of shares shall be the amount equivalent to the market value as of the day immediately preceding the commencement of the relevant Target Period).

(4) Method of acquisition of the Company's shares

The Trust will acquire the Company's shares through stock markets or by subscribing to treasury shares of the Company.

(5) Specific details of the Company Shares, Etc. to be delivered to Directors, Etc.

In each fiscal year, the Company will award points to each Director, Etc. in such number to be determined based on his or her position, the degree of achievement of the medium- and long-term performance targets, and other factors in accordance with the "Rules for Delivery of Shares to Officers."

The total number of points awarded to the Directors, Etc. in each fiscal year will be a maximum of 62,000 points (including 45,000 points for the Company's Executive Directors' portion).

Upon the delivery of Company Shares, Etc. under (6) below, one point awarded to a Director, Etc. will be converted to one common share of the Company (however, if a stock split, allotment of shares without contribution, or reverse stock split is conducted with respect to the Company's shares, the maximum number of points and the number of points already awarded or the conversion ratio will be adjusted in a reasonable manner depending on the ratio or other factors of such conduct).

(6) Timing of delivery to the Directors, Etc.




If a Director, Etc. who has retired from office meets the beneficiary requirements stipulated in the "Rules for Delivery of Shares to Officers," he or she will be able to receive the Company's shares from the Trust, in principle, after his or her retirement in proportion to the accumulated number of points awarded until his or her retirement from office, by taking the prescribed procedures to determine the beneficiary. However, if a Director, Etc. meets the requirements stipulated in the "Rules for Delivery of Shares to Officers," the Company may pay him or her cash equivalent to the market value of a certain percentage of such shares, instead of delivering the Company's shares.

Please note that the Trust may sell the Company's shares to carry out a cash delivery. If a Director, Etc. who has been awarded points is dismissed or commits an act that causes material damage to the

Company or other similar misconduct, the Company may reduce all or part of the shares and money to be paid to him or her.

[For reference]

<Comparison of structure of compensation for Directors, Etc. (before and after revisions to the compensation plan; \*at the time of standard performance)>

Fixed compensation	Performance-based compensation, etc.	
 Basic compensation	 Bonuses	 Stock compensation

■ Chairman and President

Before revision:



After revision:



■ Executive Directors other than Chairman and President and Executive Officers

Before revision:



After revision:



<Outline of the revision of the stock compensation plan >

	Upon introduction of the plan (June 2016)	After this General Meeting of Shareholders (planned)
Eligible persons	Executive Directors (Executive Officers added in July 2022)	Executive Directors and Executive Officers
Upper limit of the amount of contribution by the Company to the Trust for each three fiscal years	240 million yen	540 million yen (including Executive Directors' portion of 390 million yen)
Maximum total number of points to be awarded to Directors, Etc. each fiscal year	36,000 points	62,000 points (*) (including Executive Directors' portion of 45,000 points)

Note: The percentage of the number of shares corresponding to 62,000 points to the total number of shares issued (as of March 31, 2023; after deducting treasury shares) is approximately 0.1%.

[Translation][Attached Documents]

**Business Report for the Fiscal Year Ended March 2023 (From April 1, 2022 To March 31, 2023)**

1. Matters related to current status of the Corporate Group

(1) Business developments and results

In the world economy during the fiscal year ended March 31, 2023, many markets experienced a distinct slowdown due to inflationary concerns against the backdrop of factors such as rising prices primarily due to a concurrent global economic recovery since the previous fiscal year, as well as soaring international commodity prices due to the impact of the situation in Ukraine, and progress in monetary tightening in various countries. In China, although there were supply chain disruptions due to the lockdown under the government's "zero-COVID" policy, the policy was abolished during the fiscal year, and the economy has been on a recovery trend thereafter. Meanwhile, the Japanese economy is on a gradual recovery trend, due to a marked recovery in personal consumption as the impact of the novel coronavirus eased, as well as an expected return of demand from foreign tourists, despite a sense of stagnation caused by the global economic downturn and rising prices.

Amid these circumstances, the Company launched the five-year Eighth Mid-Term Management Plan, "Seiko Milestone 145 = SMILE145," which began in the fiscal year ended March 31, 2023, and proceeded with business development centered on the three newly defined strategic domains of "Emotional Value Solutions Business (EVS Business)," "Devices Solutions Business (DS Business)," and "Systems Solutions Business (SS Business)."

In the EVS Business, the Watches Business and WAKO Business for the Japanese market recovered significantly on the back of improved personal consumption. In the Watches Business for overseas markets, net sales also grew in many countries and regions. Although the DS Business continued to increase net sales by steadily capturing favorable demand in the first half of the fiscal year, market conditions deteriorated sharply from the third quarter onward, resulting in a sharp slowdown in net sales, especially for devices for consumer products. In the SS Business, net sales exceeded those of the previous fiscal year, thanks to successful efforts to diversify business and expand the stock business. As a result, for the fiscal year ended March 31, 2023, the Group reported consolidated net sales of 260.5 billion yen, a year-on-year increase of 9.7%.

On an overall consolidated basis, domestic net sales came to 132.6 billion yen (a year-on-year increase of 6.6%), and overseas net sales were 127.8 billion yen (a year-on-year increase of 13.2%). Overseas net sales comprised 49.1% of net sales overall.

Advertising and promotion expenses for the fiscal year ended March 31, 2023 increased by approximately 15% from the previous fiscal year. Although labor costs and other selling, general and administrative expenses also increased year on year, operating profit improved by 2.4 billion yen year on year to 11.2 billion yen (a year-on-year increase of 28.1%), as a result of an increase in net sales. Non-operating income and expenses were generally even, and ordinary profit increased by 1.2 billion yen year on year to 11.1 billion yen (a year-on-year increase of

12.4%). Profit attributable to owners of parent was 5.0 billion yen (a year-on-year decrease of 21.6%), as a result of posting 0.2 billion yen in gain on sale of non-current assets as extraordinary income, 1.7 billion yen in extraordinary losses mainly due to loss on sale of investment securities, and a 1.2 billion yen increase in income taxes - deferred from the previous fiscal year.

The average exchange rates for the current fiscal year were 135.5 yen to 1 US dollar and 141.0 yen to 1 euro.

Results for each segment are as follows.

To realize the Group 10-year vision, the Company has established three strategic domains (the Emotional Value Solutions domain, the Devices Solutions domain, and the Systems Solutions domain) based on the solutions it provides, and formulated and implemented strategies for each domain under the Eighth Mid-Term Management Plan, "SMILE145." Accordingly, reported segments have been changed from "Watches Business," "Electronic Devices Business," and "Systems Solutions Business" to the three strategic domains, "Emotional Value Solutions Business," "Devices Solutions Business," and "Systems Solutions Business." The previous Watches Business and some of the businesses included in the previous Electronic Devices Business, together with the Time Creation Business and WAKO Business in the Time Creation, WAKO and other Businesses, make up the Emotional Value Solutions Business. The Devices Solutions Business consists of the businesses previously in the Electronic Devices Business, other than those that have been changed to the Emotional Value Solutions Business. There are no changes from the previous business in the Systems Solutions Business.

a. Emotional Value Solutions Business (EVS Business)

Net sales in the EVS Business came to 170.7 billion yen, a year-on-year increase of 19.9 billion yen, or 13.2%.

Net sales of completed watches in Japan grew significantly year on year, especially for Grand Seiko and Seiko Prospex, due to a recovery in personal consumption. Overseas, net sales in the U.S. also rose significantly, driven by Global Brands such as Grand Seiko, and in Europe, net sales in the U.K., France, Germany, and other countries grew significantly due to favorable performance of Grand Seiko in general. Meanwhile, in China, net sales decreased due to the impact of the lockdown and sluggish personal consumption that followed.

In the watch movements business, net sales increased partly due to the depreciation of the yen.

Net sales in the WAKO Business grew significantly year on year with the recovery of the Japanese market for high-end products. However, net sales of clocks for the Japanese market and system clocks were sluggish.

Operating profit increased by 3.2 billion yen year on year, resulting in operating profit of 11.5 billion yen (a year-on-year increase of 39.6%) due to the increase in net sales and the depreciation of the yen.

b. Devices Solutions Business (DS Business)

Net sales in the DS Business came to 64.5 billion yen, a year-on-year increase of 5.7%. Operating profit was 5.0 billion yen, a year-on-year decrease of 10.3%.

From the third quarter onward, although a slowdown trend became apparent in orders for devices for use in consumer and general-purpose products, favorable performance continued for micro batteries for medical equipment, high-performance metals for semiconductor production equipment, and other products. However, operating profit remained lower while net sales grew due to production adjustments and soaring energy costs.

c. Systems Solutions Business (SS Business)

Net sales in the SS Business came to 36.6 billion yen, a year-on-year increase of 2.2 billion yen, or 6.4%. Operating profit was 4.3 billion yen, a year-on-year increase of 0.4 billion yen, or 10.7%.

In some industries, such as food service, a trend toward recovery from the coronavirus pandemic was observed. In addition, businesses supporting digital infrastructure, such as performance management and security-related business and other businesses, performed steadily throughout the year, and system-related and payment-related businesses also grew, resulting in continued year-on-year growth in both net sales and operating profit for 28 consecutive quarters.

(2) Issues that need to be addressed by the Corporate Group

In 2021, when the Company celebrated the 140th Anniversary of its foundation, the Company has clarified its purpose: “As a company trusted by society, we will constantly pursue innovation, inspiring people everywhere, and creating a future full of smiles.” This purpose is the starting point for all of the Company’s activities, which are based on its corporate philosophy of being “A Company that is Trusted by Society.”

The Company has also defined the following Group 10-year vision leading up to the 150th Anniversary in 2031.

Leveraging analog & digital synergies to offer products and services  
that contribute to the creation of sustainable societies,  
connecting people, things, and time throughout the world

In order to realize the Group 10-year vision, the Company has formulated the Eighth Mid-Term Management Plan (Seiko Milestone 145 = SMILE145), which concludes in FY2026, and will promote its businesses.

1. Positioning of SMILE145

The Eighth Mid-Term Management Plan, SMILE145, is a five-year plan formulated by backcasting from the Group 10-year vision and aimed at FY2026, the 145th Anniversary of our founding and the midpoint of the vision, in order to realize the Group 10-year vision, which represents what we aim to be for the 150th Anniversary.

2. Ideals of SMILE145

By 2026, we aim to become “A solutions company that offers high-added-value products and services that create excitement and generate substantial profits.” The basic principle through which we will achieve this is the “MVP Strategy = Moving, Valuable, Profitable,” in which we will focus on high-added-value, highly profitable products that move people.

3. Our value creation story for the years leading up to 2031

Based on an analysis of the environment surrounding the Company Group, from the perspectives of both opportunity and risk, the Company is engaging in business activities that help solve social issues, with the Group purpose as the starting point, and contributing to the Group’s steady growth and the development of a sustainable society. As the Group’s growth strategy, the Company has promoted the Group core strategies (SDGs, human resource, branding, DX, and R&D). In addition, the Company has established three strategic domains (Emotional Value Solutions, Devices Solutions, and Systems Solutions), in which the Company Group’s strengths lie, and will implement strategies in these domains to capture business opportunities in four areas (Emotional Consumption, Society 5.0, Wellness, and Society/Environment). Furthermore, by striving to generate Group synergies, the Company will aim to create social value and achieve the Company Group’s growth.

To accomplish this, the Company will promote the “MVP Strategy” for achieving what we aim to be in 2026, which was defined by backcasting from the Group 10-year vision.

4. Group core strategies

The Company Group has defined five strategies across the Group as Group core strategies, and will promote its growth strategy.

(i) SDGs strategy

Starting with its Statement of Purpose, the Seiko Group will strive to use its business activities, which aim to create WITH, to realize the Group’s steady growth and contribute to the development of a sustainable society.

(“WITH” = Well-being: A Better Life, Inclusion: For All People, Trust: Certainty and Trust, and Harmony: Harmony with the Earth)

(ii) Human resource strategy

The Company Group will 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.

(iii) DX strategy

The Company Group will 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.

(iv) R&D strategy

The Company Group will further evolve its technology and create new value by combining its long-cultivated technological philosophy of “Craftsmanship, Miniaturization and Efficiency” with digital technology.

(v) Branding strategy

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 its social, technical, and emotional value.

5. Domain-specific ideals

(i) Emotional Value Solutions (EVS) Domain

- 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

(ii) Devices Solutions (DS) Domain

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

(iii) Systems Solutions (SS) Domain

- 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

6. Financial policy and cash allocation

Under SMILE145, the Company Group will increase its growth investment capabilities by improving the gross profit margin and make investments to establish sustainability, with the aim of improving the financial constitution based on capital costs and reliably providing returns to shareholders. The investment policy aimed at establishing sustainability will consist of three elements: active investment based on sales growth potential and an ROIC, the establishment of a stable revenue base, and taking on the challenges of new business domains. Led by this policy, the Company will engage in investments in branding, R&D, manufacturing facilities, M&As, DX, human resources, etc., in order to achieve the Group's growth.

7. Group-wide management targets

SMILE145 focuses on medium- and long-term profitability and growth. Its objective is to ensure the ongoing sustainability of the Company Group. Financial targets for FY2026 are consolidated operating profit of 18.0 to 20.0 billion yen, an increase in consolidated gross profit margin of 5.0 percentage points (compared to FY2021), and a consolidated ROIC of over 6.5%. Regarding ESG indicators, the Company aims to reduce CO<sub>2</sub> emissions under SCOPE 1 and 2 by 25% (compared to FY2020) in FY2026. In addition, the Company uses employee engagement surveys that are carried out from FY2022 to clearly prioritize issues, and strives to improve engagement scores by working to address these issues.

8. The environment surrounding our business and initiatives for solving issues

(i) Group core strategies

In our SDGs strategy, the Company Group has implemented decarbonization and climate change response initiatives, including reducing CO<sub>2</sub> emissions through the use of renewable energy at



business sites in Japan, understanding the Company Group's SCOPE 3 emissions, and making TCFD (Task Force on Climate-related Financial Disclosures) disclosures. We will continue to reduce CO<sub>2</sub> emissions and enrich our TCFD disclosures while applying for SBT (Science Based Targets) certification. We will also carry out initiatives aimed at evaluating and reducing human rights risks, and formulate and implement responsible procurement rules.

