Annual Securities Report

From April 1, 2022 to March 31, 2023

(The 162nd Business Term)

SEIKO GROUP CORPORATION

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【Document Submitted】	Annual Securities Report
【Article of the applicable Law Requiring Submission of This Document:】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
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【Business Year】	The 162nd Business Term (from April 1, 2022 to March 31, 2023)
【Company Name (in English)】	SEIKO GROUP CORPORATION
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Part I [Company Information]

I. Overview of Company

1. Summary of Business Results

(1) Business Results of the Group

Business term		158th	159th	160th	161st	162nd
Fiscal year end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	Millions of yen	247,293	239,150	202,671	237,382	260,504
Ordinary profit	Millions of yen	11,410	7,004	633	9,939	11,167
Profit attributable to owners of parent	Millions of yen	9,249	3,394	3,475	6,415	5,028
Comprehensive income	Millions of yen	8,396	(3,007)	10,855	11,870	12,576
Net assets	Millions of yen	110,415	104,273	113,082	121,624	131,748
Total assets	Millions of yen	303,036	299,990	319,671	327,533	355,915
Net assets per share	Yen	2,649.99	2,499.97	2,709.17	2,911.17	3,144.81
Basic earnings per share	Yen	224.42	82.36	84.30	155.56	121.86
Diluted earnings per share	Yen	224.40	82.33	84.30	155.56	121.86
Equity capital ratio	%	36.0	34.4	34.9	36.7	36.5
Rate of return on equity	%	8.7	3.2	3.2	5.5	4.0
Price-earnings ratio	Times	11.7	21.2	22.3	14.7	23.8
Net cash provided by (used in) operating activities	Millions of yen	17,508	2,704	2,874	20,358	9,261
Net cash provided by (used in) investing activities	Millions of yen	(7,093)	(10,688)	(7,838)	(9,318)	(15,535)
Net cash provided by (used in) financing activities	Millions of yen	(10,670)	678	10,465	(13,909)	10,564
Cash and cash equivalents at the end of year	Millions of yen	33,843	26,111	32,340	30,738	36,209
Employees [Excluding average number of part-time employees]	Number of persons	12,020 [772]	11,947 [603]	12,092 [500]	11,984 [453]	11,843 [390]

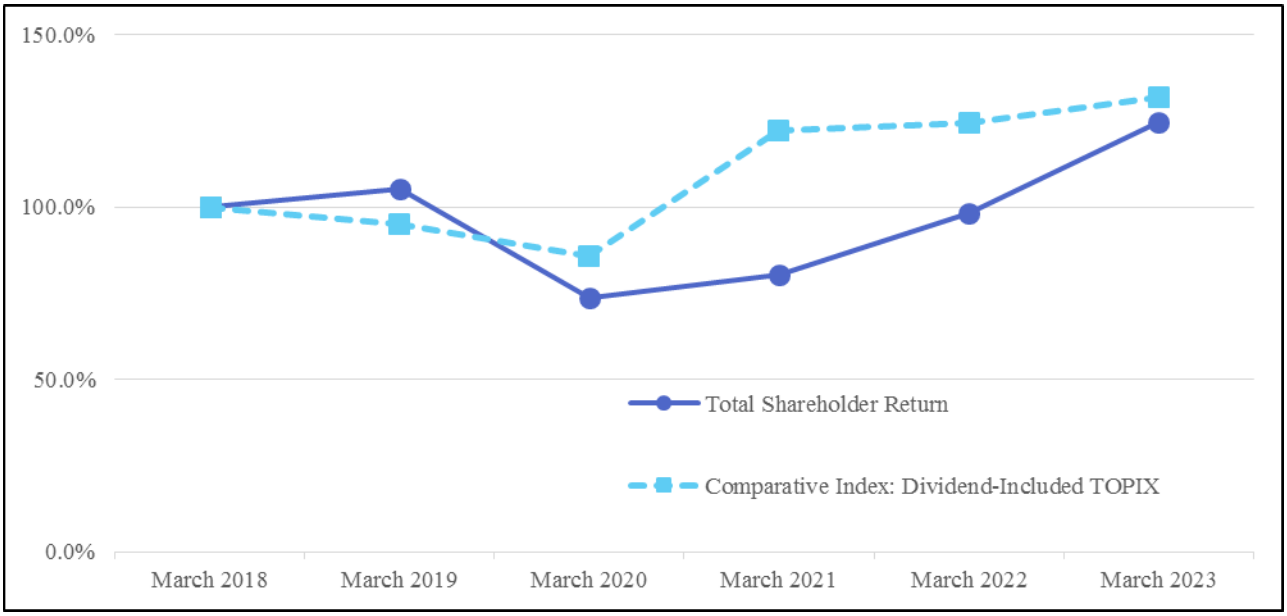
(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2022 (161st).

(2) Business Results of the Company

Business term		158th	159th	160th	161st	162nd
Fiscal year end		March 2019	March 2020	March 2021	March 2022	March 2023
Operating Revenue	Millions of yen	11,301	12,031	11,301	12,043	15,312
Ordinary profit	Millions of yen	2,691	3,027	809	(473)	1,560
Profit	Millions of yen	3,719	3,124	1,560	3,257	2,562
Share capital	Millions of yen	10,000	10,000	10,000	10,000	10,000
Total number of shares issued and outstanding	Stock	41,404,261	41,404,261	41,404,261	41,404,261	41,404,261
Net assets	Millions of yen	55,029	50,681	55,495	57,120	57,534
Total assets	Millions of yen	176,640	176,961	192,853	187,644	201,299
Net assets per share	Yen	1,334.48	1,228.89	1,345.36	1,384.23	1,393.32
Dividend per share (Interim dividend per share included in the above amount)	Yen	75.00 (37.50)	75.00 (37.50)	37.50 (12.50)	50.00 (25.00)	75.00 (37.50)
Basic earnings per share	Yen	90.21	75.77	37.83	78.94	62.06
Diluted earnings per share	Yen	—	—	—	—	—
Equity capital ratio	%	31.2	28.6	28.8	30.4	28.6
Rate of return on equity	%	6.7	5.9	2.9	5.8	4.5
Price-earnings ratio	Times	29.2	23.0	49.6	29.1	46.6
Dividend payout ratio	%	83.1	99.0	99.1	63.3	120.9
Employees	Number of persons	141	143	356	361	171
Total shareholder return (Comparative index: Dividend-included TOPIX)	%	105.3 (95.0)	73.6 (85.9)	80.2 (122.1)	98.3 (124.6)	124.6 (131.8)
Highest stock price	Yen	3,245	2,986	2,148	2,535	3,505
Lowest stock price	Yen	1,958	1,462	1,293	1,818	2,040

(Notes) 1. Diluted net earnings per share is not presented, because there were no potential shares.
2. The highest and lowest stock prices represent those recorded on the First Section of the Tokyo Stock Exchange up to April 3, 2022, and those recorded on the Prime Market of the Tokyo Stock Exchange from April 4, 2022 onward.
3. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2022 (161st).

4. Total shareholder return and comparative indicators for the last five years are as follows.



2. Company History

December 1881	Established K. Hattori, which later became SEIKO GROUP CORPORATION.
March 1892	Founded Seikosha Clock Factory; started manufacturing wall clocks.
October 1917	Established K. Hattori & Co., Ltd. with a capital stock of 5 million yen, reorganizing as a company organization.
June 1932	Constructed The Wako Clock Tower, the familiar face of Ginza, Tokyo.
September 1937	Spun off the Watch Division of Seikosha clock factory and established an independent organization as Daini Seikosha Co., Ltd. (currently Seiko Instruments Inc.)
April 1947	Spun off the Retail Division and established Wako Co., Ltd.
May 1949	Listed on the Tokyo Stock Exchange.
May 1959	Spun off the Suwa plant of Daini Seikosha Co., Ltd. and established an independent organization as Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation).
October 1964	Served as Official Timer of the Tokyo Olympic Games.
November 1968	Established HATTORI (H.K.) LTD. (currently SEIKO Hong Kong Ltd.) in Hong Kong.
December 1969	Introduced Seiko Quartz Astron, the world’s first quartz watch.
May 1970	Established SEIKO TIME CORPORATION (currently Grand Seiko Corporation of America and Seiko Watch of America LLC) in the United States.
November 1970	Established Seikosha Co., Ltd. by splitting off the Seikosha clock factory.
November 1971	Established SEIKO TIME (U.K.) LTD. (currently SEIKO U.K. Limited) in the United Kingdom.
February 1972	Served as Official Timer of the Sapporo Winter Olympic Games.
August 1983	Changes the name to Hattori Seiko Co., Ltd.
April 1988	Introduced the world’s first A.G.S. (Automatic Generating System, later renamed as Kinetic) watch.
June 1988	Established SEIKOSHA (THAILAND) CO., LTD. (currently SEIKO Precision (Thailand) Co., Ltd.) in Thailand.
July 1992	Served as Official Timer of the Barcelona Olympic Games.
February 1994	Served as Official Timer of the Lillehammer Winter Olympic Games.
January 1996	Established SEIKO Clock Inc. (currently SEIKO Time Creation Inc.) and SEIKO Precision Inc. Each of them succeeded businesses from Seikosha Co., Ltd in March in the same year. Established Seiko Optical Products Co., Ltd. to spin off the Eyeglasses Business.
July 1997	Changed the name to Seiko Corporation.
February 1998	Served as Official Timer of the Nagano Winter Olympic Games.
November 1999	A replica of the movement of the world’s first quartz wristwatch, Seiko Quartz Astron was exhibited at the Smithsonian Museum in Washington, D.C., U.S.
December 1999	Introduced the world’s first Spring Drive wristwatch, realizing a fusion of mechanical and quartz.
July 2001	Established SEIKO WATCH CORPORATION to spin off the Watches Business and the Company became a holding company.
February 2002	Served as Official Timer of the Salt Lake City Winter Olympic Games.
November 2004	Seiko Quartz Astron, the world’s first quartz watch, recognized as an IEEE Milestone by the IEEE (Institute of Electrical and Electronics Engineers).
July 2007	Changed the name to SEIKO HOLDINGS CORPORATION.
October 2009	Integrated Seiko Instruments Inc.
September 2012	Launched the world’s first GPS solar watch, Seiko Astron.
November 2014	Grand Seiko’s Mechanical Hi-Beat 36000 GMT Limited Edition won the Petite Aiguille prize at the 2014 Grand Prix d’Horlogerie de Genève.
November 2018	Seiko Prospex 1968 Diver’s Re-creation won the Sports Watch Prize at the 2018 Grand Prix d’Horlogerie de Genève.
November 2019	Seiko Prospex LX Line Diver’s won the Diver’s Watch Prize at the 2019 Grand Prix d’Horlogerie de Genève.
July 2020	Newly established Grand Seiko Studio Shizukuishi in a manufacturing site of Morioka Seiko Instruments Inc.
April 2021	SEIKO Clock, Inc. and SEIKO Time Systems, Inc. were merged to form a new company, SEIKO Time Creation Inc.
November 2021	The Grand Seiko Hi-Beat 36000 80 Hours powered by Caliber 9SA5, SLGH005, won the Men’s Watch Prize at the 2021 Grand Prix d’Horlogerie de Genève.
April 2022	Transferred to the Prime Market from the First Section of the Tokyo Stock Exchange due to the restructuring of

	its market segments.
June 2022	Changed the name of WAKO Main Building to SEIKO HOUSE GINZA.
October 2022	Changed the name to SEIKO GROUP CORPORATION.
November 2022	Grand Seiko Kodo Constant-force Tourbillon SLGT003 won the Chronometry Prize at the 2022 Grand Prix d'Horlogerie de Genève.