In our human resources strategy, we have conducted DX training for Group employees in Japan and proceeded with our efforts on DX human resources development. We will also develop entrepreneurial personnel who apply managerial perspectives. During the fiscal year under review, we conducted an engagement survey for the first time. Based on the results of this survey, we will clarify the prioritization of the issues that we will address, and we will implement various initiatives to increase engagement scores and enrich our human capital. In addition, we will make reforms to our systems and carry out awareness-raising activities to promote the use of childcare leave by male employees, and we also promote diversity.

In our DX strategy, we worked to improve our customer experience and transition to a data-driven business model through measures such as promoting CRM. We will further deepen our digital sales and marketing as we create new businesses such as e-commerce in the metaverse.

In our R&D strategy, we have increased the value added by our MVP products and services, and advanced and streamlined our manufacturing, contributing to greater profitability in foundation domains such as emotional consumption and Society 5.0. We will continue to accelerate our technology development in the future. In the expansion domains of wellness and society/environment, we are carrying out R&D aimed at business creation.

In our branding strategy, we have conducted PR and branding initiatives that promote our social, technical, and emotional value. We have also worked to increase integration with B-to-B business and to evolve our branding into one that provides moving experiences.

(ii) Strategic domains

Many aspects of the economic environment have had a positive impact on the Company Group's business, such as the depreciation of the yen, the post-coronavirus pandemic economic recovery in Japan, and the return of demand from foreign tourists. Meanwhile, with respect to devices, the vigorous demand of the first half of the fiscal year slowed down sharply in the second half, and the market environment changed suddenly. Amidst this environment, in the EVS Domain, we steadily increased the sales composition ratio of MVP products in the Watches Business, where sales of Global Brands increased in both the domestic and overseas markets, and in the WAKO Business, where demand for high-end products was strong. As a result of these efforts, the gross profit margin in the EVS Domain also improved by roughly 2 percentage points year on year. We will continue to develop high-added-value products and implement other measures to improve

our MVP ratios. In the DS Domain, there were sudden changes in the market environment that had a profound impact on the business assumptions of SMILE145. Although sales of MVP products struggled, the sales composition ratio of MVP products rose as expected, and we were able to maintain roughly the same level of the gross profit margin as the previous fiscal year. In the DS Domain, in order to respond to these changes in the business environment, we have reexamined our business strategies and quickly revised our strategies in some businesses. In addition, we will strive to improve our business revenue by developing MVP products that would not be affected by these changes in the environment. In the SS Domain, we have expanded the stock business and promoted diversification. As a result, our MVP ratio has steadily increased, and the gross profit margin has improved by roughly 2 percentage points. In the future, we will continue to expand the stock business and promote diversification, while also considering potential M&As, to gain stable revenue. Overall, businesses in which MVP ratios rose have also seen growth in the gross profit margin. As a result, the gross profit margin has improved in line with targets on a consolidated basis, and we see the fiscal year under review, the first year of the Mid-Term Management Plan, as having been one in which we have succeeded at strengthening the Group's overall business.

We consider FY2023, the second year of SMILE145, as being an extremely important fiscal year for achieving SMILE145. We will thoroughly revise and accelerate our strategies based on the first year results, aiming to achieve a consolidated total of 12.0 billion yen in operating profit. Our targets for individual domains are 13.0 billion yen for the EVS Domain, 4.8 billion yen for the DS Domain, 4.8 billion yen for the SS Domain, and -10.6 billion yen for others and adjustments. We also aim to improve our consolidated gross profit margin by 1 percentage point or more.

The progress we have made for our main KPI under SMILE145 is indicated below.

Consolidated Management Indicators (KPI)				(Billions of yen)
	FY2021 Results	FY2022 Results	FY2023 Forecasts	FY2026 SMILE145
Consolidated operating profit	8.7	11.2	12.0	18.0 to 20.0
Consolidated gross profit margin	41.8%	42.9%	43.9%	46.8%

Management Indicators by Domain (KPI)				(Billions of yen)
	FY2021 Results	FY2022 Results	FY2023 Forecasts	FY2026 SMILE145
Operating profit	8.2	11.5	13.0	14.5 to 15.0
EVS				
DS	5.6	5.0	4.8	7.5 to 8.0
SS	3.9	4.3	4.8	6.5 to 7.0

(3) Financing

There are no matters of special note.

(4) Capital expenditures

The Company invested 3,682 million yen in the Emotional Value Solutions Business and 2,641 million yen in the Devices Solutions Business primarily to reinforce and renew manufacturing and other facilities, and 964 million yen in the Systems Solutions Business primarily to acquire software for marketing purposes, respectively.

(5) Trends in assets and profit/loss

The operating results and assets in the fiscal year ended March 31, 2023 and the past three years are as follows.

(i) Consolidated		(Millions of yen)			
Item	FY2019	FY2020	FY2021	FY2022	
Net sales	239,150	202,671	237,382	260,504	
Ordinary income	7,004	633	9,939	11,167	
Net income attributable to owners of parent	3,394	3,475	6,415	5,028	
Net income per share (Yen)	82	84	156	122	
Total assets	299,990	319,671	327,533	355,915	
Net assets	104,273	113,082	121,624	131,748	
Net assets per share (Yen)	2,500	2,709	2,911	3,145	

(ii) Non-consolidated		(Millions of yen)			
Item	FY2019	FY2020	FY2021	FY2022	
Operating revenue	12,031	11,301	12,043	15,312	
Ordinary income	3,027	809	-473	1,560	
Net income	3,124	1,560	3,257	2,562	
Net income per share (Yen)	76	38	79	62	
Total assets	176,961	192,853	187,644	201,299	
Net assets	50,681	55,495	57,120	57,534	
Net assets per share (Yen)	1,229	1,345	1,384	1,393	

Note 1 Net income per share is calculated on the basis of the average number of shares during the fiscal year.

Note 2 Treasury shares are indicated as a deduction item on net assets, and the values of net income per share and of net assets are calculated by deducting the number of treasury shares from the average number of shares during the fiscal year and the total number of issued shares, respectively.

Note 3 The Company has applied “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and relevant guidance from the beginning of FY2021.

(6) Status of major parent companies and subsidiaries

(i) Relationship with parent companies

Not applicable.

(ii) Status of major subsidiaries

Company Name	Paid-in Capital	Capital Contribution Ratio	Details of Major Business Activities
SEIKO WATCH CORPORATION	5,000 million yen	100.0%	Sales of watches
CRONOS INC.	200 million yen	100.0%(*)	Sales of watches and other products
Morioka Seiko Instruments Inc.	2,000 million yen	100.0%(*)	Manufacturing watches
Grand Seiko Corporation of America	US\$2,000	100.0%(*)	Sales of watches
Seiko Watch of America LLC	US\$112,000	100.0%(*)	Sales of watches
SEIKO Hong Kong Ltd.	HK\$129,300,000	100.0%(*)	Sales of watches and other products
SEIKO Manufacturing (H.K.) Ltd.	HK\$128,700,000	100.0%(*)	Manufacturing and sales of watches
SEIKO Manufacturing (Singapore) Pte. Ltd.	S\$32,288,000	100.0%(*)	Manufacturing watches
SEIKO Time Creation Inc.	500 million yen	100.0%	Manufacturing and sales of clocks, systems clocks and other products
WAKO Co., Ltd.	2,500 million yen	100.0%	Sales of high-end jewelry, apparel, and fashion accessories
Seiko Instruments Inc.	9,756 million yen	100.0%	Manufacturing and sales of electronic devices and other products
Seiko Future Creation Inc.	100 million yen	100.0%(*)	Group research and development, etc.
SEIKO Solutions Inc.	500 million yen	100.0%	Development, sales, etc. of information and telecommunication systems, etc.

Note: Asterisked ratios in the “Capital Contribution Ratio” column include indirect holdings.

(7) Major business segments of the Corporate Group

The Company is a holding company. The details of business activities, main merchandise and finished goods of each business are as follows:

Business Segment	Details of Business Activities	Main merchandise and products
Emotional Value Solutions Business	Manufacturing and sales	Watches, watch movements, clocks, high-end jewelry, apparel, fashion accessories, systems clocks
Devices Solutions Business	Manufacturing and sales	Micro batteries and materials, quartz crystals, precision turned parts, printers, quartz oscillator ICs
Systems Solutions Business	Development and sales	Digital trust solutions, network solutions, IT management solutions, IoT solutions, wireless network solutions, customer experience (CX) solutions, cashless solutions
Others	—	Shared services, real estate leasing, others

(8) Major business locations of the Corporate Group

The Company has its headquarters in Chuo-ku, Tokyo, and the major location of each business is as follows:

Business Segment	Location
Emotional Value Solutions Business	Chuo-ku, Tokyo
Devices Solutions Business	Mihama-ku, Chiba-shi, Chiba
Systems Solutions Business	Mihama-ku, Chiba-shi, Chiba
Others	Chuo-ku, Tokyo

(9) Status of employees of the Corporate Group

The number of employees of the Company and its consolidated subsidiaries is 11,843 (a decrease of 141 from the previous fiscal year-end).

(10) Major lenders and amounts borrowed

Lenders	Outstanding Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	44,748
Sumitomo Mitsui Banking Corporation	23,240
Aozora Bank, Ltd.	13,773

2. Matters related to the Company shares

- (1) Total number of shares authorized to be issued 149,200,000 shares
- (2) Total number of shares issued and outstanding 41,404,261 shares  
(including 60,884 treasury shares)
- (3) Number of shareholders at the end of the fiscal year ended March 31, 2023 12,627

(4) Major shareholders (top 10)

Name	Number of shares held	Percentage of shares held
	shares	%
Sanko Kigyo K.K.	4,436,500	10.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,302,800	10.4
Etsuko Hattori	3,613,908	8.7
Custody Bank of Japan, Ltd. (Trust Account)	2,480,700	6.0
Shinji Hattori	2,279,289	5.5
The Dai-ichi Life Insurance Company, Limited	1,800,000	4.4
Hideo Hattori	1,622,455	3.9
SHIMIZU CORPORATION	744,200	1.8
FUJI BUILDING Co., Ltd.	671,400	1.6
Hirohisa Hattori	595,175	1.4

Note: Percentages of shares held have been calculated with treasury shares excluded and rounded to one decimal place.

- (5) Shares issued to the Company's officers during the fiscal year under review as compensation for the execution of their duties

	Type and number of shares	Number of share recipients
Directors (excluding Outside Directors)	The Company's common shares 18,700 shares	3

3. Matters related to stock acquisition rights issued by the Company  
Not applicable.



4. Matters related to officers

(1) Name, etc. of Directors and Corporate Auditors (as of March 31, 2023)

Name	Position and responsibility at the Company	Significant concurrent positions at other entities
Shinji Hattori	Chairman Group CEO, Group CCO (Group Chief Culture Officer)	Chairman of SEIKO WATCH CORPORATION Chairman of WAKO Co., Ltd.
Shuji Takahashi	President	
Akio Naito	Director, Senior Executive Vice President in charge of Emotional Value Solutions Domain, Legal and Intellectual Property	President of SEIKO WATCH CORPORATION
Takahiro Naito	Director, Senior Executive Vice President in charge of Devices Solutions Domain	President of Seiko Instruments Inc.
Jun Sekine	Director, Senior Executive Vice President in charge of Systems Solutions Domain, IT Planning and DX Business Promotion	President of SEIKO Solutions Inc.
Shimesu Takizawa	Director, Executive Vice President in charge of Financial Management and Real Estate Management General Manager of the Financial Management Department	
Tsuyoshi Nagano	Outside Director	Chairman of the Board of Tokio Marine Holdings, Inc. Outside Director of Central Japan Railway Company Outside Director of FUJIFILM Holdings Corporation Vice Chair of KEIDANREN (Japan Business Federation)
Yasuko Teraura	Outside Director	Partner Attorney of Endeavour Law Office Outside Director (Audit and Supervisory Committee Member) of Ryosan Company, Limited

Noboru Saito	Outside Director	Representative Director, Executive Corporate Officer of BIPROGY Inc.
Haruhiko Takagi	Standing Corporate Auditor	Outside Corporate Auditor of OHARA INC.
Takashi Nishimoto	Standing Corporate Auditor	
Hideki Amano	Outside Corporate Auditor	Certified public accountant Outside Audit & Supervisory Board Member of Kao Corporation Outside Auditor of Mizuho Leasing Company, Limited
Masatoshi Yano	Outside Corporate Auditor	President of Seiwa Sogo Tatemono Co., Ltd.
Kenji Sakurai	Outside Corporate Auditor	Representative Director, President of THE DAI-ICHI BUILDING CO., LTD.

Note 1: The Company has reported to the Tokyo Stock Exchange Mr. Tsuyoshi Nagano, Ms. Yasuko Teraura, and Mr. Noboru Saito, Outside Directors, and Mr. Hideki Amano, Mr. Masatoshi Yano, and Mr. Kenji Sakurai, Outside Corporate Auditors, as independent directors/auditors.

Note 2: Mr. Haruhiko Takagi and Mr. Takashi Nishimoto, Standing Corporate Auditors, have experience in accounting and have reasonable-degrees of knowledge about finance and accounting. Mr. Hideki Amano, Outside Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge about finance and accounting.

Note 3: Changes in Directors and Corporate Auditors of the Company during this fiscal year are as follows:

- (1) Mr. Akio Naito and Mr. Takahiro Naito were newly appointed as Directors, Mr. Noboru Saito was newly appointed as Outside Director, and Mr. Kenji Sakurai was newly appointed as Outside Corporate Auditor and assumed office at the 161st Ordinary General Meeting of Shareholders held on June 29, 2022.
- (2) Mr. Yoshinobu Nakamura, Vice Chairman; Ms. Kiyoko Niwasaki, Executive Director; Mr. Kazuhiko Sakamoto, Mr. Makoto Ichimura, and Mr. Tetsu Kobayashi, Directors, retired from office due to the expiry of their terms of office, and Mr. Tomoyasu Asano, Outside Corporate Auditor, retired from office by resignation at the close of the 161st Ordinary General Meeting of Shareholders held on June 29, 2022.

Note 4: In conjunction with the introduction of the system of executive officer (senior vice president) on June 29, 2022, the positions of Directors changed as follows on the same date.

Name	After changes	Before changes
Akio Naito	Director, Senior Executive Vice President	—
Takahiro Naito	Director, Senior Executive Vice President	—
Jun Sekine	Director, Senior Executive Vice President	Director
Shimesu Takizawa	Director, Executive Vice President	Executive Director

Note 5: Changes in significant concurrent positions at other entities of Directors and Corporate Auditors of the Company during and after this fiscal year are as follows:

- (1) Mr. Shimesu Takizawa, Director, Executive Vice President, assumed office of President of SEIKO Time Creation Inc. as of April 1, 2023. Mr. Takizawa retired from office of Outside Director of Jedat Inc. as of June 15, 2022.
- (2) Mr. Tsuyoshi Nagano, Outside Director, assumed office of Vice Chair of KEIDANREN (Japan Business Federation) as of June 1, 2022, Outside Director of Central Japan Railway Company as of June 23, 2022, and Outside Director of FUJIFILM Holdings Corporation as of June 29, 2022.
- (3) Ms. Yasuko Teraura, Outside Director, assumed office of Outside Director (Audit and Supervisory Committee Member) of Ryosan Company, Limited as of June 24, 2022. Ms. Teraura retired from office of Outside Director of Neturen Co., Ltd. as of June 28, 2022.
- (4) Mr. Hideki Amano, Outside Corporate Auditor, assumed office of Outside Auditor of Mizuho Leasing Company, Limited as of June 24, 2022. Mr. Amano retired from office of Outside Director of Ajinomoto Co., Inc. as of June 23, 2022.

Note 6: The BIPROGY Group, at which Mr. Noboru Saito, Outside Director, has a concurrent position, and the Company Group have transactions in the Systems Solutions Business. However, these transactions constitute less than one percent of BIPROGY Inc. and the Company's consolidated net sales, and are thus insignificant.

Note 7: Seiwa Sogo Tatemono Co., Ltd., at which Mr. Masatoshi Yano, Outside Corporate Auditor, has a concurrent position, and the Company Group have transactions related to real estate management. However, these transactions constitute less than one percent of net sales of Seiwa Sogo Tatemono Co., Ltd. and the Company's consolidated net sales, and are thus insignificant.

Note 8: THE DAI-ICHI BUILDING CO., LTD., at which Mr. Kenji Sakurai, Outside Corporate Auditor, has a concurrent position, and the Company Group have real estate leasing transactions. However, these transactions constitute less than one percent of net sales of THE DAI-ICHI BUILDING CO., LTD. and the Company's consolidated net sales, and are thus insignificant.

Note 9: There is no other special relationship of interest between the Company and the entities at which Outside Directors or Outside Corporate Auditors hold concurrent positions.

Note 10: Responsibilities of Directors changed as follows after the end of the fiscal year under review.

Position	Name	Responsibility	Date of changes
Director, Executive Vice President	Shimesu Takizawa	In charge of Accounting General Manager of the Accounting Department	April 1, 2023
		In charge of Accounting	May 11, 2023

Note 11: As of April 1, 2023, the Executive Officers (Senior Vice Presidents) without concurrent positions as Directors are as follows.

Position	Name	Responsibility
Executive Vice President	Kiyoko Niwasaki	In charge of Corporate Branding, Public Relations, and ESG • SDGs Promoting
Executive Vice President	Makoto Ichimura	In charge of Secretaries, Strategy Planning, and Shareholder Relations General Manager of the Secretaries Office
Executive Vice President	Taku Yoneyama	General Manager of Corporate Management Division
Senior Vice President	Naoki Tajima	Deputy General Manager of Corporate Management Division In charge of Human Resources, Group HR Strategy Planning, and General Affairs
Senior Vice President	Hiromi Nakagawa	Deputy General Manager of Corporate Management Division In charge of Financial Planning and Corporate Strategy Planning General Manager of the Financial Planning Department

(2) Overview of agreements limiting liability

The Company entered into an agreement with each of Mr. Tsuyoshi Nagano, Ms. Yasuko Teraura, and Mr. Noboru Saito, Outside Directors, and Mr. Hideki Amano, Mr. Masatoshi Yano, and Mr. Kenji Sakurai, Outside Corporate Auditors, to limit liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to Article 427, paragraph 1 thereof. The upper limit of liability for damages under the agreement shall be the minimum limit of liability prescribed in Article 425, paragraph 1 of the Companies Act. The limitation on liability is permitted only when such Outside Directors or Outside Corporate Auditors have acted in good faith and without gross negligence in performing their duties that caused the liability.

(3) Overview of directors and officers liability insurance

The Company has entered into a directors and officers liability insurance (D&O insurance) policy stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insured parties under the insurance policy are the Company, its subsidiary Seiko Instruments Inc., its Directors, Corporate Auditors, Senior Vice Presidents, managerial personnel, and officers dispatched outside the Company. The Company and Seiko Instruments Inc. bear the insurance premium. The insurance policy covers the insured against claims for damages and costs of litigation arising out of the execution of business by the insured. However, we have taken measures to ensure that the appropriateness of the execution of duties by directors and officers is not compromised by excluding from coverage damage caused by criminal or intentionally illegal acts.

(4) Aggregate amount of compensation, etc. for Directors and Corporate Auditors

Officer classification	Aggregate amount of compensation, etc. (Millions of yen)	Aggregate amount by type of compensation, etc. (Millions of yen)			Number of eligible officers
		Fixed compensation	Performance-based compensation, etc.		
		Basic compensation	Bonuses (Monetary compensation)	Stock compensation (Non-monetary compensation, etc.)	
Director (excluding Outside Directors)	404	225	71	107	11
Outside Directors	31	31	-	-	3
Total	436	257	71	107	14
Corporate Auditor (excluding Outside Corporate Auditors)	37	37	-	-	2
Outside Corporate Auditors	34	34	-	-	4
Total	71	71	-	-	6

Note 1: The forgoing includes five Directors and one Corporate Auditor who retired from office at the close of the 161st Ordinary General Meeting of Shareholders held on June 29, 2022.

Note 2: “Bonuses” and “stock compensation” are paid to Executive Directors as performance-based compensation, etc. The number of eligible recipients for the current fiscal year is 8. The amount of performance-based compensation, etc. shown in the above table is the amount of expense recognized and the amount paid for the current fiscal year.

Note 3: Target values and actual results of indicators related to performance-based compensation, etc. for the current fiscal year are as follows:

(Bonuses)

	Consolidated operating profit	Consolidated gross profit margin
Target values	10.0 billion yen	42.8%
Actual results	11.2 billion yen	42.9%
Performance achievement ratios	112.00%	100.23%

(Stock compensation)

	Consolidated operating profit	Consolidated gross profit margin	Consolidated ROIC	Non-financial (ESG) evaluation
Target values	10.0 billion yen	42.8%	4.1%	-8.4%
Actual results	11.2 billion yen	42.9%	3.6%	-8.4%
Performance achievement ratios	112.00%	100.23%	87.80%	100.00%

Note 1: The percentages shown in the above consolidated ROIC and non-financial (ESG) evaluation represent estimated figures as of May 9, 2023.

- (5) Matters related to the resolution of the General Meeting of Shareholders regarding compensation, etc. for Directors and Corporate Auditors

Aggregate amounts of basic compensation and bonuses for Directors were resolved to be up to 420 million yen annually at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. At the close of this Ordinary General Meeting of Shareholders, the number of Directors eligible to receive basic compensation is 13 (including 2 Outside Directors), and the number of Executive Directors eligible to receive bonuses is 6.

Basic compensation for Corporate Auditors was resolved to be up to 8 million yen monthly at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. At the close of this Ordinary General Meeting of Shareholders, the number of Corporate Auditors eligible to receive basic compensation is 5. Stock compensation was resolved at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 that for every three fiscal years consistent with the Mid-Term Management Plan, money paid by the Company is up to 240 million yen and the aggregate number of shares delivered to eligible Executive Directors is up to 540,000 shares (180,000 shares per fiscal year). At the close of this Ordinary General Meeting of Shareholders, the number of Executive Directors eligible to receive stock compensation is 6. The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017. The number of shares after the share consolidation is up to 108,000 shares (36,000 shares per fiscal year).

- (6) Policy for determining the content of compensation, etc. for Directors and Corporate Auditors

[Policy for determining compensation for Directors and Executive Officers (Senior Vice Presidents)]

The Company resolved at the Board of Directors on a policy for determining the content of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents), as a) to f) below. After being deliberated on by the Corporate Governance Committee, a majority of the members of which are independent outside officers, as an advisory body for the Board of Directors, the said policy was determined at the Board of Directors based on the deliberations.

a) Basic policy for compensation for Directors and Executive Officers (Senior Vice Presidents)

In determining compensation for Directors and Corporate Auditors of the Company, the basic policy is as follows:

- The Company shall secure the transparency and objectivity of the compensation and maintain the appropriated level of compensation corresponding to their roles and responsibilities.
- Aiming for sustainable growth and mid- to long-term enhancement of the corporate value of the Company and the Company Group, the Company shall promote the execution of duties in line with the corporate philosophy and management strategy, and motivate them to achieve corporate targets. The level of compensation shall be determined based on results of surveys on compensation for Directors and Corporate Auditors conducted by a third party that target peer companies similar in terms of business activity and scale.

b) Compensation system for Directors and Executive Officers (Senior Vice Presidents)

Compensation for Executive Directors and Executive Officers (Senior Vice Presidents) comprises of “basic compensation” as fixed compensation, “bonuses” that are linked to performance (short-term incentive compensation), and “stock compensation” (mid- to long-term incentive compensation). Compensation for non-executive Directors such as Outside Directors comprises only of “basic compensation.”

c) Policy for determining the amount of compensation, etc. for individual Directors regarding basic compensation (monetary compensation) (including the policy for the timing to provide compensation, etc. or the determination of conditions)

Basic compensation for Directors and Executive Officers (Senior Vice Presidents) of the Company shall be monthly fixed compensation. The amount shall be determined by taking into account comprehensive factors, while considering the level of peer companies and the length of service, etc., according to their roles and responsibilities.

d) Policy for determining performance-based compensation, etc. and the content and amount of non-monetary compensation, etc., or the calculation method for the number (including the policy for the timing to provide compensation or the determination of conditions)

Performance-based compensation, etc. shall comprise of “bonuses” as monetary compensation and “stock compensation” as non-monetary compensation, etc.

(Bonuses)

For bonuses, a standard payment shall be the amount obtained by multiplying the basic compensation by a coefficient determined for each position. The individual payments for Chairman and President shall be determined by multiplying the standard payment by the payment ratio according to the performance achievement ratio. The individual payments for Executive Directors other than Chairman and President and Executive Officers (Senior Vice Presidents) shall be determined by adding the

amounts obtained by multiplying the standard payments by the payment ratio according to the performance achievement ratio, to the amounts obtained by multiplying the standard payments by the payment ratio based on qualitative evaluations. Bonuses shall fluctuate in the range of 0 to 200% depending on the degree of achievement of the target values.

(Stock compensation)

For stock compensation, points obtained by converting the individual benefits into the number of shares shall be granted each fiscal year. The individual benefits shall be the amounts determined by adding the standard benefits (fixed portion) obtained by multiplying the basic compensation by a coefficient determined for each position, to the amount obtained by multiplying the standard benefits by the payment ratio based on financial and non-financial (ESG) evaluations (performance-based portion). The performance-based portion of the stock compensation shall fluctuate in the range of 0 to 200% depending on the degree of achievement of the target values. The guideline for the ratio of the fixed portion and the performance-based portion shall be 50%, respectively (when the performance achievement ratio is 100%).

Performance indicators related to the above performance-based compensation shall consist of the significant management indicators set forth in the Eighth Mid-Term Management Plan (SMILE145) for the five years from FY2022 to FY2026.

	Bonuses	Stock compensation
Performance indicators	(i) Consolidated operating profit (ii) Consolidated gross profit margin (iii) Personal evaluations	(i) Consolidated operating profit (ii) Consolidated gross profit margin (iii) Consolidated ROIC (iv) ESG evaluation: CO <sub>2</sub> emissions reduction rate (SCOPE 1 and 2), etc.
Target values	(i) and (ii) Earnings forecast values announced at the beginning of the fiscal year	(i) to (iii) - Externally published values for the first and last fiscal years of the Eighth Mid-Term Management Plan - Second through fourth fiscal years of the Plan: “Previous fiscal year’s results” + “Difference (ratio) between the current fiscal year’s plan values and the previous fiscal year’s plan values” (iv) CO <sub>2</sub> emissions reduction rate (SCOPE 1 and 2) -4.2% annual reduction (vs. FY2020)



	(Exceptions) If an unpredictable situation (an event that significantly affects consolidated business results or corporate value) occurs during the evaluation period, the target value shall be revised within a reasonable range by resolution of the Board of Directors after consulting with the Corporate Governance Committee.	
Timing of payment and delivery	The portion for the current fiscal year shall be paid at the end of June in the following year.	The points for the current fiscal year shall be granted at the end of June in the following year. At the time of retirement, one point shall be converted to one stock, and the Company's stocks shall be delivered.
Clauses for return of compensation	If Executive Director or Executive Officer (Senior Vice President) is dismissed or if Executive Director or Executive Officer (Senior Vice President) commits an act that causes serious damage to the Company or any other non-conformity similar to such act before his/her retirement, all or part of the bonus to be paid may be reduced by resolution of the Board of Directors.	If the prospective recipient is dismissed or if the prospective recipient commits an act that causes serious damage to the Company or the Company Group or any other non-conformity similar to such act before his/her retirement, all or part of the stocks to be delivered and money to be paid may be reduced by resolution of the Board of Directors of the Company or the Company Group.

- e) Policy for determining the ratio of the amount of monetary compensation, the amount of performance-based compensation, etc., or the amount of non-monetary compensation, etc. to the amount of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents)
- With regard to the compensation ratio of each type for Executive Directors and Executive Officers (Senior Vice Presidents), the level of peer companies shall be considered so that it will be an appropriate ratio as an incentive to contribute to the enhancement of the corporate value of the Company. After being deliberated on by the Corporate Governance Committee, a majority of the members of which are independent outside officers, as an advisory body for the Board of Directors, the said policy shall be determined at the Board of Directors based on the deliberations. The guideline for the compensation ratio of each type shall be as follows (when the performance achievement ratio and the payment ratio based on qualitative evaluations are 100%):

	Fixed compensation	Performance-based compensation, etc.	
	Basic compensation	Bonuses	Stock compensation
Chairman and President	1.0 (60%)	0.33 (20%)	0.33 (20%)
Executive Directors other than Chairman and President and Executive Officers (Senior Vice Presidents)	1.0 (70%)	0.21 (15%)	0.21 (15%)

- f) Matters for determining the content of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents)

With regard to part of compensation for individuals, Chairman and President shall be delegated the specific contents based on the resolution of the Board of Directors. The content of such authority shall be the amount of basic compensation for each Director and Executive Officer (Senior Vice President) and the qualitative evaluations of bonuses for each Executive Director and Executive Officer (Senior Vice President).