3. Description of Business

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 “Emotional Value Solutions Business,” “Devices Solutions Business,” and “Systems Solutions Business” from the fiscal year under review. As a holding company, the Company has a business structure for consolidating and managing each operating subsidiary.

Details of each business and the positioning of subsidiaries and associates involved with such businesses are as follows. The following classification is the same as the classification of the reported segments presented in “Notes (Segment Information, etc.), (1) Consolidated Financial Statements, 1. Consolidated Financial Statements, V. Financial Information.”

The Company falls under the category of a specified listed company, etc., as stipulated in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. Accordingly, criteria for regarding a material fact under the regulation on insider trading shall be judged based on consolidated figures.

[Emotional Value Solutions Business]

In Japan, SEIKO WATCH CORPORATION mainly engages in wholesale of watches, and CRONOS Inc. mainly engages in retail of watches. Morioka Seiko Instruments Inc. mainly engage in manufacture of watches. SEIKO TIME LABS CO., LTD. engages in repairs and after-sales services of watches. SEIKO Time Creation Inc. engages in product development, manufacture, sales, repairs and after-sales services of clocks, as well as sales of system clocks and sports timing devices. WAKO Co., Ltd. engages in retail of high-end jewelry, apparel and fashion accessories, and household goods, etc.

In overseas, Grand Seiko Corporation of America, Seiko Watches of America LLC, Seiko Watch Europe S.A.S., SEIKO U.K. Limited and other companies engage in wholesale of watches, and Seiko Manufacturing (H.K.) Ltd. engages in sales of watch movements. Seiko Manufacturing (Singapore) Pte. Ltd. and other companies engage in manufacture of watches. In addition, SEIKO CLOCK (Hong Kong) Ltd. and other companies engage in manufacture and sales of clocks, etc.

[Devices Solutions Business]

In Japan, Seiko Instruments Inc. mainly engages in manufacture and sales of electronic devices, etc. Overseas, Seiko Instruments Trading (H.K.) Ltd. and other companies engage in sales of electronic devices, etc. and Seiko Instruments (Thailand) Ltd. and other companies engage in manufacture and sales of electronic devices, etc.

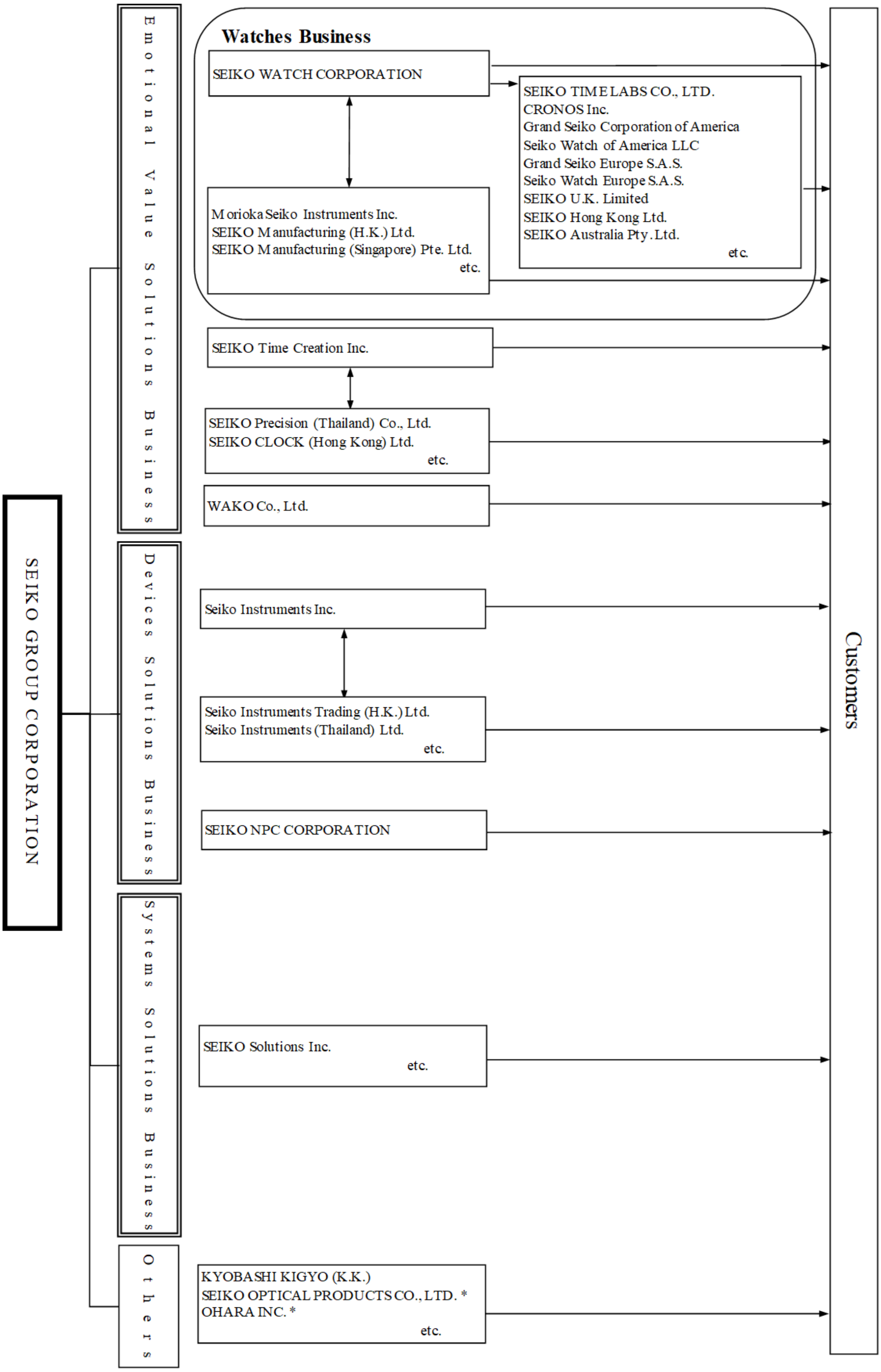
[Systems Solutions Business]

SEIKO Solutions Inc. and other companies engage in the development and sales of products for businesses related to systems (including IT performance management), IoT, and payment, and also provide maintenance services for products sold and made-to-order software services.

[Others]

KYOBASHI KIGYO (K.K.) mainly engages in real estate leasing.

An overview of the aforementioned status of the corporate group is shown as an organization chart below.



*Companies accounted for by the equity method.

4. Overview of Affiliated Entities

Name of company	Location	Share capital		Principal business	Ratio of voting rights held (%)	Relationship
Consolidated Subsidiaries: SEIKO WATCH CORPORATION *1, *3	Chuo-ku Tokyo		Thousands of yen 5,000,000	Emotional Value Solutions	100.0	Interlocking directorates Providing loans
SEIKO TIME LABS CO., LTD.	Koto-ku Tokyo		Thousands of yen 60,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
CRONOS Inc.	Chiyoda-ku Tokyo		Thousands of yen 200,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates Providing loans
SEIKO Retail Marketing Corporation	Chuo-ku Tokyo		Thousands of yen 100,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
Morioka Seiko Instruments Inc. *1	Iwate-gun Iwate		Thousands of yen 2,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates Providing loans
Ninohe Tokei Kogyo Co., Ltd.	Ninohe-shi Iwate		Thousands of yen 20,000	Emotional Value Solutions	100.0 (100.0)	-
Tono Seiki Co., Ltd.	Tono-shi Iwate		Thousands of yen 5,000	Emotional Value Solutions	100.0 (100.0)	-
Michinoku Service Co., Ltd.	Iwate-gun Iwate		Thousands of yen 90,000	Emotional Value Solutions	100.0 (100.0)	-
WAKO Co., Ltd. *1	Chuo-ku Tokyo		Thousands of yen 2,500,000	Emotional Value Solutions	100.0	Interlocking directorates Providing loans
SEIKO Time Creation Inc.	Koto-ku Tokyo		Thousands of yen 500,000	Emotional Value Solutions	100.0	Interlocking directorates Providing loans
Grand Seiko Corporation of America	New York U.S.A.	USD	2,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
Seiko Watch of America LLC	New York U.S.A.	USD	112,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Time Corporation	New York U.S.A.	USD	1,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Panama, S.A.	Panama City Panama	USD	1,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO U.K. Limited	Maidenhead U.K.	GBP	5,500,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates

Name of company	Location	Share capital		Principal business	Ratio of voting rights held (%)	Relationship
Grand Seiko Europe S.A.S.	Paris France	EUR	3,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
Seiko Watch Europe S.A.S.	Neuilly-sur-Seine France	EUR	6,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO RUS Limited Liability Company	Moscow Russia	RUB	20,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Hong Kong Ltd. *1	Kowloon Hong Kong	HKD	129,300,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Manufacturing (H.K.) Ltd. *1	Kowloon Hong Kong	HKD	128,700,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
Time Module Ltd.	Kwai Fong Hong Kong	HKD	5,001,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
Guangzhou SII Watch Co., Ltd.	Guangzhou P. R. China	USD	5,100,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Watch (Shanghai) Co., Ltd.	Shanghai P. R. China	USD	9,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Taiwan Co., Ltd.	Taipei Taiwan	TWD	44,000,000	Emotional Value Solutions	69.9 (69.9)	Interlocking directorates
SEIKO (Thailand) Co., Ltd.	Bangkok Thailand	THB	112,550,000	Emotional Value Solutions	82.5 (82.5)	Interlocking directorates
Grand Seiko Asia-Pacific Pte. Ltd.	Singapore Singapore	SGD	8,000,000	Emotional Value Solutions	75.0 (75.0)	Interlocking directorates
SEIKO Watch India Pvt. Ltd.	Bangalore India	INR	85,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
Instruments Technology (Johor) Sdn. Bhd.	Johor Bahru Malaysia	MYR	8,500,000	Emotional Value Solutions	100.0 (100.0)	-
SEIKO Manufacturing (Singapore) Pte. Ltd. *1	Singapore Singapore	SGD	32,288,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO Australia Pty. Ltd.	Macquarie Park Australia	AUD	8,000,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates
SEIKO CLOCK (Hong Kong) Ltd.	Kowloon Hong Kong	HKD	1,500,000	Emotional Value Solutions	100.0 (100.0)	Interlocking directorates Providing loans