The Corporate Governance Committee shall deliberate annually on the level of compensation for each position of Directors and Executive Officers (Senior Vice Presidents), so that the authority may be properly exercised by Chairman and President. Chairman and President who have received the said delegation shall be required to make decisions based on the content of the deliberations.

Performance-based compensation, etc. of individual Executive Directors and Executive Officers (Senior Vice Presidents) (excluding the above-mentioned delegation) shall be determined in accordance with the rules (the rules which stipulate the calculating method of performance-based compensation, etc. and non-monetary compensation, etc. in accordance with the policy d) above) established by resolution of the Board of Directors.

After being deliberated on by the Corporate Governance Committee, a majority of the members of which are independent outside officers, as an advisory body for the Board of Directors, the said contents of the compensation, etc. shall be determined by the Board of Directors based on the deliberations.

[Policy for determining compensation for Corporate Auditors]

Basic compensation for Corporate Auditors shall be determined by deliberations of Corporate Auditors, in the range of aggregate amount of compensation for Corporate Auditors approved at the General Meeting of Shareholders.

- (7) Matters related to delegation of determining compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents)

With regard to part of compensation for individual Directors and Executive Officers (Senior Vice Presidents), the Board of Directors delegates Mr. Shinji Hattori, Chairman and Mr. Shuji Takahashi, President to determine the specific contents. The position and responsibility at the Company on the day that such details were determined are the same as “Name, etc. of Directors and Corporate Auditors” under “Matters related to officers.” The delegated authority and the measures to ensure that the authority is properly exercised are stated in (6), f) above.

The reason that the authority is delegated to Chairman and President is that the Board of Directors judged that Chairman and President are the most suitable for evaluating the duties of each Director and Executive Officer (Senior Vice President) while taking a bird’s-eye view of the entire Company’s business results, etc.

- (8) Reasons that the Board of Directors judged that the content of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents) for the current fiscal year was in line with the policy  
In determining the content of compensation, etc. for individual Directors and Executive Officers (Senior Vice Presidents) for the current fiscal year, the Corporate Governance Committee reviewed the compensation level for each position from various perspectives, including consistency with the policy. Accordingly, the Board of Directors basically respected the report and judged that it is in line with the policy.

(9) Matters related to outside officers

Main activities of outside officers

Classification	Name	Main activities
Director	Tsuyoshi Nagano	He is expected to provide valuable comments from an objective perspective based on his experience and knowledge cultivated through managing companies, and to perform appropriate supervisory functions. He fully demonstrated the supervisory functions for execution of business, as he attended all of the 13 Board of Directors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.
Director	Yasuko Teraura	She is expected to provide valuable comments from an objective perspective based on her insight as an attorney, and to perform appropriate supervisory functions. She fully demonstrated the supervisory functions for execution of business, as she attended all of the 13 Board of Directors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, she attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.
Director	Noboru Saito	He is expected to provide valuable comments from an objective perspective based on his experience and knowledge cultivated through managing companies, and to perform appropriate supervisory functions. He fully demonstrated the supervisory functions for execution of business, as he attended all of the 10 Board of Directors meetings held after assuming office of Director in June 2022, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates

		and the compensation, etc. for Directors and Corporate Auditors.
Corporate Auditor	Hideki Amano	He is expected to perform appropriate audit functions based on his insight as a certified public accountant. He fully demonstrated the audit functions, as he attended all of the 13 Board of Directors meetings and all of the 10 Board of Corporate Auditors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.
Corporate Auditor	Masatoshi Yano	He is expected to perform appropriate audit functions based on his experience and knowledge cultivated through managing companies. He fully demonstrated the audit functions, as he attended all of the 13 Board of Directors meetings and all of the 10 Board of Corporate Auditors meetings held during the current fiscal year, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.
Corporate Auditor	Kenji Sakurai	He is expected to perform appropriate audit functions based on his experience and knowledge cultivated through managing companies. He fully demonstrated the audit functions, as he attended all of the 10 Board of Directors meetings and 6 of the 7 Board of Corporate Auditors meetings held after assuming office of Corporate Auditor in June 2022, and made necessary remarks on discussion items and deliberation items, from an objective perspective. In addition, he attended the Corporate Governance Committee as a member, and actively expressed opinions on the nomination of the Director and Corporate Auditor candidates and the compensation, etc. for Directors and Corporate Auditors.

5. Matters related to the Accounting Auditor

(1) Name of the accounting auditor

KPMG AZSA LLC

(2) Amount of compensation, etc. for the accounting auditor for the current fiscal year

- (i) Total amount of compensation, etc. for the services (auditing and attesting financial documents) set forth in Article 2, paragraph 1 of the “Certified Public Accountants Act (Act No. 103 of 1948)” payable by the Company and its subsidiaries to the accounting auditor: 219 million yen
- (ii) Amount of compensation, etc. (out of (i) above) payable by the Company to the accounting auditor: 80 million yen
- (iii) Total amount of monies and other financial benefits payable by the Company and its subsidiaries to the accounting auditor: 221 million yen

Note 1: Under the audit contract with the accounting auditor, the amount of compensation, etc. for audits under the Companies Act and that for audits under the Financial Instruments and Exchange Act are not clearly separated, and those amounts cannot practically be separated; as such, the aggregate of those amounts is shown as the amount of compensation, etc. for the services.

Note 2: Among the Company’s major subsidiaries listed in “1. Matters related to current status of the Corporate Group, (6) Status of major parent companies and subsidiaries”, Grand Seiko Corporation of America, Seiko Watch of America LLC, SEIKO Hong Kong Ltd., SEIKO Manufacturing (H.K.) Ltd., and SEIKO Manufacturing (Singapore) Pte. Ltd. were audited by certified public accountants (or audit corporations) other than the Company’s accounting auditor.

(3) Reasons for the Board of Corporate Auditors’ agreement to the amount of compensation, etc. for the accounting auditor

The Board of Corporate Auditors evaluated audit records during the fiscal year ended March 31, 2022, and confirmed the content of the audit plan, the performance status of the auditing auditor, and rationale of the estimate compensation during the fiscal year ended March 31, 2023; as a result, the Board of Corporate Auditors agreed to the amount of compensation, etc. for the accounting auditor as set forth in Article 399, paragraphs 1 and 2 of the Companies Act.

(4) Non-audit operations

The Company and its subsidiaries entrusted to the accounting auditor, and paid compensation for, the agreed procedural service that was outside of the services set forth in Article 2, paragraph 1 of the Certified Public Accountants Act.

(5) Policy for determining dismissal or non-reappointment of the accounting auditor

Pursuant to laws and regulations, if any reasonable event occurs to the accounting auditor, the Board of Corporate Auditors shall dismiss the accounting auditor with unanimous consent of the Corporate Auditors; if it is deemed difficult for the accounting auditor to properly perform audits, the Company shall propose a resolution for dismissal or non-reappointment of the accounting auditor to the General Meeting of Shareholders.

[Translation]

**Consolidated Balance Sheet**

As of March 31, 2023

Millions of yen

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	(173,410)	Current liabilities:	(162,157)
Cash and deposits	36,324	Notes and accounts payable - trade	18,790
Notes receivable - trade	3,062	Electronically recorded obligations - operating	6,212
Accounts receivable - trade	35,187	Short-term borrowings	72,598
Contract assets	397	Current portion of bonds payable	300
Merchandise and finished goods	49,750	Current portion of long-term borrowings	22,117
Work in process	18,117	Accounts payable - other	11,344
Raw materials and supplies	15,908	Income taxes payable	1,793
Accounts receivable - other	6,577	Contract liabilities	7,916
Other	9,381	Provision for bonuses	4,879
Allowance for doubtful accounts	-1,297	Provision for goods warranties	488
		Provision for loss on lease contracts	348
		Provision for business restructuring	247
		Other provisions	367
		Asset retirement obligations	9
		Other	14,743
Non-current assets:	(182,505)	Non-current liabilities:	(62,009)
Property, plant and equipment	(111,149)	Long-term borrowings	37,525
Buildings and structures	79,280	Lease liabilities	5,667
Machinery, equipment and vehicles	86,117	Deferred tax liabilities	4,285
Tools, furniture and fixtures	39,233	Deferred tax liabilities for land revaluation	3,614
Other	12,699	Provision for stock benefits	538
Accumulated depreciation	-163,232	Provision for long-term goods warranties	88
Land	54,182	Provision for loss on lease contracts	87
Construction in progress	2,867	Provision for retirement benefits for directors (and other officers)	4
		Other provisions	23
Intangible assets	(15,522)	Retirement benefit liability	6,894
Goodwill	6,901	Asset retirement obligations	1,079
Other	8,620	Other	2,199
		<b>Total liabilities</b>	<b>224,166</b>
Investments and other assets	(55,833)	(Net assets)	
Investment securities	45,490	Shareholders' equity:	(98,517)
Retirement benefit asset	1,820	Share capital	10,000
Deferred tax assets	1,923	Capital surplus	7,245
Other	6,752	Retained earnings	81,520
Allowance for doubtful accounts	-153	Treasury shares	-248
		Accumulated other comprehensive income:	(31,275)
		Valuation difference on available-for-sale securities	11,464
		Deferred gains or losses on hedges	-9
		Revaluation reserve for land	8,190
		Foreign currency translation adjustment	10,638
		Remeasurements of defined benefit plans	992
		Non-controlling interests	(1,956)
		<b>Total net assets</b>	<b>131,748</b>
<b>Total assets</b>	<b>355,915</b>	<b>Total liabilities and net assets</b>	<b>355,915</b>



[Translation]

**Consolidated Statements of Income**

From April 1, 2022  
to March 31, 2023

Item	Millions of yen Amount
Net sales	260,504
Cost of sales	148,706
Gross profit	111,798
Selling, general and administrative expenses	100,564
Operating profit	11,233
Non-operating income	(3,053)
Interest income	199
Dividend income	771
Share of profit of entities accounted for using equity method	1,224
Other	858
Non-operating expenses	(3,119)
Interest expenses	1,139
Other	1,980
Ordinary profit	11,167
Extraordinary income	(228)
Gain on sale of non-current assets	228
Extraordinary losses	(1,753)
Business restructuring expenses	968
Loss on sale of investment securities	548
Loss on cancellation of agency agreement	147
Loss on the spread of infectious disease	90
Profit before income taxes	9,642
Income taxes - current	2,995
Income taxes - deferred	1,350
Profit	5,295
Profit attributable to non-controlling interests	267
Profit attributable to owners of parent	5,028

[Translation]

**Non-Consolidated Balance Sheet**

As of March 31, 2023

Millions of yen

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets:	81,119	Current liabilities:	94,278
Cash and deposits	12,796	Short-term borrowings	61,745
Prepaid expenses	782	Current portion of long-term borrowings	22,117
Short-term loans receivable	56,676	Lease obligations (current)	11
Accounts receivable - other	10,226	Accounts payable - other	2,611
Other	637	Accrued expenses	319
Non-current assets:	120,179	Income taxes payable	36
Property, plant and equipment	31,902	Deposits received	6,979
Buildings	6,359	Unearned revenue	252
Tools, furniture and fixtures	1,443	Provision for bonuses	195
Land	24,043	Other	9
Leased assets	56	Non-current liabilities:	49,486
Intangible assets	2,657	Long-term borrowings	37,525
Leasehold right	1,952	Lease obligations (non-current)	40
Trademark right	1	Deferred tax liabilities	4,398
Software	682	Deferred tax liabilities for land revaluation	3,614
Other	20	Provision for stock benefits	548
Investments and other assets	85,619	Asset retirement obligations (non-current)	123
Investment securities	22,968	Guarantee deposits	3,180
Shares of subsidiaries and associates	59,956	Other	55
Investments in capital	0	Total liabilities	143,765
Long-term loans receivable from subsidiaries and associates	4,822	(Net assets)	
Claims provable in bankruptcy, claims provable in rehabilitation and other	26	Shareholders' equity:	38,882
Long-term prepaid expenses	35	Share capital	10,000
Guarantee deposits	1,717	Capital surplus	6,625
Other	490	Legal capital surplus	2,378
Allowance for doubtful accounts	-4,397	Other capital surplus	4,246
		Retained earnings	22,478
		Legal retained earnings	121
		Other retained earnings	
		Retained earnings brought forward	22,357
		Treasury shares	-221
		Valuation and translation adjustments:	18,652
		Valuation difference on available-for-sale securities	10,467
		Deferred gains or losses on hedges	-5
		Revaluation reserve for land	8,190
		Total net assets	57,534
Total assets	201,299	Total liabilities and net assets	201,299

[Translation]

**Non-Consolidated Statements of Income**

From April 1, 2022  
to March 31, 2023

Millions of yen

Item	Amount
Operating revenue	15,312
Dividend from subsidiaries and associates	9,563
Management fee income	2,786
Royalty income	2,962
Operating expenses	14,117
Operating profit	1,195
Non-operating income	1,743
Interest income	624
Dividend income	745
Other	373
Non-operating expenses	1,378
Interest expenses	808
Rental expenses on real estate	330
Other	239
Ordinary profit	1,560
Extraordinary income	155
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	155
Extraordinary losses	1,067
Loss on valuation of shares of subsidiaries and associates	1,067
Profit before income taxes	648
Income taxes - current	-2,459
Income taxes - deferred	546
Profit	2,562

[Translation]

Certified copy of audit report on the consolidated financial statements by the Accounting Auditor

**Independent Auditor's Report**

May 8, 2023

KPMG AZSA LLC  
Tokyo Office

Akihiro Ohtani  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

Toshiyuki Nishida  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

Kenji Ueda  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

The Board of Directors  
SEIKO GROUP CORPORATION

*Opinion*

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statements of income, the consolidated statements of changes in equity and the notes to consolidated financial statements of SEIKO GROUP CORPORATION (the "Company") for the fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of SEIKO GROUP CORPORATION, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

*Basis for the Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### *Other Statements*

Other statements are the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of other statements. The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the consolidated financial statements, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the consolidated financial statements is to read through other statements and consider whether there are any material differences between the other statements and the consolidated financial statements or the knowledge we have obtained through our audit.

Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

### *Responsibilities of Management, Corporate Auditors, and the Board of Corporate Auditors for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

### *Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial

statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### *Interest*

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

[Translation]

Certified copy of audit report (on the non-consolidated financial statements) by the Accounting Auditor
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**Independent Auditor's Report**

May 8, 2023

KPMG AZSA LLC  
Tokyo Office

Akihiro Ohtani  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

Toshiyuki Nishida  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

Kenji Ueda  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant

The Board of Directors  
SEIKO GROUP CORPORATION

*Opinion*

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statements of income, the non-consolidated statements of changes in equity and the related notes, and the accompanying supplementary schedules of SEIKO GROUP CORPORATION (the "Company") for the 162nd fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

*Basis for the Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### *Other Statements*

Other statements are the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of other statements. The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the financial statements and the accompanying supplementary schedules, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the financial statements and the accompanying supplementary schedules is to read through other statements and consider whether there are any material differences between the other statements and the financial statements and the accompanying supplementary schedules or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

### *Responsibilities of Management, Corporate Auditors, and the Board of Corporate Auditors for the Financial Statements and the Accompanying Supplementary Schedules*

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

### *Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules*

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit.

Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.



- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### *Interest*

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

[Translation]

Certified copy of audit report by the Board of Corporate Auditors

### **Audit Report**

The Board of Corporate Auditors has deliberated on, prepared and submitted this Audit Report as below, based on the audit reports made by the Corporate Auditors concerning the execution of duties by Directors for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023).

1. Methods and contents of the audit by Corporate Auditors and Board of Corporate Auditors
  - (1) The Board of Corporate Auditors established the audit policies and division of duties, received reports regarding the implementation of the audit and results thereof from the respective Corporate Auditors, as well as reports regarding the execution of duties from Directors, Executive Officers (Senior Vice Presidents) and the Accounting Auditor, and requested explanations as necessary.
  - (2) In accordance with the audit policies and division of duties determined by the Board of Corporate Auditors, each Corporate Auditor made efforts to collect information and establish proper circumstances for the audit by communicating with the Directors, Executive Officers (Senior Vice Presidents), the internal audit department and other employees, and performed an audit using the following methods:
    - (i) Attending Board of Directors meetings and other important meetings to receive reports regarding the execution of duties from Directors, Executive Officers (Senior Vice Presidents) and employees, and requested explanations as necessary. Each Corporate Auditor also inspected important decision-making documents and other materials, and examined the status of operations and the condition of the assets of the Company. With regard to subsidiaries, the Corporate Auditors communicated and exchanged information with directors, corporate auditors and employees thereof, and received reports on business from those subsidiaries as necessary.
    - (ii) With regard to the resolutions by the Board of Directors, described in the business report, regarding the establishment of systems to ensure that the Directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company and those other systems which are provided for in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary to ensure proper business operations of a corporate group comprised of a stock company and its subsidiaries, as well as the systems (internal control system) established in accordance with the aforementioned resolutions of the Board of Directors, the Corporate Auditors also periodically received reports from Directors, Executive Officers (Senior Vice Presidents) and employees regarding the development and operation thereof, requested explanations as necessary, and expressed opinions.
    - (iii) The Corporate Auditors monitored and examined whether the Accounting Auditor was maintaining an independent position and conducting audits appropriately, obtained reports on the execution of duties from the Accounting Auditor, and requested explanations as necessary. In addition, the Corporate Auditors were informed by the Accounting Auditor that a "system to ensure the duties are performed properly" (the matters stipulated in the respective items of Article 131 of Corporate Accounting Rules) had been implemented in accordance with the "quality management standards concerning audits" (Business Accounting Deliberation Council, October 28, 2005), and requested explanations as necessary.

In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report and accompanying schedules thereto, and the financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in shareholders' equity, and notes to non-consolidated financial statements) and accompanying schedules thereto, and consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholders' equity, and notes to consolidated financial statements) for the fiscal year ended March 31, 2023.

2. Results of audits

(1) Results of the audit on business reports and related materials

- (i) The business report and accompanying schedules thereto fairly present the condition of the Company in accordance with the laws, regulations and the Articles of Incorporation of the Company.
- (ii) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company.
- (iii) The contents of resolutions by the Board of Directors with regard to the internal control system are reasonable. Additionally, regarding the descriptions of the relevant internal control system in the business report and the execution of duties by Directors under the relevant internal control system, there are no matters to be pointed out.

(2) Results of the audit of the non-consolidated financial statements and accompanying schedules thereto

The methods and results of the audit by KPMG AZSA LLC, Accounting Auditor, are fair and reasonable.

(3) Results of the audit of the consolidated financial statements

The methods and results of the audit by KPMG AZSA LLC, Accounting Auditor, are fair and reasonable.

May 9, 2023

Board of Corporate Auditors  
Seiko Group Corporation

Haruhiko Takagi  
Standing Corporate Auditor

Takashi Nishimoto  
Standing Corporate Auditor

Hideki Amano  
Outside Corporate Auditor

Masatoshi Yano  
Outside Corporate Auditor

Kenji Sakurai  
Outside Corporate Auditor

[Translation]

Start date for electronic provision measures: May 30, 2023

To Shareholders with Voting Rights:

## **Documents for the 162nd Ordinary General Meeting of Shareholders**

Matters not included in the paper copy delivered upon request, among  
paper copy of matters related to electronic provision measures,  
pursuant to laws and regulations and the Articles of Incorporation

### **■ Business Report**

Overview of the system to ensure proper operations and  
the implementation status thereof

### **■ Consolidated Financial Statements**

Consolidated Statements of Changes in Equity

Notes to Consolidated Financial Statements

### **■ Non-Consolidated Financial Statements**

Non-Consolidated Statements of Changes in Equity

Notes to Non-Consolidated Financial Statements

The 162nd Fiscal Year (April 1, 2022 to March 31, 2023)

**SEIKO GROUP CORPORATION**

The above-mentioned documents are omitted from the paper copy delivered to shareholders who have requested it (paper copy of matters related to electronic provision measures) pursuant to laws and regulations and Article 16, paragraph 2 of the Articles of Incorporation of the Company.

6. Systems and policies of the Company

I. Overview of a resolution to establish systems to ensure the proper operations of the Company

- (1) System to ensure that the duties of Directors, Executive Officers (Senior Vice Presidents), and employees are executed in compliance with laws and regulations and the Articles of Incorporation

In order for Directors, Executive Officers (Senior Vice Presidents), and employees (hereinafter, the “Officer(s) and Employee(s)” or “Officer(s) or Employee(s)”) to comply with corporate ethics, laws and regulations, and internal rules, the Company shall establish the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” to thoroughly ensure their compliance with corporate ethics and laws and regulations, as follows:

- 1) The President shall repeatedly convey the spirit of the “Basic Principles of Corporate Ethics” to all Officers and Employees to ensure that compliance with corporate ethics and the laws and regulations are the basis for every corporate activity.
  - 2) The “Corporate Ethics Committee” chaired by the President shall discuss corporate ethical issues that might significantly affect the Company and its subsidiaries (the “Company Group”) and matters related to revisions of the system to comply with corporate ethics, and report the results of discussion to the Board of Directors.
  - 3) The Company shall develop a system where any Officer or Employee who finds any action suspected of violating the laws and regulations can promptly report such findings to the “Corporate Ethics Committee”, and establish a “Corporate Ethics Helpline” as a means for reporting information.
  - 4) The Company shall continuously provide training sessions on corporate ethics to Officers and Employees to foster and enhance their awareness of compliance with corporate ethics and laws and regulations.
- (2) System to store and manage information regarding execution of the duties of Directors and Executive Officers (Senior Vice Presidents)
- (i) Pursuant to the “Internal Document Management Rules”, the Company shall record information regarding execution of the duties of Directors and Executive Officers (Senior Vice Presidents) in a document or in an electromagnetic medium, and store and manage it properly.

- (ii) Directors, Executive Officers (Senior Vice Presidents), and Corporate Auditors may inspect such document or medium at any time pursuant to the “Internal Document Management Rules”.
- (3) Regulations and systems for loss risk management of the Company and its subsidiaries
  - (i) Pursuant to the “Risk Management Rules”, the Company shall set forth the basic policy for risk management of the Company Group and develop a risk management system.
  - (ii) The Company shall establish the “Risk Management Committee” chaired by the President in order to build, develop and monitor risk management processes, including understanding business risks that might affect the activities of the Company Group, and identifying, analyzing, evaluating and monitoring risks.
  - (iii) The Risk Management Committee shall report the status of each risk to the Board of Directors, regularly or as necessary, pursuant to the “Risk Management Rules”.
- (4) System to ensure that the duties of Directors and Executive Officers (Senior Vice Presidents) of the Company and its subsidiaries are efficiently executed
  - (i) The Company shall develop a Mid-Term Management Plan as the target to be shared by Officers and Employees of the Company Group. It shall also review the progress of annual budgets consisting of the said plan on a quarterly basis using the management accounting method, and promote the efficiency of operation by considering and implementing remedial measures for the progress of annual budget.
  - (ii) In order to respect autonomous and independent management of its subsidiaries while contributing to the proper and efficient operation of the Group management, the Company shall develop basic management rules therefor. It shall also establish Management Conference comprising standing Directors and Executive Officers (Senior Vice Presidents) of the Company and respective President of major subsidiaries of the Company, in order to share the management policy and management information of the Company Group, and to discuss medium- to long-term business strategies.
  - (iii) The Company shall clarify the assignment of duties of Directors and Executive Officers (Senior Vice Presidents), and the responsibility and authority of each division/department, and secure the efficient execution of the duties of Directors and Executive Officers (Senior Vice Presidents).

- (5) System to ensure the proper operations of the Corporate Group comprising the Company and its subsidiaries
- (i) The Company shall assist its subsidiaries to develop a system to comply with corporate ethics, and laws and regulations, and other systems to ensure their proper operations.
  - (ii) Each subsidiary of the Company shall share the “Basic Principles of Corporate Ethics” and the “Action Guidelines for Corporate Ethics” established by the Company, and manage its operations pursuant to them. The Company shall set forth the rules for reporting any violation of laws and regulations by any subsidiary, and assist its subsidiaries to develop their internal reporting systems.
  - (iii) Pursuant to the “Consolidated Business Management Rules”, the Company shall request that each subsidiary consult in advance with, and report to, the Company regarding significant management-related matters, and whenever necessary, shall dispatch its Officers or Employees as Directors or Corporate Auditors of the subsidiary so as to properly supervise and audit the operation of subsidiary.
  - (iv) Pursuant to the “Consolidated Business Management Rules”, each subsidiary shall report its business results, financial position and other important matters to the Company, and whenever necessary, the President of the relevant subsidiary shall report the execution status of the operations to the Board of Directors of the Company.
  - (v) The Company’s Internal Audit Department shall conduct internal audits on each subsidiary regarding the execution status of the operations, compliance with laws and regulations, the Articles of Incorporation, and risk management.
- (6) Matters related to employees to assist the duties of Corporate Auditors
- (i) Internal Audit Department shall be responsible for assisting the duties of Corporate Auditors.
  - (ii) Employees who are assigned to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.
  - (iii) Regarding any transfer of the General Manager of the Internal Audit Department, the President shall discuss with the Board of Corporate Auditors in advance, and shall respect the Board of Corporate Auditors’ opinions.

(7) System for reporting to Corporate Auditors

- (i) Each Officer and Employee of the Company shall regularly report to Corporate Auditors the status of finance, compliance with corporate ethics, risk management, and internal audits. If any Director/employee finds any fact likely to significantly damage the Company or its subsidiaries, any violation of laws and regulations or internal rules, he/she shall immediately report such findings to the Corporate Auditors of the Company.
- (ii) The Company shall develop a reporting system where if any Director, Executive Officer (Senior Vice President), Corporate Auditor or employee of a subsidiary finds any material violation of laws and regulations or internal rules regarding the execution of operations of the Company or the subsidiary, or any fact which is likely to significantly damage the Company, he/she or the person who was reported by him/her shall report it to the Corporate Auditors of the Company.
- (iii) The Company shall develop necessary systems to ensure that the person who makes the report in accordance with the preceding two (2) paragraphs might not be treated disadvantageously on the grounds of having made such report.
- (iv) In conducting internal audits, the General Manager of the Internal Audit Department shall cooperate with Standing Corporate Auditors in advance, and make efforts to report important matters to Standing Corporate Auditors in a timely manner. In addition, the General Manager of the Internal Audit Department shall report the results of internal audits to Standing Corporate Auditors without delay, and regularly report such results to the Board of Corporate Auditors of the Company.

(8) Other systems to ensure that audits by Corporate Auditors are effectively conducted

- (i) The Company shall ensure a system where, besides the Internal Audit Department, the department in charge of general affairs and the department in charge of finance and accounting shall assist audits by Corporate Auditors from time to time based on respective instructions from Corporate Auditors.
- (ii) The Company shall ensure that Corporate Auditors attend important meetings and committees which are established and held by the Board of Directors in a timely manner to ensure proper operations of the Company.
- (iii) The President shall meet and consult with the Board of Corporate Auditors, as necessary, and exchange opinions regarding important management issues.



- (iv) If a Corporate Auditor requests that the Company pay expenses incurred in connection with executing his/her duties, the Company shall promptly reimburse such expenses unless the Company proves that such expenses are not necessary for the Corporate Auditor to execute his/her duties.

## II. Overview of the implementation status of the system to ensure proper operations

### (1) System for compliance with corporate ethics and laws and regulations

- (i) The Company has established a “Corporate Ethics Committee” chaired by the President to discuss corporate ethical issues and the system for compliance with corporate ethics, including those relating to its subsidiaries, and reports the result of discussions to the Board of Directors. The Committee held five (5) meetings during the fiscal year ended March 31, 2023.
- (ii) The Company has established a “Corporate Ethics Helpline” internally and appointed a law firm as a reception to receive consultations or reports from employees regarding violations of laws and regulations within the Company. The Company has made sure all employees and retirees are well informed about how to use these helplines by posting them on its intranet and the Company’s website.
- (iii) The Company regularly provides training sessions on corporate ethics to enhance awareness of compliance with corporate ethics and laws and regulations. During the fiscal year ended March 31, 2023, the Company provided training sessions on “Ensuring Effectiveness of the Internal Reporting Systems” for standing officers, Executive Officers (Senior Vice Presidents), and employees.

### (2) Risk management system

- (i) The Company has established the “Risk Management Committee” chaired by the President to discuss the Company Group’s responses to important risk issues and matters relating to foreseeing and prevention of risks during normal times. The Committee also reports to the Board of Directors the matters discussed thereat and important risks which require the Company Group to take comprehensive measure. The Committee held two (2) meetings during the fiscal year ended March 31, 2023.  
Further, the Company has established the “Group Risk Management Committee” consisting of respective standing Directors and Executive Officers (Senior Vice Presidents) of the Company and Presidents of its subsidiaries, and confirms and shares the risks and the counter-measures

against them experienced by each group company. The Committee held two (2) meetings during the fiscal year ended March 31, 2023.

- (ii) Regarding responses when risks occur, the “Crisis Management Manual” sets out for the Company’s basic policy therefor and measures to respond to respective risks, such as natural disasters.
- (3) System to ensure that the duties of Directors and Executive Officers (Senior Vice Presidents) are efficiently executed
- (i) The Company has determined the assignment of duties for each Director and Executive Officer (Senior Vice President) upon a resolution of the Board of Directors, and the responsibility and authority of each division/department in accordance with the “Duty Assignment Rules”.
  - (ii) The Company has established a council called the “Strategic Conference for Management” where the President, Executive Directors, and Executive Officers (Senior Vice Presidents) exchange opinions and share information with other Directors, Executive Officers (Senior Vice Presidents), Corporate Auditors, or General Managers of divisions/departments when they decide on and execute important matters relating to execution of their duties. The Strategic Conference for Management held twenty-three (23) meetings during the fiscal year ended March 31, 2023.
  - (iii) The Company has provided the “Consolidated Business Management Rules” for the execution of the operations of its subsidiaries in order to perform its management and support functions from the viewpoint of consolidated management.
- (4) System to ensure the proper operations of the Company Group
- (i) Pursuant to the “Consolidated Business Management Rules”, the Company properly discusses with its subsidiaries in advance regarding their business plan, annual budgets, and measures to respond to important corporate ethical issues, receives reports on material business matters from them, and dispatches its Officers or Employees to subsidiaries, as necessary, to supervise and audit them. As of the end of the fiscal year ended March 31, 2023, the Company has dispatched nine (9) Directors and Executive Officers (Senior Vice Presidents) and two (2) Corporate Auditors.

Furthermore, the President of each subsidiary reports the execution status of its operations to the Board of Directors of the Company as necessary. During the fiscal year ended March 31, 2023, seven (7) subsidiaries made such reports.

- (ii) Each unit of the Company assists its subsidiaries to develop a system to comply with corporate ethics and laws and regulations, and a system to comply with business operation laws. During the fiscal year ended March 31, 2023, training sessions and briefings were held for officers and employees of the Company's subsidiaries to discuss topics such as "Ensuring Effectiveness of the Internal Reporting Systems".
  
- (5) System to ensure that audits by Corporate Auditors are effectively conducted
  - (i) The Internal Audit Department holds a regular meeting once a month with Standing Corporate Auditors and reports the performance status of internal audits.
  
  - (ii) Standing Corporate Auditors attend important meetings such as the "Strategic Conference for Management", "the Risk Management Committee", and the "Corporate Ethics Committee", etc.
  
  - (iii) The President attends the Board of Corporate Auditors' meetings to exchange opinions and gather information relating to material business issues.

[Translation]

**Consolidated Statements of Changes in Equity**  
(From April 1, 2022 to March 31, 2023)

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,245	79,075	-292	96,028
Changes during period					
Dividends of surplus			-2,583		-2,583
Profit attributable to owners of parent			5,028		5,028
Purchase of treasury shares				-0	-0
Disposal of treasury stock by ownership plan trust				44	44
Other				-0	-0
Net changes in items other than shareholders' equity					
Total changes during period	-	-	2,444	44	2,488
Balance at end of period	10,000	7,245	81,520	-248	98,517

Millions of yen

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,942	-331	8,190	5,116	120	24,038	1,557	121,624
Changes during period								
Dividends of surplus								-2,583
Profit attributable to owners of parent								5,028
Purchase of treasury shares								-0
Disposal of treasury stock by ownership plan trust								44
Other								-0
Net changes in items other than shareholders' equity	521	321	-	5,521	871	7,236	398	7,635
Total changes during period	521	321	-	5,521	871	7,236	398	10,124
Balance at end of period	11,464	-9	8,190	10,638	992	31,275	1,956	131,748

(Note) The -0 million yen of "Other" under treasury shares represents changes due to a change in the ratio of equity interests of the Company's affiliates accounted for using equity method.

[Translation]

**Notes to Consolidated Financial Statements**

1. Notes to Important Matters that are the Basis for Preparation of Consolidated Financial Statements

(1) Matters relating to scope of consolidation

Number of consolidated subsidiaries: 61

SEIKO WATCH CORPORATION, Morioka Seiko Instruments Inc., Seiko Instruments Inc., SEIKO Solutions Inc., SEIKO Time Creation Inc., WAKO Co., Ltd., Grand Seiko Corporation of America, Seiko Watch of America LLC, SEIKO U.K. Limited, SEIKO Hong Kong Ltd., SEIKO Manufacturing (H.K.) Ltd., SEIKO Manufacturing (Singapore) Pte. Ltd., Dalian Seiko Instruments Inc., Seiko Instruments Trading (H.K.) Ltd., Seiko Instruments (Thailand) Ltd., SEIKO Precision (Thailand) Co., Ltd., and others.

Instruction Co., Ltd., BackStore Co., Ltd., and Prestige Co., Ltd. were included in the scope of consolidation from the 1st quarterly consolidated accounting period due to the acquisition of their shares. Grand Seiko Asia-Pacific Pte. Ltd. was included in the scope of consolidation from the 2nd quarterly consolidated accounting period due to the new establishment.

The liquidation proceedings of SEIKO Precision Inc. and Chino Watch Co., Ltd. were completed in the 2nd quarterly consolidated accounting period, and the liquidation proceedings of City Service Co., Ltd. were completed in the 3rd quarterly consolidated accounting period.

Non-consolidated subsidiaries:

AOBA WATCH SERVICE Co. Ltd. and others are of a small scale in terms of net sales, total assets, profit and loss, and retained earnings, and none of them have any material impact on the consolidated financial statements. Therefore, they were excluded from the scope of consolidation.

(2) Matters relating to the application of the equity method

Number of affiliates accounted for by the equity method: 5

SEIKO OPTICAL PRODUCTS CO., LTD., OHARA INC., and others.

Non-consolidated subsidiaries and affiliates not accounted for by the equity method:

AOBA WATCH SERVICE Co. Ltd. and others have a minimal impact on the consolidated net income and loss and retained earnings and are of little significance. Therefore, the equity method has not been applied to these companies.

(3) Standards and methods for evaluating significant assets

(i) Inventories

Basically stated at cost using the moving-average method (for values stated on the balance sheet, writing down the book values in response to decreased profitability)

(ii) Securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Market value method based on the market price as of the consolidated closing date (differences in valuation are included directly in net assets and the costs of securities sold are calculated using the moving-average method)

Shares, etc. that do not have a market price	Stated at cost using the moving-average method
Investment Limited Partnership	Stated on a net basis equivalent to equity interests, based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement
(iii) Derivatives	Market value method
(4) Depreciation methods for significant depreciable assets	
(i) Property, plant and equipment (excluding leased assets and right-of-use assets)	As for domestic consolidated companies, basically the straight-line method is used for buildings (excluding equipment attached to buildings), and the declining-balance method for those other than buildings (except that the straight-line method is used for the equipment attached to buildings, and structures that were acquired on or after April 1, 2016); as for consolidated subsidiaries outside Japan, basically the straight-line method is used. The estimated economic life reflecting the usable period, the actual period of use, and other factors for each asset is used for a useful life.
(ii) Intangible assets (excluding leased assets)	The straight-line method is used. As for software for in-house use, the straight-line method is used with a usable period of 5 years.
(iii) Leased assets	
Leased assets relating to finance lease with transfer of ownership	The same depreciation method as applied to the property, etc. owned by the Company is used.
Lease assets relating to finance lease without transfer of ownership	The straight-line method is used with a useful life of the lease period and with a residue value of zero.
(iv) Right-of-use assets	The straight-line method is used with a useful life of the lease period and with a residue value of zero.
(5) Accounting standards for significant allowances and provisions	
(i) Allowance for doubtful accounts	In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.
(ii) Allowance for investment loss of subsidiaries and affiliates	In order to prepare for possible losses on investments to subsidiaries and affiliates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and affiliates of 4 million yen is directly reduced from the amount of investment securities.
(iii) Provision for bonuses	In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the consolidated fiscal year under review.

- |   |  |
|---|--|
| (iv) Provision for goods warranties   | To provide for warranties of the goods sold at some of the consolidated subsidiaries outside Japan, respective estimated amount based on the past experience is posted.  |
| (v) Provision for loss on lease contracts                                   | To provide for the loss expected to incur during the non-cancellable periods, an amount equivalent to the portion of rents for the real estate deemed likely to be non-performing up to the expiry of lease agreements is posted.  |
| (vi) Provision for business restructuring                                   | The Company has posted an estimated amount of losses expected to be incurred in the future as a result of business restructuring.  |
| (vii) Provision for stock benefits  | The Company has posted an estimated amount, as of the end of the consolidated fiscal year under review, for the obligation to deliver shares, as a provision for the delivery of its shares to the Executive Directors of the Company and its subsidiaries, in accordance with the Rules for Delivery of Shares to Officers.   |
| (viii) Provision for retirement benefits for directors (and other officers) | Some of the domestic consolidated companies passed a resolution to discontinue their respective directors' retirement benefit systems during the fiscal year ended March 2005 and that ended March 2014. Accordingly, the amount of retirement benefits for incumbent officers is posted corresponding to the terms of office till the end of the Ordinary General Meeting of Shareholders during the relevant consolidated fiscal year. |

(6) Accounting standards for significant income and expenses

(i) Emotional Value Solutions  
Business

The Company Group manufactures, sells, and provides repair services for its own products as the wholesale of watches, and provides retail services, including other companies' products, as the retail of watches.

With regard to the time of satisfaction of performance obligations for the wholesale of watches, the Company Group applies the alternative treatment prescribed in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (hereinafter, the "Revenue Recognition Implementation Guidance"), and recognizes revenue at the time of shipment, if the period between the shipment and the transfer of control of products to customers is primarily a normal period of time for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer. For the retail of watches, revenue is recognized when products are delivered to customers.

For transactions in which returns are expected at the time of sale, such amounts are not recognized as revenue, but are estimated based on historical experience and recognized as a liability for returns. For transactions in which the Company Group acts as an agent, revenue is recognized at a net amount. For transactions in which the Company Group acts as the principal, revenue is recognized at a gross amount.

The Company Group generally receives consideration for transactions in the Emotional Value Solutions Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.



(ii) Devices Solutions Business

The Company Group manufactures and sells products related to electronic devices, precision devices, and printing devices.

The Company Group applies the alternative treatment prescribed in Paragraph 98 of the Revenue Recognition Implementation Guidance, and recognizes revenue at the time of shipment, if the period between the shipment and the transfer of control of products to customers is primarily a normal period of time for domestic sales. For other transactions, including export sales, revenue is recognized when risks are transferred to customers based on terms of contracts with each customer.

The Company Group generally receives consideration for transactions in the Devices Solutions Business within one to three months from the time when performance obligations are satisfied, and the receivables arising from contracts with such customers are not adjusted for significant financial components.

(iii) Systems Solutions Business

The Company Group develops and sells products for businesses related to system, IoT, and settlement, and provides maintenance services for products sold and made-to-order software services.

With regard to the time of satisfaction of performance obligations for the sale of products, revenue is recognized when products are delivered to customers or when customers inspect the products. For maintenance services, revenue is recognized over the period the services are provided, as performance obligations are deemed to be satisfied over time, since the Company Group provides uniform services over the contract period. For the provision of made-to-order software services, revenue is recognized based on the degree of progress toward satisfying performance obligations, as performance obligations are deemed to be satisfied over a certain period of time. The degree of progress is measured based on the percentage of costs incurred to the end of each fiscal year of the total expected costs.

The Company Group generally receives consideration for transactions in the Systems Solutions Business within one to six months from the time when performance obligations are satisfied (in some cases, advance payments are received based on contracts), and the receivables arising from contracts with such customers are not adjusted for significant financial components.

(7) Standards for translation of significant foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency receivables/payables are translated into yen using the spot foreign exchange rate on the consolidated closing date, and translation differences are treated as income or loss. The assets and liabilities of subsidiaries outside Japan are translated into yen using the spot foreign exchange rate on the consolidated closing date; income and expenses are translated into yen using an average market rate during the period, and translation differences are included in “Foreign currency translation adjustment” and “Non-controlling interests” of the “Net assets”.

(8) Significant hedge accounting methods

(i) Hedge accounting method

Deferred hedge accounting is employed. However, regarding domestic consolidated companies, basically deferral hedge accounting (“*furiate-shori*”) is employed for foreign currency receivables/payables with forward exchange contracts or the like, and with regard to interest-rate swaps that meet the requirements for exceptional accounting (“*tokurei-shori*”), exceptional accounting is employed.

(ii) Means of hedging and hedged items

Forward exchange contracts and foreign currency deposits to hedge foreign exchange-rate fluctuation risks regarding foreign currency-denominated trade payables and receivables; and interest-rate swaps to avoid fluctuation risks regarding borrowings on floating interest rates.

(iii) Hedging policy

Forward exchange contracts, foreign currency deposits and interest-rate swaps are hedged to avoid exchange- and interest-rate fluctuation risks present in hedged items in accordance with the internal rules of the respective companies, and no speculative transactions are conducted.

(iv) Assessment of hedge effectiveness

For interest-rate swaps, hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging. However, the assessment of hedge effectiveness is omitted if the material conditions of the means of hedging and the hedged items are the same.

(9) Accounting for employees’ retirement benefits

In order to prepare to pay retirement benefits to employees, the net defined benefit liability is posted based on the estimated amount of retirement benefit obligations minus the amount of plan assets as of the end of the consolidated fiscal year under review. To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review. The actuarial differences that resulted are recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 10 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference. Prior service costs are basically recognized by the straight-line method over various periods that are not more than the average remaining service period of employees at the time of the accrual thereof. Unrecognized actuarial differences and unrecognized prior

service costs after tax effect adjustment are posted in “Remeasurements of defined benefit plans”, “Accumulated other comprehensive income” in “Net assets”.

- (10) Matters relating to application of group tax sharing system

Group tax sharing system is applied.

- (11) Method and period of amortization of goodwill

Goodwill is equally amortized for 5 to 20 years; minor goodwill is entirely amortized upon accrual.

2. Notes to Changes in Accounting Policies

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on June 17, 2021; hereinafter, the “Fair Value Measurement Implementation Guidance”), effective from the beginning of the fiscal year under review. In accordance with the transitional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Company will apply the new accounting policy prescribed by the Fair Value Measurement Implementation Guidance into the future. However, this application has no impact on the consolidated financial statements for the fiscal year under review.