Name of company	Location	Share capital		Principal business	Ratio of voting rights held (%)	Relationship
SEIKO CLOCK (Shenzhen) Co., Ltd.	Shenzhen P. R. China	CNY	12,500,000	Emotional Value Solutions	100.0 (100.0)	-
SEIKO Precision (Thailand) Co., Ltd. *1	Pathumthani Thailand	THB	603,000,000	Emotional Value Solutions	100.0	Interlocking directorates
Seiko Instruments Inc. *1	Mihama-ku Chiba		Thousands of yen 9,756,000	Devices Solutions	100.0	Interlocking directorates Providing loans
SII Printek Inc.	Mihama-ku Chiba		Thousands of yen 90,000	Devices Solutions	100.0 (100.0)	-
Seiko EG&G Co., Ltd.	Mihama-ku Chiba		Thousands of yen 95,000	Devices Solutions	51.0 (51.0)	Interlocking directorates
Seshika Inc.	Mihama-ku Chiba		Thousands of yen 90,000	Devices Solutions	100.0 (100.0)	-
Seiko Future Creation Inc.	Mihama-ku Chiba		Thousands of yen 100,000	Devices Solutions	100.0 (60.0)	Interlocking directorates Providing loans
SII Crystal Technology Inc.	Mihama-ku Chiba		Thousands of yen 100,000	Devices Solutions	100.0 (100.0)	Providing loans
SEIKO NPC CORPORATION *1	Taito-ku Tokyo		Thousands of yen 1,000,000	Devices Solutions	100.0	Interlocking directorates Providing loans
Seiko Instruments U.S.A., Inc.	Torrance U.S.A.	USD	1,000	Emotional Value Solutions / Devices Solutions	100.0 (100.0)	-
Seiko Instruments GmbH	Neu-Isenburg Germany	EUR	3,988,076	Devices Solutions	100.0 (100.0)	-
Seiko Instruments Trading (H.K) Ltd.	Kowloon Hong Kong	HKD	2,340,000	Devices Solutions	100.0 (100.0)	Interlocking directorates
Dalian Seiko Instruments Inc. *1	Dalian P. R. China	USD	38,919,985	Devices Solutions	100.0 (100.0)	Interlocking directorates
Seiko Instruments (Shanghai) Inc.	Shanghai P. R. China	USD	1,220,000	Devices Solutions	100.0 (100.0)	-
Seiko Instruments Technology (Shanghai) Inc.	Shanghai P. R. China	USD	2,400,000	Devices Solutions	100.0 (100.0)	-
Seiko Instruments Taiwan Inc.	Taipei Taiwan	TWD	25,000,000	Devices Solutions	100.0 (100.0)	-
Seiko Instruments (Thailand) Ltd. *1	Pathumthani Thailand	THB	1,712,000,000	Devices Solutions	100.0 (100.0)	Interlocking directorates
Asian Electronic Technology Pte. Ltd.	Singapore Singapore	SGD	15,000,000	Devices Solutions	100.0 (100.0)	-
Seiko Instruments Singapore Pte. Ltd.	Singapore Singapore	USD	4,300,000	Devices Solutions	100.0 (100.0)	-

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
SEIKO Solutions Inc. *1.	Mihama-ku Chiba	Thousands of yen 500,000	Systems Solutions	100.0	Interlocking directorates Providing loans
IIM Corporation	Chuo-ku Tokyo	Thousands of yen 390,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
CSM SOLUTION CO., LTD.	Koto-ku Tokyo	Thousands of yen 80,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
GCC CO., LTD.	Koto-ku Tokyo	Thousands of yen 20,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
Total System Engineering Co., Ltd.	Osaka-shi Osaka	Thousands of yen 30,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
Instruction Co., Ltd.	Chuo-ku Tokyo	Thousands of yen 50,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
BackStore Co., Ltd.	Chuo-ku Tokyo	Thousands of yen 1,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
Prestige Co., Ltd.	Minato-ku Tokyo	Thousands of yen 10,000	Systems Solutions	100.0 (100.0)	Interlocking directorates
Human Capital Co., LTD.	Mihama-ku Chiba	Thousands of yen 100,000	Others	100.0	Interlocking directorates
KYOBASHI KIGYO (K.K.)	Chuo-ku Tokyo	Thousands of yen 10,000	Others	100.0	Interlocking directorates Providing loans
Shirakawa Estate Co., Ltd.	Chuo-ku Tokyo	Thousands of yen 100,000	Others	100.0	Interlocking directorates Providing loans

Name of company	Location	Share capital	Principal business	Ratio of voting rights held (%)	Relationship
Affiliates accounted for by the equity method: CLOCKWORK HOLDINGS INC.	Chuo-ku Tokyo	Thousands of yen 50,000	Emotional Value Solutions	39.9 (39.9)	Interlocking directorates
Jedat Inc. *2	Chuo-ku Tokyo	Thousands of yen 762,524	Devices Solutions	21.2 (21.2)	-
SII Logistics Inc.	Mihama-ku Chiba	Thousands of yen 90,000	Others	40.0 (40.0)	Interlocking directorates
SEIKO OPTICAL PRODUCTS CO., LTD.	Chuo-ku Tokyo	Thousands of yen 1,500,000	Others	50.0	Interlocking directorates Providing loans
OHARA INC. *2	Sagamihara-shi Kanagawa	Thousands of yen 5,855,000	Others	41.1 (21.8)	Interlocking directorates

(Notes) 1. In the column of “Principal business”, the names given in the segment information are listed.
2. “Interlocking directorates” shown in “Relationship” column describe concurrent positions of officers of the respective companies held by officers or employees of the Company (including work transfers.)
3. Figures in parentheses for ratio of voting rights held represent indirect ownership ratio included in the total.
4. *1 These companies are classified as “Specified companies”.
5. *2 These companies are obliged to file Annual Securities Report.
6. *3 Companies that post net sales (excluding intra-group transactions) accounting for over 10% of consolidated net sales:

[Key financial data]
(Fiscal year ended March 31, 2023) (Millions of yen)

	SEIKO WATCH CORPORATION
(1) Net sales	76,816
(2) Ordinary profit	5,491
(3) Profit	3,060
(4) Net assets	13,240
(5) Total assets	61,476

5. Information about Employees

(1) Consolidated Group

As of March 31, 2023

Segment	Number of employees	
Emotional Value Solutions Business	6,969	[289]
Devices Solutions Business	3,535	[83]
Systems Solutions Business	1,138	[8]
Others	30	[10]
Corporate *3	171	[0]
Total	11,843	[390]

(Notes) 1. The number of employees is the number of working employees (excluding individuals seconded from the Group, the Company and its consolidated subsidiaries, to outside the Group and including individuals seconded to the Group from outside the Group). The number of temporary employees is shown in square parentheses as the annual average number, excluding the aforementioned number of employees.

2. Temporary employees include part-timers, but do not include temporary staff.
3. The number of employees in "Corporate" represents the number of those belonging to the reporting company (holding company).
4. The main reason for the decrease in the number of employees in "Corporate" compared to the previous fiscal year is structural reorganization within the Group.
5. The Company has changed the classification of reported segments from the fiscal year under review. For details, refer to "Notes (Segment Information, etc.), (1) Consolidated Financial Statements, 1. Consolidated Financial Statements, V. Financial Information."

(2) The Company

As of March 31, 2023

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
171	45.4	19.7	8,044,283

(Notes) 1. The number of employees excludes 19 employees seconded from the Company to outside parties, and includes 58 employees seconded from outside parties to the Company.

2. The average years of service is calculated based on the total of years of service including the period of transfer to the Company's group companies.
3. Average annual salary includes bonuses and extra wages.
4. The main reason for the decrease in the number of employees compared to the previous fiscal year is structural reorganization within the Group.

(3) Trade union

There are no matters of special note regarding industrial relations.

(4) The ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and the difference in wages between male and female employees

1) The Company

Current fiscal year						
Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 1)			Difference in wages between male and female employees (%) (Note 1)		
	All employees	Permanent employees	Part-time/fixed-term employees	All employees	Permanent employees	Part-time/fixed-term employees
28.6	-	50.0	*	83.5	82.6	32.9

(Notes) 1. Figures are calculated based on the provisions of the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64 of 2015).

2. "*" indicates that no male employees are eligible for childcare leave.

2) Consolidated subsidiaries

Current fiscal year								
Name	Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%)				Difference in wages between male and female employees (%) (Note 1)		
		All employees	Permanent employees	Part-time/fixed-term employees		All employees	Permanent employees	Part-time/fixed-term employees
SEIKO WATCH CORPORATION	15.4	-	33.3	*	(Note 1)	75.5	76.5	63.6
SEIKO TIME LABS CO., LTD.	21.1	-	-	-	(Note 1)	-	-	-
CRONOS Inc.	18.2	-	25.0	0.0	(Note 1)	83.7	87.3	60.8
SEIKO Retail Marketing Corporation	25.0	-	-	-	(Note 1)	-	-	-
Morioka Seiko Instruments Inc.	-	-	75.0	*	(Note 1)	80.6	82.4	79.0
Ninohe Tokei Kogyo Co., Ltd.	-	-	-	-	(Note 1)	64.4	78.9	85.9
WAKO Co., Ltd.	50.7	-	50.0	*	(Note 1)	-	-	-
SEIKO Time Creation Inc.	-	-	100.0	*	(Note 1)	70.9	71.8	69.3
Seiko Instruments Inc.	8.9	-	54.5	*	(Note 1)	70.8	76.0	59.0
SEIKO NPC CORPORATION	-	-	66.7	*	(Note 1)	-	-	-
SEIKO Solutions Inc.	11.0	-	0.0	*	(Note 1)	67.4	69.2	48.9
IIM Corporation	33.3	-	-	-	(Note 1)	-	-	-
CSM SOLUTION CO., LTD.	4.2	-	-	-	(Note 1)	-	-	-

(Notes) 1. Figures are calculated based on the provisions of the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64 of 2015).

2. "*" indicates that no male employees are eligible for childcare leave.

II. Overview of Business

1. Business Policy, Business Environment, Issues to Address, etc.

Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2023.

Refer to 4. Management’s Analysis of Financial Position, Operating Results and Cash Flows for the business environment.

(1) Corporate philosophy

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.

(2) Business strategies and issues that need to be addressed

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.

a) 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)

b) 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.

c) 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.

d) 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.

e) 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

a) 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

b) 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)

c) 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_2 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

a) Group core strategies

In our SDGs strategy, the Company Group has implemented decarbonization and climate change response initiatives, including reducing CO_2 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_2 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.

b) 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 the targets on a consolidated basis, and the overall business capabilities of the Group are considered to have been strengthened in the first year of the Mid-Term Management Plan.

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	EVS	8.2	11.5	13.0	14.5 to 15.0
	DS	5.6	5.0	4.8	7.5 to 8.0
	SS	3.9	4.3	4.8	6.5 to 7.0

2. Approach and Initiatives Related to Sustainability

The Group's approach and initiatives related to sustainability are as follows.

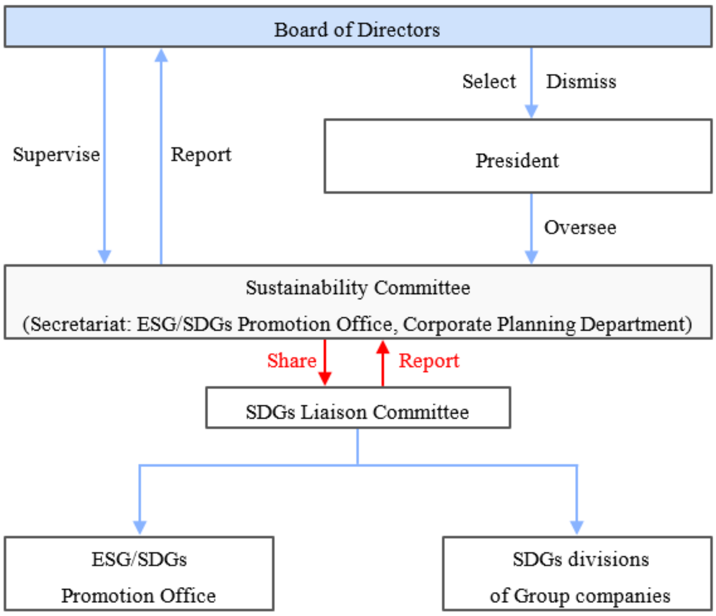
Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2023.

(1) Governance

Important matters related to sustainability are discussed and resolved by the Sustainability Committee, which was established to facilitate the formulation of the Group's ESG and SDGs policies and activities based on these policies, and are reported to the Board of Directors. The Board of Directors is responsible for the oversight function of the Sustainability Committee and regularly discusses important matters related to sustainability.

In addition, the rate of CO_2 emissions reduction is included as a "non-financial (ESG) assessment" in the performance evaluation index as a KPI for performance-linked executive compensation.

1) Promotion structure



2) Roles

(Board of Directors)

The Board of Directors will receive reports on resolutions from the Sustainability Committee at least once a year, and will be responsible for overseeing efforts and progress on issues. In addition, the Board of Directors will regularly discuss important issues related to sustainability.

(President)

The President chairs the Sustainability Committee, which is ultimately responsible for formulating the Group's ESG and SDGs policies, including important matters related to climate change, and for making management decisions regarding all activities based on these policies.

(Sustainability Committee)

The Sustainability Committee is chaired by the President and consists of full-time officers including the director in charge of ESG/SDGs, representative directors and corporate auditors of each Group company. The committee meets twice a year in principle to discuss and pass resolutions on matters related to the Group's ESG and SDGs materiality, including important matters related to climate change, at extraordinary meetings held as necessary, and reports the resolutions to the Board of Directors. Based on the resolutions made by the Sustainability Committee, the directors in charge take the lead in promoting activities.

3) Board of Directors and Committee meetings held

Matters related to the Group's ESG and SDG materiality, including important matters related to climate change, are in principle discussed and resolved by the Sustainability Committee twice a year, and reported to the Board of Directors at least once a year. Since the establishment of the Sustainability Committee in September 2021, that Committee has been actively discussing issues, adopting resolutions, and reporting to the Board of Directors.

4) Performance-linked executive compensation

Refer to IV. Information about Reporting Company, 4. Explanation about Corporate Governance, etc., (4) Compensation of Directors and Corporate Auditors for performance-linked executive compensation.

(2) Risk management

The Group has determined materialities through the following four steps:

■ STEP 1: Understand and identify social issues

We identified and narrowed down social issues relevant to the Company, focusing on the GRI Standards, SDGs, ISO 26000, etc.

■ STEP 2: Identify materiality candidates

We discussed solutions to social issues by the members selected from each Group company, and reviewed and listed the measures to be taken for the materiality candidates.

■ STEP 3: Evaluate the importance of the identified candidates

We conducted a questionnaire survey for stakeholders regarding the materialities they expect us to resolve.

■ STEP 4: Determine materialities

We performed a reexamination and review based on the opinions of external stakeholders. We ensured consistency with the Company's corporate philosophy, Statement of Purpose, and 10-year vision. The Board of Directors then resolved the materialities.

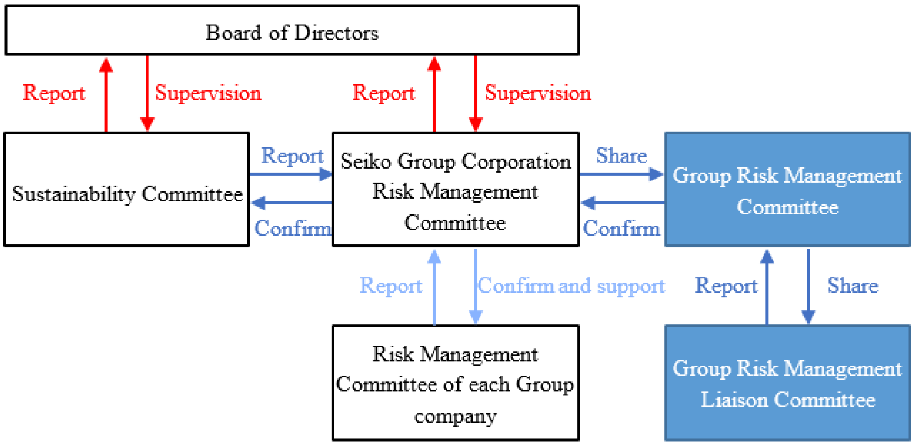
In order to perform centralized management of risks that could greatly influence the Group's business, the Seiko Group is engaged in responses to risks that must be addressed in a cross-organizational manner, led by Seiko Group Corporation Risk Management Committee, with the president as chairperson (hereinafter "the Company's Risk Management Committee"). The Group defines significant risks that must be addressed in a cross-organizational manner as Group Significant Risks, and the Company's Risk Management Committee evaluates the importance of various risks based on their likelihood of occurrence, impact, and other factors and selects Group Significant Risks each year.

The Company's Risk Management Committee receives reports from risk owners at the Company and Group companies regarding Group Significant Risks, in terms of measures to address these risks and their progress, monitors responses to these risk, and reports to the Board of Directors. In addition, there is a system by which the Company's Risk Management Committee confirms and shares information regarding Group-wide risks with the Group Risk Management Committee, which consists of the Company's full-time officers and representative directors of Group companies.

For more detailed analysis of climate-related risks, the Sustainability Committee conducts scenario analysis to identify, assess,

and resolve particularly impactful climate change risks for Group companies, and is implementing measures to address these risks with each Group company. The details of the resolutions are reported to the Board of Directors.
Climate-related risks are included in Group Significant Risks. The Sustainability Committee reports on the climate-related risks to the Company's Risk Management Committee through officers in charge, regarding measures to address these risks, which were resolved by the Sustainability Committee, as well as their progress.

Group Risk Management Promotion Structure



The roles of each of the above committees are as follows:
■ Seiko Group Corporation Risk Management Committee
Seiko Group Corporation Risk Management Committee, chaired by the President, focuses on risks that need to be addressed across the Group. The Committee also receives reports from risk owners at the Company and Group companies and supports the promotion of risk management at each company.

■ Group Risk Management Committee
The Group Risk Management Committee, which consists of full-time officers and representative directors of Group companies, confirms and shares information regarding Group-wide risks. The Committee also monitors and shares information regarding responses to Group Significant Risks.

■ Risk Management Committee of each Group company
Each Group company promotes risk management independently, led by its own Risk Management Committee.

■ Sustainability Committee
The Sustainability Committee holds discussions and makes resolutions on matters related to the Group's ESG and SDGs materiality, including climate-related risks, and reports the details of the resolutions to the Board of Directors. For climate-related risks that have been selected as Group Significant Risks, the Committee reports to Seiko Group Corporation Risk Management Committee through officers in charge regarding measures to address these risks and their progress.

(3) Strategy
1) Sustainability Policy
Starting with its Statement of Purpose, the Seiko Group will strive to use its business activities, which aim to create "WITH" [W: Well-being (A Better Life) / I: Inclusion (For All People) / T: Trust (Certainty and Trust) / H: Harmony (Harmony with the Earth)] to realize the Group's steady growth and contribute to the development of a sustainable society.

2) Materiality overview

Four Themes		Materiality	Key Actions
Well-being – A Better Life	As a company that is open, approachable, and people-friendly, we aim to create a society where employees and all other stakeholders can work and live with a sense of pride and fulfillment while recognizing each other's diverse values. In our business activities, we will actively address social issues such as human rights and contribute to the realization of a world where more people can live comfortable, authentic lives, secure in body and mind.	Contribute to greater job satisfaction and active participation by diverse individuals	Develop human resources as a pillar of our growth strategy, and work to improve engagement and promote diversity
		Promote mental and physical health and achieve social welfare	Develop products to enter medical and healthcare businesses
		Implement initiatives for respecting human rights	Conduct thorough investigations regarding human rights
		Cultivate and support the next generation	Support the growth and development of the next generation through hands-on events, classes, etc.
Inclusion – For All People	Corporations can play a major role in the human quest for happiness, and creating an environment where all types of people are welcome is one key area. In addition to providing functional value such as convenience, our products and services provide emotional value based on respect for traditional culture. We also aim to enrich people's lives through our support for activities such as music and sports. Using the power of our technologies, we want to create a safe and secure society by supporting people's diverse lifestyles in this new era.	Contribute to the creation of a safe, secure, and inclusive social infrastructure	Create and provide digital solutions to help realize a new age of society, where all people and goods are connected
		Contribute to a prosperous society through support for culture and sports	Promote sports, music, and cultural activities that enrich people's lives and enhance our corporate value
		Contribute to local communities	Support activities in local communities that promote social revitalization at all our facilities, both inside and outside Japan
Trust – Certainty and Trust	We believe that pursuing our commitment to high quality and outstanding products, as we have since our founding, will help us to meet the expectations of our stakeholders. Our basic philosophy is to be "A Company that is Trusted by Society." We regard compliance with all laws and regulations, transparency and fairness in management, and respect for social ethics in all our businesses as vitally important concerns for our management. In order to put this philosophy into action, we will address issues such as corporate scandals, fraud and anti-competitive behavior, information asymmetry with stakeholders, and violations of customer privacy.	Provide high-quality products and services that are trusted by society	Develop high-quality, high-added value products and services by leveraging the strengths of each business domain to increase sustainable business activities
		Promote responsible procurement and supply chains	Establish and operate a sustainable supply chain management system that addresses social issues, including human rights and the environment
		Strengthen corporate governance and the compliance structure	Maintain and improve corporate governance and compliance operations based on respect for all relevant laws and regulations
Harmony – Harmony with the Earth	In recent years, problems such as the increasing number of natural disasters stemming from the climate crisis have become even more serious. Because of our responsibility as a global brand, we will focus on transforming our old consumption and production activities to eliminate the mass consumption of resources and mass disposal of waste. In addition, by utilizing environmental technologies, we will address issues such as greenhouse gas emissions and contribute to the creation of a sustainable society that can coexist with the global environment.	Implement initiatives for climate change and decarbonization	Plan and promotion of reduction measures in line with the Seiko Group's long-term goal of reducing CO_2 emissions
		Help to realize a recycling-oriented society	Create and expand lineup of environmentally friendly products and services Promote 3Rs (Reduce, Reuse, Recycle)
		Coexist and harmonize with nature	Aim for coexistence with nature by increasing activities to conserve biodiversity and natural capital in each of our business locations

3) Climate change and decarbonization initiatives

In October 2021, the Seiko Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The Seiko Group has identified “Implement initiatives fofr climate change and decrbonization” as one of its materialities, and has strengthened related initiatives.

We are continuing to strengthen our information disclosures on governance, strategy, risk management, and indicators and targets based on the TCFD recommendations.

a) Scenario analysis process

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

(Reference scenario)

Classification	Scenario Overview	Main Reference Scenario
Less than 2°C Scenario	A scenario in which policies and regulations are implemented to achieve a decarbonized society and the global temperature increase from pre-industrial times is limited to less than 2°C. Transition risk is high, but physical risk is lower than in the 4°C scenario.	● IEA World Energy Outlook 2022. Announced Pledges Scenario ● IPCC RCP2.6/SSP1-2.6
4°C Scenario	A scenario in which no new policies or regulations are introduced and global energy-derived CO_2 emissions increase continuously; compared to the less than 2°C scenario, the transition risk is lower, but the physical risk is higher.	● IEA World Energy Outlook 2022. Stated Policy Scenario ● IPCC RCP8.5/SSP5-8.5

(Scenario analysis steps)

STEP 1 Identification of significant climate-related risks/ opportunities and establishment of parameters	● Identify climate-related risks and opportunities ● Assess high significance risks/opportunities ● Set parameters related to highly significant risks/opportunities
STEP 2 Setting climate-related scenarios	● Based on the information in STEP 1, etc., identify scenarios that are closely related to the existing scenarios ● Establish climate-related scenarios (social vision)
STEP 3 Assessment of financial impact for each scenario	● Analyze the financial impact of each scenario based on the scenarios established in STEP 2 and the key climate-related risks/opportunities and related parameters identified in STEP 1
STEP 4 Assessment of the resilience of the strategy to climate-related risks and opportunities and further measures to address them	● Assess the resilience of our strategy to climate-related risks and opportunities ● Consider further response measures

b) Business impact associated with climate-related risks and opportunities and the Group’s response

In FY2021, the Company conducted scenario analysis for its main business areas, and in FY2022, the scope was expanded to include all businesses.