3. Additional Information

The Company and its certain domestic consolidated subsidiaries have made a transition from the consolidated taxation system to the group tax sharing system from the fiscal year under review. In line with this, the Company and its certain domestic consolidated subsidiaries have applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021; hereinafter, the “PITF No. 42”), for the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting. In addition, the Company regards that there is no impact from the changes in accounting policies in line with the application of PITF No. 42, in accordance with Paragraph 32 (1) of PITF No. 42.

4. Notes to Changes in Presentation Methods

(Consolidated statements of income)

“Foreign exchange gains” under “Non-operating income” that were separately itemized in the previous fiscal year are included in “Other” under “Non-operating income” in the fiscal year under review due to its decreased financial significance.

“Foreign exchange gains” in the fiscal year under review are 50 million yen.

5. Notes to Accounting Estimates

(1) Valuation of inventories

(i) Amounts posted in the consolidated financial statements for the fiscal year under review

Emotional Value Solutions Business	57,585 million yen
Devices Solutions Business	20,208 million yen
Systems Solutions Business	6,474 million yen
Adjustment	-492 million yen
<u>Consolidated total</u>	<u>83,776 million yen</u>

(ii) Information useful for understanding the content of accounting estimates

The Company Group evaluates inventories by writing down book values based on a decrease in profitability.

For products, etc. of each business company exceeding a given holding period and volume that are no longer part of the normal operating cycle, a decrease in profitability is reflected through a systematic write-down method, which has been determined mainly based on past sales and disposal results.

However, products, etc. that are considered to be still in the process of the normal operating cycle in light of recent sales results and future sales estimates, despite exceeding a given holding period and volume, are exempted from systematic write-downs, in whole or in part.

The Emotional Value Solutions Business primarily handles products, etc. directly related to personal consumption. Consequently, the business results and profitability of products, etc. are strongly affected by economic trends in Japan and overseas, especially personal consumption. The business results and profitability of products, etc. of the Devices Solutions Business are affected by trends of demand for electronic devices, etc. in Japan and overseas. Economic trends and personal consumption may fluctuate considerably due to factors that are out of the Company Group's control, and thus are difficult to predict. Accordingly, in determining a systematic write-down method to reflect a decrease in profitability, significant judgments and assumptions are incorporated. Furthermore, determining whether products, etc. that are exempted from systematic write-downs are no longer in the process of the normal operating cycle also entails significant judgments.

These estimates entailing judgments and assumptions may be affected by future trends in personal consumption and may significantly affect the amount of inventories in the consolidated financial statements for the following consolidated fiscal year.

(2) Valuation of deferred tax assets

- (i) Amount posted in the consolidated financial statements for the fiscal year under review

Deferred tax assets	1,923 million yen
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- (ii) Information useful for understanding the content of accounting estimates

Deferred tax assets are posted if they are judged to be recoverable by making reasonable estimates of when future taxable income will occur and its amount based on business plans, etc. Such estimates may be affected by changes in uncertain economic conditions, etc. in the future. If the actual timing of when the taxable income occurs and its amount differ from the estimates, it may significantly affect the amount of deferred tax assets in the consolidated financial statements for the following consolidated fiscal year.

6. Notes to Consolidated Balance Sheet

(1) Assets provided as security and secured obligations

Assets provided as security

Cash and deposits	34 million yen
Deposits (Investments and other assets)	380 million yen
<u>Total</u>	<u>414 million yen</u>

Secured obligations

Accounts payable - other	1 million yen
Gift certificates (Contract liabilities)	303 million yen
<u>Total</u>	<u>305 million yen</u>

(2) Guarantee obligation

The Company has guaranteed borrowings extended to its employees from financial institutions, as follows.

Employee (housing fund)	1 million yen
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(3) Amount of discount on negotiable instruments receivable 1,050 million yen

(4) Land for business use was revaluated pursuant to the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998), and valuation differences which correspond to taxes are posted as “Deferred tax liabilities for land revaluation” of “Liabilities” and the balance thereof is posted as “Revaluation reserve for land” of “Net assets”.

(i) Method of revaluation

Land for business use was evaluated based on the main-street land price set forth in Article 2, item 4 of the “Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998), and that land without a main-street land price was evaluated based on the assessed value of fixed assets as set forth in item 3 thereof, with reasonable adjustment.

(ii) Date of revaluation: March 31, 2001

(5) Out of investment securities, 456 million yen is for lending stock.

(6) Loan commitment agreement

The Company has concluded loan commitment agreements with two banks in order to carry out efficient funding of working capital. The balance of unused line of credit, etc. under the loan commitment agreements at the end of the consolidated fiscal year under review is as follows.

Total amount of loan commitment	28,500 million yen
Borrowing balance	13,800 million yen
<u>Balance</u>	<u>14,700 million yen</u>

7. Notes to Consolidated Statements of Changes in Equity

(1) Matters relating to type and total number of issued shares, and type and number of treasury shares

(Thousands of shares)

	Number of shares at the beginning of the consolidated fiscal year under review	Number of shares increased during the consolidated fiscal year under review	Number of shares decreased during the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Issued shares				
Common shares	41,404	—	—	41,404
Total	41,404	—	—	41,404
Treasury shares				
Common shares (Note)	160	0	28	132
Total	160	0	28	132

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 50 thousand shares of the Company held in the Board Benefit Trust (BBT).

0 thousand shares of increase in common shares held as treasury shares is due to the purchase of fractional shares and a change in the ratio of equity interests of affiliates accounted for using equity method.

28 thousand shares of decrease in common shares held as treasury shares is due to the disposal of the Company shares through the Board Benefit Trust (BBT).

(2) Matters relating to dividend

(i) Amount of dividend paid

Resolution	Type of shares	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2022	Common share	1,033	25.00	March 31, 2022	June 30, 2022
Board of Directors meeting on November 8, 2022	Common share	1,550	37.50	September 30, 2022	December 5, 2022

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2022 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(Note 2) The total amount of dividend approved by a resolution of the Board of Directors meeting on November 8, 2022 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(ii) Dividend for which the record date falls in the consolidated fiscal year under review but the effective date comes after the end of that consolidated fiscal year

Resolution	Type of shares	Total dividend (million yen)	Source for dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2023	Common Share	1,550	Retained earnings	37.50	March 31, 2023	June 30, 2023

(Note) The total amount of dividend proposed for approval by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2023 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

8. Notes to Financial Instruments

(1) Matters relating to status of financial instruments

The Company Group raises funds (mainly borrowing from banks) necessary in light of respective business plans of business companies. Temporary surplus funds are invested in more safe financial assets.

Notes and accounts receivable - trade (which are operating receivables) are exposed to customers' credit risks; as such, the Company controls each customer's due date and balance, and understands major customers' credit status. Exchange-rate fluctuation risks for foreign currency operating receivables due to the Company's global development are almost set off by the risks resulting from foreign currency operating payables, some of which are hedged using



forward exchange contracts. Investment securities are mainly shares of customers, and exposed to market price fluctuation risks.

Most of the notes and accounts payable - trade (which are operating payables) are due within one year. Borrowings and bonds payable are mainly to raise funds for operating transactions, and interest-rate swaps are used to hedge part of exchange-rate fluctuation risks of borrowings.

Derivatives include forward exchange contracts to hedge exchange-rate fluctuation risks present in foreign currency receivables/payables, and interest-rate swaps to hedge fluctuation risks of interest rates payable on borrowings.

(2) Matters relating to market value, etc. of financial instruments

Amounts posted on the Consolidated Balance Sheet, market values, and the corresponding differences between the two as of March 31, 2023, are as follows. Shares, etc. that do not have a market price are not included in the table below. Notes to cash are omitted. Deposits, notes receivable - trade, accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and accounts payable - other are omitted, as these are settled within a short time frame and therefore have a market value approximate to their book value.

(Millions of yen)

	Amounts posted on the Consolidated Balance Sheet (*)	Market value (*)	Difference
(1) Investment securities			
(i) Shares of subsidiaries and associates	18,966	12,434	-6,531
(ii) Available-for-sale securities	23,396	23,396	-
(2) Current portion of bonds payable	(300)	(300)	0
(3) Current portion of long-term borrowings	(22,117)	(22,115)	-1
(4) Long-term borrowings	(37,525)	(37,523)	-1
(5) Derivatives	(83)	(83)	-

(\*) Items posted as liabilities are enclosed in brackets.

(Note)

Unlisted shares (posted as 142 million yen on the Consolidated Balance Sheet), shares of unlisted subsidiaries and associates (posted as 2,646 million yen on the Consolidated Balance Sheet), and Investment Limited Partnership (posted as 338 million yen on the Consolidated Balance Sheet) are shares, etc. that do not have a market price. As such, these items are not included in (1).

(3) Matters relating to breakdown, etc. of market values of financial instruments by level

Market values of financial instruments are classified into the following three levels based on the observability and materiality of inputs used to calculate market values.

Level 1 market value: Market value calculated using (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 market value: Market value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 market value: Market value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of market value are used, market value is classified into the level with the lowest priority in the calculation of market value among the levels to which those inputs belong.

- (i) Financial assets and financial liabilities that are recognized on the Consolidated Balance Sheet at market value

(Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
Shares	23,396	-	-	23,396
(5) Derivatives (*)	-	(83)	-	(83)

(\*) Items posted as liabilities are enclosed in brackets.

- (ii) Financial assets and financial liabilities that are not recognized on the Consolidated Balance Sheet at market value

(Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
Shares of subsidiaries and associates	12,434	-	-	12,434
(2) Current portion of bonds	-	300	-	300
(3) Current portion of long-term borrowings	-	22,115	-	22,115
(4) Long-term borrowings	-	37,523	-	37,523

(Note) Valuation methods used for the measurement of market value and a description of inputs

- (1) Investment securities:

Listed shares are valued using quoted prices. Since listed shares are traded in active markets, their market value is classified as Level 1 market value.

- (2) Current portion of bonds:

The market value of bonds payable, which are issued by subsidiaries, is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the remaining term and credit risk of the bonds. It is classified as Level 2 market value.

- (3) Current portion of long-term borrowings and (4) Long-term borrowings:

The market value of long-term borrowings is calculated by taking into account the remaining term of the bonds and discounting the total amount of principal and interest by the assumed interest rate that would be applied when new borrowings are conducted. It is classified as Level 2 market value. The market value of long-term borrowings that are subject to exceptional accounting treatment for interest-rate swaps is calculated by taking into account the remaining term of the bonds and discounting the total amount of principal and interest, which is treated as one with the interest-rate swap in question, by a logically estimated interest rate that would be applied when similar borrowings are conducted.

(5) Derivatives:

The market values of interest-rate swaps and forward exchange contracts are calculated using observable inputs such as interest rates and foreign exchange rates. They are classified as Level 2 market values.

Derivatives conducted through exceptional accounting treatment of interest-rate swaps are treated as being one with the long-term borrowings under the relevant hedge. As such, the market value of such transactions is presented as being included in the market value for the long-term borrowings concerned.

9. Notes to Leased Property

The Company and some of its consolidated subsidiaries own real property for lease and others in Tokyo and other regions. Income or expenses from the leased property during the fiscal year ended March 2023 was 109 million yen (rent income was posted as non-operating income and expenses are posted as non-operating expenses).

The amount posted on the Consolidated Balance Sheet, major changes during the consolidated fiscal year under review, market value on the consolidated closing date, and the calculation method of such market value are as follows:

(Millions of yen)

Amounts posted on the Consolidated Balance Sheet			Market value on the consolidated closing date
Balance at the beginning of the consolidated fiscal year under review	Amount of increases/decreases during the consolidated fiscal year under review	Balance at the end of the consolidated fiscal year under review	
16,272	-84	16,187	18,751

- (Note 1) Amounts posted on the Consolidated Balance Sheet were the acquisition costs minus accumulated depreciation and accumulated impairment loss.
- (Note 2) The change during the consolidated fiscal year under review is mainly due to a decrease from depreciation, the acquisition of rental real estate (76 million yen), and an increase in the rate of rent (13 million yen).
- (Note 3) Calculation method of market value  
Basically the amount based on a real-estate appraisal report prepared by a real-estate appraiser.

10. Notes to Per-Share Information

Net assets per share	3,144.81 yen
Net income per share	121.86 yen
(Calculation basis) Profit attributable to owners of parent	5,028 million yen
Profit attributable to owners of parent, available to common shares	5,028 million yen
Average number of shares during the fiscal year under review	41,262 thousand shares

(Note) For the purpose of calculating the net income per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders' equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.

For the purpose of calculating the net income per share, the average number of treasury shares, so deducted, during the fiscal year under review was 60 thousand shares, and for the purpose of calculating the net assets per share, the number of treasury shares, so deducted, as at the end of the fiscal year under review was 50 thousand shares.

11. Notes to Revenue Recognition

(1) Information regarding disaggregated revenue arising from contracts with customers

Information by type of goods or services

(Millions of yen)

	Reported segments			Others (Note 2)	Adjustment	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Wholesale of watches (Note 1)	116,641	-	-	-	-	116,641
Retail of watches (Note 1)	27,578	-	-	-	-	27,578
Electronic devices (Quartz crystals, micro batteries, etc.)	-	22,434	-	-	-	22,434
Precision devices (Precision turned parts, etc.)	-	14,144	-	-	-	14,144
Printing devices	-	17,277	-	-	-	17,277
System-related (Including IT performance management)	-	-	19,425	-	-	19,425

IoT-related	-	-	10,888	-	-	10,888
Settlement-related	-	-	6,312	-	-	6,312
Other	26,575	10,674	-	1,109	411	38,770
Transactions with other segments	-3,053	-6,101	-3,071	-741	-	-12,968
Revenue arising from contracts with customers	167,742	58,428	33,554	367	411	260,504
Revenues from external customers	167,742	58,428	33,554	367	411	260,504

Information by region

(Millions of yen)

	Reported segments			Others (Note 2)	Adjustment	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Japan	81,259	17,768	33,155	367	57	132,606
The Americas	24,242	7,143	309	-	14	31,710
Europe	19,939	7,611	43	-	313	27,908
Asia and others	42,301	25,905	46	-	25	68,278
Revenue arising from contracts with customers	167,742	58,428	33,554	367	411	260,504
Revenues from external customers	167,742	58,428	33,554	367	411	260,504

(Note 1) The wholesale of watches is classified as manufacturing, sales, and repair services for the Company's own products. The retail of watches is classified as retail services including other companies' products.

(Note 2) Although portions of rental revenues from real estate are included, they are included in "Revenue arising from contracts with customers" due to its low financial significance.