(Climate-related risk)

Risk category			Risk description	Business impact (2030)*1: Less than 2℃ scenario	Business impact (2030)*1: 4℃ scenario	Our Group’s response
Risk	Transition risk	Policy & regulation	Increased costs due to introduction and strengthening of carbon tax	1.09 billion yen*2 Large	740 million yen*2 Medium	● Strategically reduce greenhouse gas (GHG) emissions based on long-term GHG reduction targets and our decarbonization transition plan ● Promote energy conservation ● Promote the introduction of renewable energy while monitoring renewable energy prices and policy trends in other countries ● Promote reductions through modal shifts and more efficient transportation, focusing on businesses with high GHG emissions in the transportation of raw materials and finished products
		Technology	Increased manufacturing and transportation costs due to higher energy prices	Medium	Medium	
		Market	Decreased sales due to inability to respond to requests from suppliers for climate-related measures	Medium	Medium	● Reduce GHG emissions in line with our decarbonization transition plan ● Promote development of products and services that contribute to solving climate-related issues for our business partners
			Increased procurement costs due to higher raw material prices	Medium	Medium	● Strengthen cooperation with suppliers concerning purchasing terms and conditions, such as minimum order quantity adjustments and delivery dates
	Physical risk	Urgent	Decreased sales due to supply chain disruptions and distribution delays caused by extreme weather conditions	Small	Medium	● We formulated a BCP to mitigate damage in the event of a major disaster due to climate change or an increase in casualty insurance premiums. We will review it in the future to further reduce risk. ● Carried out multiple purchases and transactions with suppliers that have no history of flooding. We will further expand this program in the future ● For production sites where flooding is of particular concern, we adopted measures such setting up a second plant on higher ground. Further review of the operational structure and mid- to long-term facility relocation plans will be considered. ● Avoid delays in deliveries to customers by securing safety stock, etc. In the event of flooding, promptly secure alternative parts and production sites to continue production. ● Identify loss insurance premiums, gather information on locations where premiums are likely to increase significantly in the future, and review BCPs as necessary.
			Decreased sales due to interruption of factory and/or store operations and difficulty in securing personnel due to extreme weather conditions	Medium	Large	
		Chronic	Rising loss premiums due to increase in extreme weather conditions	Medium	Medium	

(Climate-related opportunities)

Opportunity category		Opportunity description	Business impact (2030)*1		Our Group's response
			Less than 2℃ scenario	4℃ scenario	
Opportunity	Energy source	Cost reduction by introducing renewable energy	Medium	Medium	● Accelerate the introduction of additional private power generation and on-site/off-site PPAs, which will also contribute to reducing electricity costs, based on the current decarbonization transition plan
	Products and services	Increased sales of low-power-consumption compatible products due to expansion of CPS/IoT society	Medium	Medium	● In electronic devices such as quartz crystals and oscillators, expand sales of low-power-consumption products ● In high-precision components that contribute to power saving in data centers, actively promote replacement of old products with new ones
		Increased sales of related parts to automobile sector due to ongoing shift to EVs	Medium	Medium	● In the electronic devices segment (e.g., quartz crystals and oscillators), promote sales activities in the key new automotive market (for EVs) ● In high-precision components, develop differentiated technologies for EVs and provide new high-precision, high-reliability products to both existing and new customers
		Increased sales of low-carbon products and services that can help customers reduce their environmental impact	Large	Large	● In printing devices (thermal/inkjet), expand the lineup of products that contribute to our clients' low-carbon initiatives, and enhance the production system for growth markets ● In sensor-related products, develop new low-power-consumption goods with efficient drive systems, and expand product lineups
		Increased sales of products that respond to consumers' growing environmental awareness	Small	Small	● In the retail business, expand the repair section and actively select and promote products with a low environmental impact ● Increase PR and sales promotion activities for environmentally friendly products with long lifecycles, such as solar clocks
	Market	Creation of new products & services related to IoT, manufacturing, and distribution that will accompany the promotion of energy conservation	Medium	Medium	● In response to the growing demand for IoT-use semiconductors, promote energy-efficient ICs and create new markets ● In response to trends toward digitalization of manufacturing and distribution, propose solutions to our customers' problems and capture new markets
		Increased sales due to improved brand value through decarbonized management	Medium	Small	● Strengthen efforts toward a decarbonized society and actively disclose the Group's management stance toward decarbonization ● Disclose biodiversity initiatives that positively interact with climate change in a timely manner to enhance brand value

*1 Large business impact: Extremely significant impact on business, such as an impact on profits of 1 billion yen or more, withdrawal from a business, or an interruption of business for several months or more.
Medium business impact: Significant impact on business, such as a profit impact of between 100 million yen and 1 billion yen, negative impact on business plans, downsizing of a business, or a business interruption of one week to one month.
Small business impact: Minor or negligible impact on business, such as a profit impact of less than 100 million yen, little or no impact on business plans, or little or no interruption of business.

*2 We calculated the 2030 GHG emissions (Scope 1 and 2) based on growth projections and GHG reduction plans, then multiplied them by the IEA-projected carbon prices for both the 2°C and 4°C scenarios. The calculations are based on an exchange rate of 1 USD = 135 JPY.

4) Policy on human resource development and internal environment improvement

The Group’s policy on human resource development, including ensuring the diversity of human resources, policy on internal environment improvement, and our initiatives are as follows.

<Policy on human resource development>

We position the development of digital transformation and entrepreneurial human resources as a core strategy and will develop human resources that possess the spirit of innovation and reform and the ability to continue to take on challenges.

<Policy on internal environment improvement>

We will develop an environment and design systems that enable diverse employees to work with joy and satisfaction.

<Initiatives for human resource development and internal environment improvement>

With regard to human capital, we will implement various measures in three priority themes: developing human resources; promoting diversity and inclusion; and improving employee engagement.

We believe that in order to become a solutions company that we aim to be in 2026, we need to develop human resources and constantly pursue innovation under the Group’s Statement of Purpose. To instill this awareness in our employees, we need to promote diversity and inclusion and improve employee engagement.

The scope of these measures covers the Company and its eight domestic subsidiaries (SEIKO WATCH CORPORATION, Seiko Instruments Inc., SEIKO Solutions Inc., SEIKO Time Creation Inc., WAKO Co., Ltd., SEIKO NPC CORPORATION, Seiko Future Creation Inc., and Human Capital Co., LTD.).

a) Human resource development

We have formulated the digital transformation strategy under the Group Core Strategies, as we consider the development of digital transformation human resources an urgent issue.

The issues of utilizing digital transformation to transform our business model and creating new businesses were raised in the review of our Seventh Mid-Term Management Plan. We thus consider the development of human resources that can address these issues from the perspective of entrepreneur another important task.

Based on the above, we have designated digital transformation and entrepreneurial human resources as priority human resource areas in the human resource strategy under the Eighth Mid-Term Management Plan, and will carry out various initiatives on this front.

By implementing the following five measures, we will develop human resources that can respond to management strategy issues.

1. Develop digital transformation human resources

We have identified human resources with knowledge in the digital transformation business as one of the Group’s core personnel. We will develop human resources who can formulate plans that are applicable to our business and put these plans into action.

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

2. Develop entrepreneurial human resources
We will develop leaders who can drive the discovery of new business opportunities and deepening of existing businesses with an entrepreneurial perspective.
3. Support career autonomy
We will support the career autonomy of our employees by enhancing career interviews and establishing career consultation contact points.
4. Enhance subordinate development training
We will enhance our subordinate development training, such as improving management skills and communication skills.
5. Develop an environment and implement measures for the autonomic growth of employees and organization
We will develop an environment and implement measures that enable the growth of employees and organization, such as linking individual and organizational goals, creating a framework for the faster promotion of young employees, and carrying out language and level-based training.

* Measures 3 through 5 above are implemented differently for the Company and its eight domestic subsidiaries.

b) Promote diversity and inclusion

The establishment of a diverse organization is essential for the Company to realize its Statement of Purpose, which calls for the constant pursuit of innovation. Realizing organizational diversity will provide flexibility to the Group's values and help create various innovations.

We will promote diversity in our organization by implementing the six measures outlined below.

1. Encourage male employees to take childcare leave

In accordance with revisions to the Act on Childcare Leave/Caregiver Leave in Japan as of October 1, 2022, the Group has introduced childcare leave at birth for male employees (full-time employees) (up to four weeks within eight weeks after the child's birth), in which 100% of the leave is paid, exceeding the statutory requirement.

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

2. Enhance prenatal and postnatal leave systems for female employees

Fully paid maternity leave before and after childbirth for female employees (full-time employees), which had previously been limited to the Company and some of its subsidiaries, has been expanded to cover all eight of its domestic subsidiaries, further enhancing the system.

3. Promote women's empowerment

Since FY2013, we have been making continuous efforts to improve the environment for promoting the empowerment of women by holding numerous training sessions and lectures, providing information through a special Group website, and introducing various support systems.

We have set a goal of increasing the ratio of women in managerial positions* in the Group to 20.0% (by April 2027) and will continue our efforts to promote the empowerment of women.

* The total number of managerial positions at the Company and its eight domestic subsidiaries, as well as at four domestic subsidiaries of SEIKO WATCH CORPORATION, one domestic subsidiary of Seiko Instruments Inc., and six domestic subsidiaries of SEIKO Solutions Inc.

4. Mid-career hires

In order to revitalize our organization by filling in the gaps in certain generations, job types, and positions, we have set a goal of increasing the ratio of mid-career hires among the Group's employees. We will actively promote mid-career hires from outside the Group to achieve this goal.

We will also strive to reform our organizational culture and create an environment where human resources will stay so that human resources brought in from outside the Group can thrive and take on new challenges.

5. Promote employment of individuals with disabilities

As part of our efforts to promote diversity, we are actively promoting the employment of individuals with disabilities. The Group has been certified as group companies under the special subsidiary system. As of June 1, 2023, the employment rate of individuals with disabilities* was 2.43%, exceeding the legally mandated rate of 2.3%.

* For the Company, SEIKO WATCH CORPORATION and its two domestic subsidiaries, SEIKO Time Creation Inc., WAKO Co., Ltd., Human Capital Co., LTD., and AOBA WATCH SERVICE Co., Ltd. (special subsidiary), which have been certified as group companies under the special subsidiary system.

6. Activate senior human resources

By extending the retirement age and improving employment conditions* for the elderly, we are creating an environment in which senior human resources can contribute to the development of future generations and improve operations and work with joy.

* Excluding SEIKO Solutions Inc.

c) Improve engagement

To achieve our Statement of Purpose, we must create an organization and culture that encourages free thinking, fast decision-making, and swift action.

In order to realize the above-mentioned organization and culture, we will create an environment that will improve job satisfaction and personal fulfillment. We will also promote individual growth by implementing measures that will enable each employee to reconfirm the link between the Group's Statement of Purpose and operations.

We are implementing the following three measures with the aim of instilling the Statement of Purpose across the Group and improving employee engagement.