(2) Useful information in understanding revenue

Useful information in understanding revenue is as described in "Notes to Important Matters that are the Basis for Preparation of Consolidated Financial Statements, (6) Accounting standards for significant income and expenses".

(3) Information in understanding the amounts of revenues in the fiscal year under review and the following fiscal years

(i) Balance, etc. of contract assets and contract liabilities

(Millions of yen)

	Fiscal year under review	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Receivables from contracts with customers	38,424	38,250
Contract assets	343	397
Contract liabilities	6,574	7,916

Of the amount of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 4,620 million yen.

(ii) Transaction prices allocated to remaining performance obligations

The Company has applied the practical expedient to notes on transaction prices allocated to remaining performance obligations. Contracts with an initially expected term of one year or less are not included in the notes. The performance obligations primarily relate to the Systems Solutions Business. The total transaction prices allocated to remaining performance obligations and the period in which the Company expects to recognize the amounts as revenue are as follows.

(Millions of yen)

	Fiscal year under review
One year or less	1,019
Over one year, two years or less	774
Over two years, three years or less	450
Over three years	545
Total	2,790

12. Presentation of Amounts

In the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statements of Changes in Equity, and Notes to Consolidated Financial Statements, any amount less than one million yen is discarded.

[Translation]

**Non-Consolidated Statements of Changes in Equity**  
(From April 1, 2022 to March 31, 2023)

Millions of yen

	Shareholders' equity								Total shareholders' equity
	Share capital	Capital surplus			Retained earnings			Treasury shares	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	10,000	2,378	4,246	6,625	121	22,379	22,500	-265	38,860
Changes during period									
Dividends of surplus						-2,583	-2,583		-2,583
Profit						2,562	2,562		2,562
Purchase of treasury shares								-0	-0
Disposal of treasury stock by ownership plan trust								44	44
Net changes of items other than shareholders' equity									
Total changes during period	-	-	-	-	-	-21	-21	44	22
Balance at end of period	10,000	2,378	4,246	6,625	121	22,357	22,478	-221	38,882

Millions of yen

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	10,134	-64	8,190	18,260	57,120
Changes during period					
Dividends of surplus					-2,583
Profit					2,562
Purchase of treasury shares					-0
Disposal of treasury stock by ownership plan trust					44
Net changes of items other than shareholders' equity	333	59	-	392	392
Total changes during period	333	59	-	392	414
Balance at end of period	10,467	-5	8,190	18,652	57,534

[Translation]

**Notes to Non-Consolidated Financial Statements**

1. Notes to Significant Accounting Policies
  - (1) Standards and methods for evaluating securities
    - (i) Shares in subsidiaries and affiliates:  
Stated at cost using the moving-average method
    - (ii) Available-for-sale securities:  
Securities other than shares, etc. that do not have a market price:  
Market value method  
  
Shares, etc. that do not have a market price:  
Mainly stated at cost using the moving-average method
    - (iii) Investment Limited Partnership:  
Stated on a net basis equivalent to equity interests, based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement
  - (2) Standards and methods for evaluating derivatives
    - (i) Derivatives:  
Market value method
  - (3) Depreciation methods for non-current assets
    - (i) Property, plant and equipment (excluding leased assets):  
The straight-line method is used for buildings (excluding equipment attached to buildings), and equipment attached to buildings, and structures acquired on or after April 1, 2016, and the declining-balance method for other property, plant and equipment. For a useful life, the estimated economic life is used, which reflects the usable period, actual period of use, and other factors for each asset.
    - (ii) Intangible assets (excluding leased assets)  
The straight-line method is used. As for software for in-house use, the straight-line method is used with a usable period of 5 years.
    - (iii) Leased assets  
Lease assets relating to finance lease with transfer of ownership:  
The same depreciation method as applied to the property, etc. owned by the Company is used.  
Lease assets relating to finance lease without transfer of ownership:  
The straight-line method is used with a useful life of the lease period and with a residue value of zero.
  - (4) Accounting standards for significant allowances and provisions
    - (i) Allowance for doubtful accounts:  
In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.



- (ii) Provision for bonuses:  
In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the fiscal year under review.
- (iii) Allowance for investment loss of subsidiaries and associates:  
In order to prepare for possible losses on investments to subsidiaries and associates, an amount deemed necessary is provided after considering the financial position of each company and based on a respective review. The allowance for investment loss of subsidiaries and associates of 4 million yen is directly reduced from the amount of shares of subsidiaries and associates.
- (iv) Provision for stock benefits:  
The Company has posted an estimated amount, as of the end of the fiscal year under review, for the obligation to deliver shares, as a provision for the delivery of its shares to the Executive Directors of the Company and its subsidiaries, in accordance with the Rules for Delivery of Shares to Officers.

(5) Accounting standards for income and expenses

The Company's revenues consist of dividend from subsidiaries and associates, management fee income, and royalty income. Among these, management fee income represents the Company's obligations to perform services related to consolidated management and management of each associate based on contracts with each associate. Royalty income represents the Company's obligations to license the use of trademarks based on contracts with associates.

The performance obligations for such management fee income and royalty income are recognized as revenue according to the contract period.

(6) Hedge accounting method

- (i) Hedge accounting method  
Deferred hedge accounting is employed. However, with regard to forward exchange contracts and the like that meet the requirements for deferral hedge accounting ("*furiate-shori*"), deferral hedge accounting is employed; with regard to interest-rate swaps that meet the requirements for exceptional accounting ("*tokurei-shori*"), exceptional accounting is employed.
- (ii) Means of hedging and hedged items:  
Forward exchange contracts and foreign currency deposits to hedge foreign exchange-rate fluctuation risks regarding foreign currency-denominated trade payables and receivables and the like; and interest-rate swaps to avoid fluctuation risks regarding borrowings on floating interest rate.
- (iii) Hedging policy  
Forward exchange contracts, foreign currency deposits and interest-rate swaps are hedged to avoid exchange- and interest-rate fluctuation risks present in hedged items in accordance with the Company's internal rules, and no speculative transactions are conducted.

- (iv) Assessment of hedge effectiveness  
Hedge effectiveness is assessed by analysis of the percentage between the accumulated cash flow changes of hedged items and the accumulated cash flow changes by means of hedging. However, the assessment of hedge effectiveness is omitted if the material conditions of the means of hedging and the hedged items are the same.

(7) Application of group tax sharing system

Group tax sharing system is applied.

2. Notes to Changes in Accounting Policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on June 17, 2021; hereinafter, the “Fair Value Measurement Implementation Guidance”), effective from the beginning of the fiscal year under review. In accordance with the transitional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Company will apply the new accounting policy prescribed by the Fair Value Measurement Implementation Guidance into the future. However, this application has no impact on the financial statements.

3. Additional Information

Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company has made a transition from the consolidated taxation system to the group tax sharing system from the fiscal year under review. In line with this, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021; hereinafter, the “PITF No. 42”), for the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting. In addition, the Company regards that there is no impact from the changes in accounting policies in line with the application of PITF No. 42, in accordance with Paragraph 32 (1) of PITF No. 42.

4. Notes to Accounting Estimates

Evaluation of deferred tax assets

(1) Amount posted in the financial statements for the fiscal year under review

Deferred tax liabilities	4,398 million yen
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As stated in “6. Notes to Tax Effect Accounting” of the Notes to Non-Consolidated Financial Statements, deferred tax assets of 252 million yen and deferred tax liabilities of 4,651 million yen are presented after offsetting.

(2) Information useful for understanding the content of accounting estimates

Deferred tax assets are posted if they are judged to be recoverable by making reasonable estimates of when future taxable income will occur and its amount based on business plans, etc. Such estimates may be affected by changes in uncertain economic conditions, etc. in the future. If the actual timing of when the taxable income occurs and its amount differ from the estimates, it may significantly affect the amount of deferred tax assets in the financial statements for the following fiscal year.

As stated in “1. Notes to Significant Accounting Policies (7),” the Company has applied the group tax sharing system. Accordingly, estimates for the income tax portion have been made for the entire tax sharing group.

5. Notes to Non-Consolidated Balance Sheet, Statements of Income, and Statements of Changes in Equity

(1) Accumulated depreciation of Property, plant and equipment 11,086 million yen

(2) Monetary claims, monetary debts and transactions with subsidiaries and associates

(i) Short-term receivables	64,883 million yen
(ii) Short-term payables	8,836 million yen
(iii) Long-term receivables	5,146 million yen
(iv) Long-term payables	1,616 million yen
(v) Operating revenue	14,958 million yen
(vi) Operating expenses	6,457 million yen
(vii) Transactions other than operating transactions	4,970 million yen

(3) Revaluation of land for business use

Land for business use was revaluated pursuant to the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998), and valuation differences which correspond to taxes are posted as “Deferred tax liabilities for land revaluation” of “Liabilities” and the balance thereof is posted as “Revaluation reserve for land” of “Net assets”.

(i) Method of revaluation:  
Land for business use was evaluated based on the main-street land price set forth in Article 2, item 4 of the “Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998), and that land without a main-street land price was evaluated based on the assessed value of fixed assets as set forth in item 3 thereof, with reasonable adjustment.

(ii) Date of revaluation: March 31, 2001

(4) Notes to lending stock

Out of shares of subsidiaries and associates, 46 million yen is for lending stock.

(5) Loan commitment agreement

The Company has concluded loan commitment agreements with two banks in order to carry out efficient funding of working capital. The balance of unused line of credit, etc. under the loan commitment agreements at the end of the fiscal year under review is as follows.

Total amount of loan commitment	28,500 million yen
Borrowing balance	13,800 million yen
<hr/>	
Balance	14,700 million yen

(6) Notes to Statements of Changes in Equity

Type and number of treasury shares at the end of the fiscal year under review

Common shares 111,284 shares

The number of shares above includes 50,400 shares of the Company held in the Board Benefit Trust (BBT) as a result of the introduction of the BBT plan.

6. Notes to Tax Effect Accounting

Breakdown by major reason for incurring deferred tax assets and deferred tax liabilities

Deferred tax assets	
Provision for bonuses	59 million yen
Allowance for doubtful accounts	1,346 million yen
Loss on valuation of shares in subsidiaries	8,529 million yen
Allowance for investment loss of subsidiaries and associates	1 million yen
Impaired loss on non-current assets	713 million yen
Assets for adjustment of profit and loss due to transfer	1,192 million yen
Long-term accounts payable - other	6 million yen
Loss carried forward	3,148 million yen
Other	153 million yen
Deferred tax assets - subtotal	<u>15,152 million yen</u>
Valuation-related reserves concerning loss carried forward	-2,967 million yen
Valuation-related reserves concerning the sum of deductible temporary differences	-11,932 million yen
Valuation-related reserves-subtotal	<u>-14,900 million yen</u>
Deferred tax assets - total	252 million yen
Deferred tax liabilities	
Assets for adjustment of profit and loss due to transfer	20 million yen
Valuation difference on available-for-sale securities	4,619 million yen
Other	11 million yen
Deferred tax liabilities - total	<u>4,651 million yen</u>
Net deferred tax assets (liabilities)	-4,398 million yen

Other than the above items, “deferred tax liabilities” concerning “revaluation reserve for land” was 3,614 million yen.

7. Notes to Transactions with Related Parties

(1) Parent company and major corporate shareholders

Attributes	Name of company	Ratio of voting rights held (%)	Relationship with related party	Content of transaction	Transaction amount (million yen)	Item	Term-end balance (million yen)
Major shareholder (company, etc.)	Sanko Kigyo K.K.	(Direct) 10.8 (Closer parties or agreed parties) 6.0	Property lease-in, etc.	Property lease-in	639	-	-

(2) Subsidiaries and associates, etc.

Attributes	Name of company	Ratio of holding of voting rights, etc. (%)	Relationship with related party	Content of transaction	Transaction amount (million yen)	Item	Term-end balance (million yen)
Subsidiary	SEIKO WATCH CORPORATION	(direct) 100.0	Interlocking directorate	Royalty income	2,188	Accounts receivable - other	1,237
				Management fee income	1,444	Accounts receivable - other	166
	WAKO Co., Ltd.	(direct) 100.0	Interlocking directorate	Property lease-out	692	Accrued income	114
	Shirakawa Estate Co., Ltd.	(direct) 100.0	Interlocking directorate	Property lease-in	163	Accounts payable - other	-
	Seiko Instruments Inc.	(direct) 100.0	Interlocking directorate	Property lease-in	489	Accounts payable - other	74
				Property lease-out	241	Accrued income	73
	SEIKO Solutions Inc.	(direct) 100.0	Interlocking directorate	Property lease-out	682	Accrued income	6
	SEIKO Time Creation Inc.	(direct) 100.0	Interlocking directorate	Property lease-out	147	Accrued income	0

(Note) Transaction terms and policies to determine them

- 1) The terms for property lease-in are determined based on the same standards as for general transaction terms after considering market price. In the Statements of Income, the property rents payable are offset with property rents receivable.
- 2) Royalty income is determined based on the standards similar to general transaction terms.
- 3) Management fee income is determined by mutual consultation between the Company and a directly consolidated subsidiary, taking into consideration the nature of its business.
- 4) Regarding property rents receivable, those of owned property leased out for business use are determined linked to relevant income, and those leased out as office or the like are determined based on a professional valuation. In the Statements of Income, property rents receivable are offset with property rents payable.

8. Notes to Per-Share Information

Net assets per share	1,393.32 yen
Net income per share	62.06 yen
(Calculation basis) Profit	2,562 million yen
Profit available to common shares	2,562 million yen
Average number of shares during the fiscal year under review	41,283 thousand shares

(Note 1) For the purpose of calculating the net income per share, the treasury shares remaining in trust posted as treasury shares in the “Shareholders' equity” section are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year under review. For the purpose of calculating the net assets per share, the treasury shares so remaining in trust are included in the treasury shares deducted from the total number of shares issued and outstanding at the end of the fiscal year under review.

For the purpose of calculating the net income per share, the average number of treasury shares, so deducted, during the fiscal year under review was 60 thousand shares, and for the purpose of calculating the net assets per share, the number of treasury shares, so deducted, as at the end of the fiscal year under review was 50 thousand shares.

9. Notes to Companies subject to Restriction on Consolidated Dividend

The Company will become a company subject to restriction on consolidated dividend from when the last day of the fiscal year under review is the last day of the last fiscal year.

10. Presentation of Amounts

In the Non-Consolidated Balance Sheet, Non-Consolidated Statements of Income, Non-Consolidated Statements of Changes in Equity, and Notes to Non-Consolidated Financial Statements, any amount less than one million yen is discarded.