1. Initiatives to firmly establish the Statement of Purpose (awards system)

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

From 2021, we adopted the system of "Purpose Awards*" to recognize activities that make special contributions to the creation of the Group's value from the perspectives of "trust, inspiration, smiles, innovation, and pursuit," which are key words of the Group's Statement of Purpose.

From the second half of FY2022, to create a corporate culture that encourages challenges and turns failure into value, we established the "Big Challenge Awards*" to recognize activities that take on ambitious goals and from which lessons for future growth can be learned.

* Excluding Human Capital Co., LTD. for the Purpose Awards and Big Challenge Awards

2. Strengthen initiatives aimed at improving employee engagement

We carried out the engagement survey in FY2022. We have established a system to clarify priority issues and implement action plans based on survey results.

3. Promotion of health management

The Group has made the "Declaration of Health Management," in which the perspective of health management is added to our initiatives for promoting the active role of all employees and has been promoting initiatives for the health maintenance and improvement of all employees, while building a cross-Group promotion system. In addition, the Company has been recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large-Enterprise Category) for three consecutive years starting in 2020. Three other Group companies (SEIKO WATCH CORPORATION, SEIKO Time Creation Inc., and WAKO Co., Ltd.) have gained the same recognition under the Large-Enterprise Category, and another two Group companies (SEIKO NPC CORPORATION and Human Capital Co., LTD.) have gained recognition under the SME Category.

(4) Indicators and targets

1) Details of indicators related to climate change and decarbonization, and targets and results using these indicators

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

a) Long-term targets for greenhouse gas emissions reduction

Greenhouse gas emissions reduction targets*1

Year 2030

Scope 1, 2: 42% reduction from 2020 levels

Scope 3: 25% reduction from 2020 levels

Aim to achieve carbon neutrality by 2050.

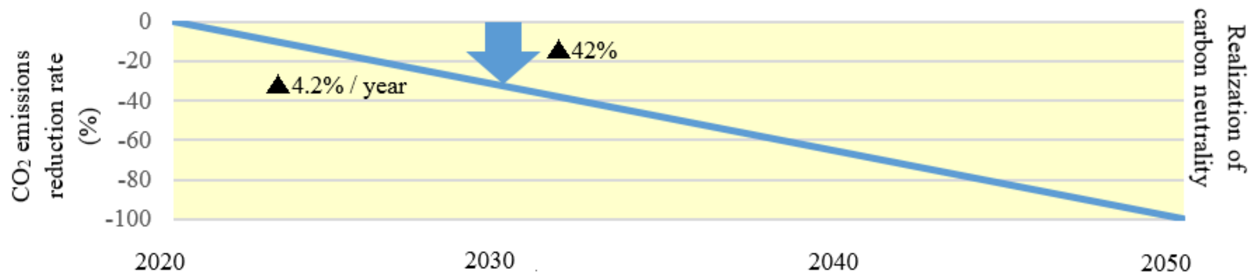
Main measures

- Review/improve manufacturing process
- Introduce/renew high-efficiency equipment
- Expand introduction of renewable energy
- Provide environmentally friendly (e.g., improved energy efficiency) products, services, and solutions
- Develop energy-related technologies
- Collaboration with suppliers and customers

*1: Based on the “1.5°C level” of SBT (Science Based Targets), a science-based greenhouse gas emission reduction target operated and promoted by SBTi (Science Based Targets initiative).

b) Decarbonization transition plan (Scope 1 and 2)

In March 2023, we created a roadmap toward decarbonization, aiming to achieve carbon neutrality by 2050 in line with our long-term goal of reducing greenhouse gas emissions. We will continue to replace existing equipment with energy-efficient substitutes, improve productivity, and save energy through research, component development, and introducing innovative manufacturing methods and equipment. Regarding the introduction of renewable energy, we will give first priority to introducing new equipment, followed by switching over to renewable energy power at our domestic sites, and then make the same transition to renewable-based power at our overseas sites. We will also switch from fossil fuels to decarbonized fuels and low-carbon fuels, aiming to achieve carbon neutrality by 2050.

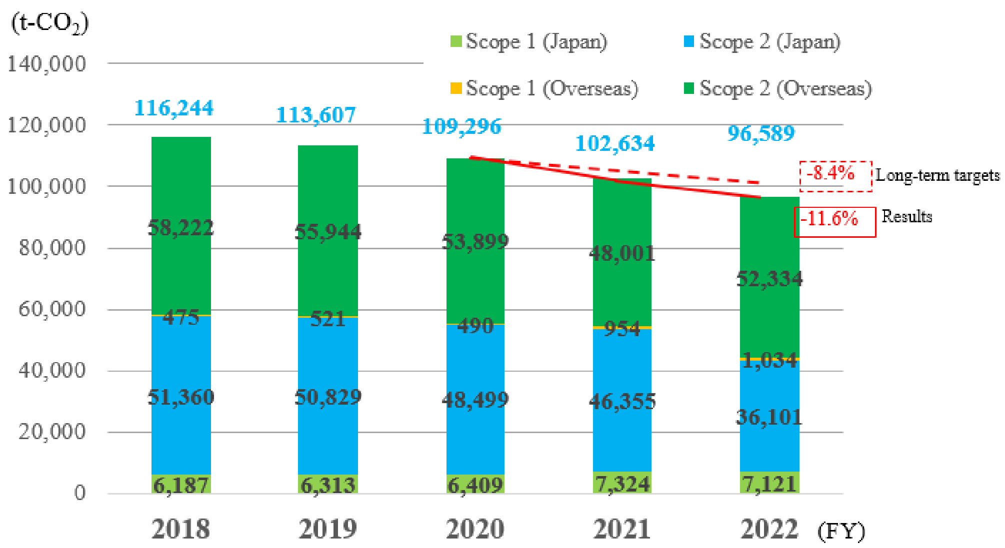


	2020–2050
Energy conservation	Replacement of existing equipment with energy-saving equipment and productivity improvements (e.g., use of LEDs, high-efficiency air conditioning, improved production yield)
	Research, component development, and introduction of innovative manufacturing methods and equipment (e.g., cutting ⇒ forging)
Introduction of renewable energy	Re-energization through installation of equipment (private power generation, PPA)
	Expand conversion to renewable electricity (starting with domestic sites ⇒ overseas sites)

c) Scope 1, 2 CO_2 emissions (t-CO_2) results FY2018-FY2022

In FY2022, we continued our efforts to reduce greenhouse gas emissions, such as the efficient operation of equipment, switching to more energy-saving equipment, and switching to LED lighting. In addition, as a result of introducing renewable energy at multiple operating subsidiaries and sites in Japan and overseas, the renewable energy ratio in total power consumption reached roughly 15%.

In order to achieve our long-term emissions reduction goals, we need to reduce our greenhouse gas emissions by 4.2% per year from the 2020 level. We exceeded this figure in FY2022, with greenhouse gas emissions (Scope 1, 2) coming to approximately 97,000 t-CO_2, achieving an 11.6% reduction compared to 2020.



Scope 1: Direct emissions by reporting companies (e.g., fuel combustion)

Scope 2: Indirect emissions resulting from the use of electricity, etc. supplied by other companies

* The total amount of CO_2 emissions and the total of the breakdown may not match due to the processing of fractions.

Note 1: Emission factors

- Electricity:

For Japan, the adjusted emission factors for each electric utility company specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming are used.

For overseas, the IEA (International Energy Agency) emission factors specified for each country are used.

· Fuel:

For both Japan and overseas, the calorific value for each fuel type and the emission factors for fuel use specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming are used.

However, if information such as calorific values is provided by the suppliers, such values are used.

· Chilled/heated water:

The emission factors provided by the suppliers are used.For Japan, the adjusted emission factors of emission factor by electric utility specified by the Law Concerning the Promotion of the Measures to Cope with Global Warming is used.

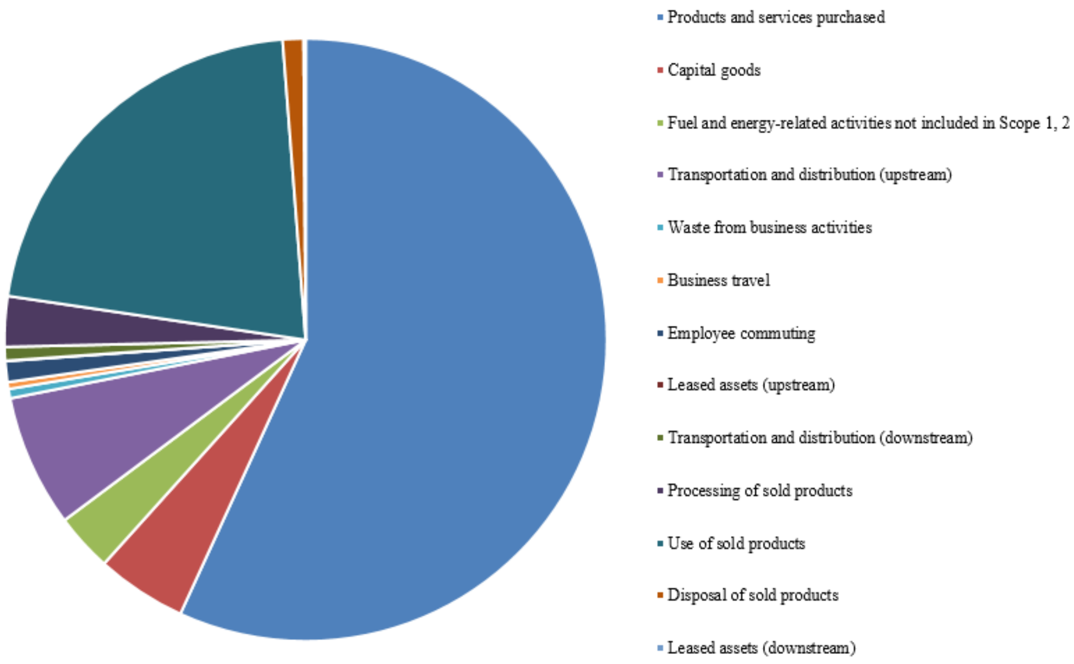
For overseas, IEA (International Energy Agency) emission factors for each country are used.

Note 2: Starting in FY2020, tenants, stores, warehouses, etc. have been added to the scope of calculation. Company vehicles are included, but energy use by outsourcing is not included.

Note 3: For stores, warehouses, etc., where the amount of electricity used cannot be specified, the amount of electricity is estimated from the floor space.

d) Scope 3 CO_2 emissions (t-CO_2) result FY2021

Category	Item	CO_2 emissions (t-CO_2)	%
Category 1	Products and services purchased	302,783	56.8%
Category 2	Capital goods	25,809	4.8%
Category 3	Fuel and energy-related activities not included in Scope 1, 2	16,565	3.1%
Category 4	Transportation and distribution (upstream)	37,851	7.1%
Category 5	Waste from business activities	2,678	0.5%
Category 6	Business travel	1,936	0.4%
Category 7	Employee commuting	5,974	1.1%
Category 8	Leased assets (upstream)	122	0.0%
Category 9	Transportation and distribution (downstream)	3,880	0.7%
Category 10	Processing of sold products	14,391	2.7%
Category 11	Use of sold products	114,259	21.4%
Category 12	Disposal of sold products	5,930	1.1%
Category 13	Leased assets (downstream)	586	0.1%
Category 14	Franchises	-	-
Category 15	Investments	-	-
Total		532,764	100.0%



2) Details of indicators related to the policy on human resource development and internal environment improvement, and targets and results using these indicators

The Group has established indicators related to our human resource strategy. The details of these indicators, as well as our targets and results are as follows.

Indicators	Targets	Results
Increased engagement score*	*Commenced engagement surveys from FY2022	
Ratio of women in managerial positions	20.0% by April 2027	13.3% (as of April 2023)

3. Business Risks

Initiatives to address significant risks

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

Risk map of Business Risks

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

Risks that may seriously affect the operating results and/or financial position of the Group are outlined below. The Group considers brand-impairment risks and risks that affect the safety and health of employees and others to be critical risks. Both are medium-term risks, apart from the risks that have a significant impact on the business results in the short term. Matters concerning the future are judged as of March 31, 2023.

(1) Economic trends

The Group handles certain products directly related to personal consumption, such as watches, clocks, electronic components for digital products and automobiles, high-end jewelry, apparel and fashion accessories, and household goods, etc. Consequently, consolidated business results are strongly affected by trends in domestic and overseas economies, especially trends in personal consumption. In particular, watches and clocks are being sold in at least 130 countries and regions around the world. They are constantly exposed to potential impacts of whatever nature, while the risks are well distributed.

(2) High dependence on procurement from specific supplier

Due to the high dependence on procurement from specific suppliers in the Watches Business, business results of the Emotional Value Solutions (EVS) Business may be significantly affected by changes in terms of transactions with this supplier.

(3) Market environment of the Devices Solutions (DS) Business

Business results of the DS Business are affected by demand trends of electronic devices, etc., in Japan and overseas. In this business field, the speed of development of new technologies and their mass production is high, and the price competition is also intense. Therefore, the possibility that delays in response to changes in these market environments may have a significant impact on business results is getting stronger. The Company will enhance the sustainability of its business by promoting a shift to its main strategy under the Eighth Mid-Term Management Plan “SMILE145,” which is “high-added-value products and services that create excitement and generate substantial profit.”

(4) Country risks on manufacturing bases overseas

The EVS Business and the DS Business have manufacturing bases in Singapore, Malaysia, Thailand and China. Changes in social situations due to politics and economics, etc., in these areas may have a significant impact on the manufacturing activities of these businesses. However, respective production lines are in operation largely in multiple regions including Japan, in an effort to mitigate the impact associated with various risks.

(5) Dependence on sales to major customers

For some of the DS Business, the dependence on sales to major customers tends to be high, and a decrease in the volume of orders from these customers may have an impact on business results of this business. To avoid excessive dependence on one major customer, we are striving to expand the DS Business, including the development of new customers.

(6) Shortage and increase in price of resources

If energies such as crude oil and electricity and materials such as raw materials are scarce or their prices surge due to changes in the supply and demand environment, manufacturing activities may be affected, or manufacturing costs may rise that causes an impact on business results. Inventory levels of certain materials are set higher, as necessary, in order to avoid the impact of short-term fluctuations, in consideration of market prices.

(7) Quality issues and production liability

Products manufactured and sold by the Group do not cause any accidents that have effects on human bodies under normal use. However, due to changes in the social environment, such as stricter legal regulations on product accidents, or changes in the business environments, there may be an increase in costs related to quality issues and product liability, such as product recalls and compensation liability. Since quality issues concerning our products are likely to involve risks of impairing brand image, they are regarded as one of the Group’s most critical risks. We are committed to broad-based initiatives to prevent the occurrence of quality issues at all manufacturing bases, etc.

(8) Intellectual property rights

The Group has taken measures, such as obtaining patent rights and protecting confidential information, in order to protect important proprietary development technologies. However, there is a possibility that adequate protection may not be implemented depending on the region. Furthermore, even though such measures are taken, there is a possibility that the superiority of the Group’s products may be impaired, if the Group cannot effectively eliminate third parties’ products similar to its products. In addition, the Group has taken measures, such as patent investigation to prevent infringement of intellectual property rights of other companies in developing new products. However, there is no reasonable way to eliminate every single possibility of infringements. In the case where the Group infringes the intellectual property rights of other companies, there is a possibility that business results may be affected by a claim for an injunction or a claim for damages. As infringement of intellectual property rights is likely to impair our brand image regardless of whether we are the offending party or the offended party, investigations and other activities for the prevention of infringement in both directions are being carried out from broadened perspectives.

(9) Currency exchange rate fluctuations

Within the Group, the EVS Business and the DS Business mainly develop their business for overseas markets. Some of those are engaged in sales for overseas markets from domestic manufacturing bases, and fluctuations in exchange rates may affect product prices, etc. In addition, for the Systems Solutions Business, etc. that mainly engages in business development for domestic markets, foreign exchange fluctuations may affect procurement costs for parts that are procured from overseas manufacturing bases in foreign currencies. Furthermore, all items denominated in local currencies, such as profits or losses and assets, for overseas subsidiaries are translated into Japanese yen for preparation of consolidated financial statements. Therefore, the Japanese yen-translated value of local currencies may be affected by the exchange rate at the time of conversion. In particular, fluctuations of Japanese yen against U.S. dollars and euro, etc. may affect business results and the financial position of the Group, including foreign currency translation adjustment under net assets of overseas subsidiaries.

(10) Interest rate fluctuations

Currently, the relationship between the Group and financial institutions is favorable, and the Group can procure funds necessary for business development including overseas without any problems. However, there is no guarantee that it will be possible to continue to procure funds sufficiently in the future. In addition, as the interest rate level in the market tends to be low, more than 60% of the interest rates for existing long-term borrowings have already been fixed. Although there is no significant risk of interest rate fluctuations, interest rate trends for future procurement may affect business results of the Group.

(11) Market price fluctuations

The Group holds investment securities for business reasons. The Group also owns idle real estate, including part of the former factory sites. In the case where the market price of such investment securities and real estate fluctuate significantly, the Group’s business results and financial position may be affected.

(12) Environmental issues

The Group engages in business activities in accordance with various environmental laws and regulations that climate change measures, resource preservation, air and water pollution, use of chemical substances, waste disposal, recycling, chemical substances contained in products and soil and groundwater pollution, etc. Under such circumstances, the Group regards environmental conservation activities as one of the management tasks and promote various activities, including complying with laws and regulations as well as setting stricter voluntary goals. However, there are possibilities of bearing compensation for damages and expenses for taking response measures, due to an increase in expenses for responding to enforced regulations or occurrence of environmental problems, and a loss of competitiveness due to delays in addressing the growing social expectations for these issues in the future. In addition, failure to take appropriate actions at the Group or its suppliers may lead to risks of impairing brand image.

(13) Information securities

The Group prevents information leaks through measures such as establishment of internal regulations and employee education concerning protection and management of personal information and confidential information obtained in business operations. However, it cannot be guaranteed that there is no possibility of information leaks due to unforeseen circumstances. In the event of such a situation, there is a possibility this will affect business results of the Group due to a decline in the Group’s social credibility and a substantial cost burden to respond to such a situation. Unexpected leakage of information is a critical risk involving a greater risk of impairing brand image. Thus, we are carrying out thorough prevention measures.

(14) Natural disasters and influences of infectious diseases

In the case where the Group’s domestic and overseas manufacturing bases and facilities, or local economies in general in Japan and overseas, suffer damage or are regulated, due to natural disasters such as earthquakes or typhoons or epidemics such as viral infections, there is a possibility this would affect business results due to manufacturing disruption, stagnation of sales, logistics, procurement functions, etc. The Group has formulated action plans that ensure the safety of those who are engaged in the business operations of the Company as the first priority in the event of natural disasters or epidemics. Although the novel coronavirus pandemic is coming to an end, if the situation deteriorates again, it is likely to have an impact on the Group’s business operations, financial position, and business results as described above.

(15) Compliance risk

While we are providing full-scale education for compliance with laws and regulations, etc. in each country to all employees and others who are engaged in the Group's business operations, it is impossible to rule out the risks of problems of some nature. Since noncompliance with laws and regulations, etc. is highly likely to expose the Group to the risks of impairing brand image, we will continue to promote educational activities for compliance with laws and regulations, etc. in all the group companies, while remaining committed to disseminating the importance of brand image.

4. Management's Analysis of Financial Position, Operating Results and Cash Flows

The overview of the Group's financial position, operating results and cash flows (hereinafter the "operating results, etc.") is as follows. Any future forecasts included in the following descriptions are based on the best estimates or judgment of the Group as of March 31, 2023.

(1) Business 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%), because 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.

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.

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.

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) Financial condition

-Assets

Total assets at the close of the fiscal year ended March 31, 2023 amounted to 355.9 billion yen, an increase of 28.3 billion yen from the close of the previous fiscal year, including the effect of exchange rates. Total current assets came to 173.4 billion yen, an increase of 18.6 billion yen from the close of the previous fiscal year. This was due to increases of 5.5 billion yen in cash and deposits and 10.7 billion yen in inventories. Total non-current assets came to 182.5 billion yen, an increase of 9.7 billion yen from the close of the previous fiscal year. This was due to increases of 6.0 billion yen in total property, plant and equipment, 0.6 billion yen in total intangible assets, and 3.0 billion yen in total investments and other assets.

-Liabilities

For liabilities, total borrowings came to 132.2 billion yen, due to increases of 8.8 billion yen in short-term borrowings and 7.1 billion yen in long-term borrowings. In addition, notes and accounts payable - trade decreased by 2.2 billion yen. As a result, total liabilities amounted to 224.1 billion yen, an increase of 18.2 billion yen from the close of the previous fiscal year, including the effect of exchange rates.

-Net assets

With regard to net assets, total net assets increased by 10.1 billion yen over the close of the previous fiscal year to become 131.7 billion yen, mainly owing to increases of 2.4 billion yen in shareholders' equity and 5.5 billion yen in foreign currency translation adjustment.

(3) Overview of cash flows

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2023 came to 36.2 billion yen, an increase of 5.4 billion yen relative to the end of the previous fiscal year. Free cash flow, the sum of cash flows from operating and investing activities, amounted to -6.2 billion yen. This is primarily due to the following factors:

-Cash flows from operating activities

Net cash provided by operating activities came to a positive 9.2 billion yen (compared to a positive cash flow of 20.3 billion yen for the previous fiscal year). This was the result of the Company posting 9.6 billion yen in income before income taxes, factoring in depreciation amounting to 12.3 billion yen, as well as adjustments such as a 8.2 billion yen increase in inventories (posted as a decrease), a 3.3 billion yen decrease in trade payables (posted as a decrease), and others.

-Cash flows from investing activities

Net cash used in investing activities came to negative 15.5 billion yen (compared to a negative cash flow of 9.3 billion yen for the previous fiscal year) due to cash outflows consisting mainly of 12.1 billion yen in purchase of property, plant and equipment (posted as a decrease) and 1.4 billion yen in purchase of shares of subsidiaries resulting in change in scope of consolidation (posted as a decrease).

-Cash flows from financing activities

Net cash provided by financing activities came to positive 10.5 billion yen (compared to a negative cash flow of 13.9 billion yen for the previous fiscal year) due mainly to repayments and borrowings of long- and short-term borrowings that combined for a net amount of 15.2 billion yen (posted as an increase), as well as 1.8 billion yen in repayments of lease liabilities (posted as a decrease) and 2.5 billion yen in dividends paid (posted as a decrease).

(4) The financial resources for capital and the liquidity of funds of the Group

The Group's demand for funds mainly comes from demand for operating capital, such as manufacturing costs and selling, general and administrative expenses, and demand for investment aimed at corporate growth and corporate value improvement, such as capital investment, research and development expenses and branding expenses. The Group's principal sources of funds are cash flows from operating activities and financing through interest-bearing debts.

Regarding the liquidity of funds, cash and cash equivalents as of March 31, 2023 were 36.2 billion yen, and the Company recognizes that the appropriate level is secured for future demand for funds. The Company and domestic operating companies have introduced a cash management system to enhance the efficiency of group-wide fund management. We maintain commitment line agreements with multiple financial institutions, in order to secure current operating funds in a flexible and stable manner even in the event of various unforeseen circumstances.

(5) Significant accounting estimates and assumptions used in such estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan.

In preparing these consolidated financial statements, the Company has used estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, but the actual results may differ from these estimates and assumptions. Of the accounting estimates and assumptions used in the preparation of the consolidated financial statements, the significant ones are described in "V. Financial Information [Notes- important matters that are the basis for preparation of consolidated financial statements]."

(6) Production, orders received and sales

1) Actual production

Actual production in each segment for the years ended Mach 31, 2023

Segments	Amount (Millions of yen)	Change (%)
Emotional Value Solutions Business	38,306	18.4
Devices Solutions Business	39,434	5.8
Systems Solutions Business	15,412	6.6
Total	93,153	10.8

(Notes) 1. The amount is calculated from the manufacturing cost.
2. The amount is after the elimination of intracompany transactions.
3. The change is based on new segment classifications.

2) Orders received

Orders received in each segment for the years ended Mach 31, 2023

Segments	Orders received (Millions of yen)	Change (%)	Orders backlog (Millions of yen)	Change (%)
Emotional Value Solutions Business	7,511	2.1	1,759	15.2
Devices Solutions Business	10,725	(42.9)	4,518	(40.5)
Systems Solutions Business	19,186	13.9	2,799	(8.2)
Total	37,423	(12.9)	9,077	(25.4)

(Notes) 1. The amount is after the elimination of intracompany transactions.
2. The change is based on new segment classifications.

3) Actual sales

Actual sales in each segment for the years ended Mach 31, 2023

Segments	Amount (Millions of yen)	Change (%)
Emotional Value Solutions Business	167,742	13.5
Devices Solutions Business	58,428	3.1
Systems Solutions Business	33,554	3.2
Others and adjustments	778	111.8
Total	260,504	9.7

(Notes) 1. The amount is after the elimination of intracompany transactions.
2. As there are no customers whose ratio to total sales is 10/100 or more, “Sales performance by major customer and ratio to total sales” is not stated.
3. The change is based on new segment classifications.

5. Critical Contracts for Operation

Not applicable

6. Research and Development Activities

Research and development expenses for the entire Group for the fiscal year ended March 31, 2023 were 3.9 billion yen. The Group conducts research and development activities mainly relating to the Devices Solutions Business. Research and development expenses for the Devices Solutions Business and for businesses other than the Devices Solutions Business were 2.6 billion yen and 1.3 billion yen, respectively.

“Craftsmanship” creates new value based on our advanced techniques and know-how. “Miniaturization” reduces product size through precision processing and high-density assembly technologies. “Efficiency” promotes the most efficient use of all resources including energy. The Group has developed such the “Craftsmanship, Miniaturization, Efficiency” technologies. In order to realize a sustainable society and business growth, the 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”.

The Group’s main research and development activities are as follows:

(1) Devices Solutions Business

In the Devices Solutions Business, the Group is promoting the development of products for long-term growth markets, such as micro batteries for medical equipment and miniature quartz crystals, by perfecting the “Craftsmanship, Miniaturization, Efficiency” technologies we have cultivated as the basics for the manufacture of watches, and advancing our compact precision design and processing technologies.

(2) Other than the Devices Solutions Business

Of the Emotional Value Solutions Business, in the Watches Business, the Group, with an eye on creating high value-added products and developing new elemental technologies, is conducting a wide range of development activities, ranging from the development of movements, such as high-end movements, to materials and designs of exteriors. Furthermore, the Group is fostering manufacturing technologies for such items and developing technologies toward the optimization of the processing process. In the Time Creation Business, the Group is making research and development investment for the development and design of clock movements and finished products.

In the Systems Solutions Business, the Group is developing technologies related to high-precision time synchronization for next-generation systems, etc., as well as technologies for building platforms and expanding services for the financial sector.

III. Information about Facilities

1. Overview of Capital Expenditures, etc.

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 sales in the market, respectively.

2. Major Facilities

The Group (the Company and the subsidiaries)'s major equipment and facilities are summarized as follows:

(1) The Company

As of March 31, 2023

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m^2)	Total	
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings	1,287	-	341	-	1,629	171
Rental facilities for Subsidiaries (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores, etc.	3,638	-	492	21,162 (1)	25,293	-
Other rental facilities (Chuo-ku, Tokyo, etc.)	Corporate	Retail stores for rent, Office buildings, etc.	1,430	-	28	2,717 (94)	4,176	-

(2) Domestic subsidiaries

As of March 31, 2023

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m^2)	Total	
Morioka Seiko Instruments Inc. (Shizukuishi-cho, Iwate-gun, Iwate) *1	Emotional Value Solutions	Manufacturing facilities for watches	1,407	3,043	949	1,381 (114)	6,781	670
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Devices Solutions	Office buildings, etc.	392	13	30	-	436	263
Takatsuka Unit of Seiko Instruments Inc. (Matsudo-shi, Chiba) *2	Devices Solutions	Manufacturing facilities for printheads for inkjet printers, etc.	2,844	996	48	4,824 (59)	8,713	280
Sendai Unit of Seiko Instruments Inc. (Aoba-ku, Sendai-shi, Miyagi)	Devices Solutions	Manufacturing facilities for batteries, etc.	2,024	1,477	79	1,440 (94)	5,021	348
Akita Unit of Seiko Instruments Inc. (Daisen-shi, Akita) *2	Devices Solutions	Manufacturing facilities for printheads for inkjet printers, etc.	721	204	11	532 (132)	1,470	103
Ohno Unit of Seiko Instruments Inc. (Ichikawa-shi, Chiba)	Devices Solutions	Manufacturing facilities for precision parts	356	18	1	2,025 (15)	2,401	61
Tochigi Unit of SII Crystal Technology Inc. (Tochigi-shi, Tochigi)	Devices Solutions	Manufacturing facilities for quartz crystals	589	1,040	135	28 (40)	1,794	86
Nasu-Shiobara Unit of SEIKO NPC CORPORATION (Nasu-Shiobara-shi, Tochigi)	Devices Solutions	Manufacturing facilities for semiconductors	189	74	70	770 (100)	1,104	172
Makuhari Head Office of SEIKO Solutions Inc. (Mihama-ku, Chiba)	Systems Solutions	Office buildings and development facilities for systems solutions products	221	0	2,031	-	2,253	653
Shirakawa Estate Co., Ltd. (Chuo-ku, Tokyo, etc.)	Others	Stores for rent and office buildings	1,204	-	8	11,365 (1)	12,578	-

(3) Overseas subsidiaries

As of March 31, 2023

Facility (Location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Tools, furniture and fixtures, etc.	Land (Area: thousands of m²)	Total	
Seiko Watch of America LLC (Mahwah U.S.A.)	Emotional Value Solutions	Office buildings	-	26	8	-	34	63
SEIKO U.K. Limited (Maidenhead U.K.)	Emotional Value Solutions	Office buildings	94	-	57	1,291 (22)	1,443	65
SEIKO Hong Kong Ltd. (Kowloon Hong Kong)	Emotional Value Solutions	Office buildings	737	-	-	-	737	126
SEIKO Australia Pty. Ltd. (Macquarie Park Australia)	Emotional Value Solutions	Office buildings	197	-	59	555 (11)	812	47
SEIKO Manufacturing (Singapore) Pte. Ltd. (Singapore Singapore)	Emotional Value Solutions	Manufacturing facilities for watch movements	720	1,899	370	-	2,990	458
SEIKO Precision (Thailand) Co., Ltd. (Pathumthani Thailand)	Emotional Value Solutions	Manufacturing facilities for clocks, etc.	466	104	58	413 (78)	1,043	713
Dalian Seiko Instruments Inc. (Dalian P. R. China)	Devices Solutions	Manufacturing facilities for precision parts	1,771	3,047	222	-	5,040	935
Seiko Instruments (Thailand) Ltd. (Pathumthani Thailand)	Devices Solutions	Manufacturing facilities for hard disk drive components, etc.	1,523	2,417	1,625	475 (119)	6,041	983

(Notes) 1. "Book value" of "Tools, furniture and fixtures, etc." consists of tools, furniture and fixtures, construction in progress, software and lease assets.
2. *1 Includes the manufacturing facilities, etc. owned by SEIKO WATCH CORPORATION.
3. *2 Includes the manufacturing facilities owned by SII Printek Inc.
4. In addition to the above, the Group has the following major rental facilities.

The Company

As of March 31, 2023

Facility (Location)	Segment	Description	Rents or lease payments (Millions of yen)
Head Office (Chuo-ku, Tokyo)	Corporate	Office buildings*1	Annual total: 629

*1 A part of the office is sub-leased to subsidiaries.

Domestic subsidiaries

As of March 31, 2023

Facility (Location)	Segment	Description	Rents or lease payments (Millions of yen)
Makuhari Unit of Seiko Instruments Inc. (Mihama-ku, Chiba)	Devices Solutions	Office buildings, etc.	Annual total: 1,810

3. Plans for New Additions or Disposals

Not applicable

IV. Information about Reporting Company

1. Information about Shares, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common share	149,200,000
Total	149,200,000

2) Issued shares

Class	Number of shares issued as of the end of the fiscal year (March 31, 2023)	Number of shares issued as of the filing date (June 29, 2023)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common share	41,404,261	41,404,261	Tokyo Stock Exchange Prime Market	Number of shares for share unit: 100 shares
Total	41,404,261	41,404,261	-	-

(2) Status of the share subscription rights

1) Stock option plans

Not applicable

2) Right plans

Not applicable

3) Other share subscription rights

Not applicable

(3) Exercise status of bonds with share subscription rights containing a clause for exercise price adjustment

Not applicable

(4) Changes in number of issued shares, capital stock, etc.

Date	Change in the total number of issued shares (Thousands)	Balance of the total number of issued shares (Thousands)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
October 1, 2017 (Note)	(165,617)	41,404	-	10,000	-	2,378

(Note) The Company conducted a share consolidation by which five common shares have been consolidated into one share as of October 1, 2017.

(5) Shareholding by shareholder category

As of March 31, 2023

Classification	Status of shares (1 unit=100shares)								Shares under one unit
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreigin corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	-	24	29	105	203	17	9,531	9,909	-
Number of shares hold (units)	-	98,663	7,323	79,007	72,586	168	155,646	413,393	64,961
Ownership percentage of shares (%)	-	23.87	1.77	19.11	17.56	0.04	37.65	100	-

(Notes) 1. Of 111,284 shares of treasury stock, 504 units are included in "Financial institutions" column, 608 units in "Individuals and others" column and 84 shares in "Shares under one unit" column.

2. "Financial institutions" include 504 units of shares owned by Custody Bank of Japan, Ltd. (Trust E account) as a trust property of the "Board Benefit Trust (BBT)."

3. Of the shares registers in the name of Japan Securities Depository Center, Inc., 4 units are included in "Other corporations" column and 77 shares are included in "Shares under one unit"

(6) Major shareholders

As of March 31, 2023

Name	Address	Number of shares hold (1,000 shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
Sanko Kigyo K.K.	6-1, Ginza 5-chome, Chuo-ku, Tokyo	4,436	10.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	4,302	10.4
Etsuko Hattori	Minato-ku, Tokyo	3,613	8.7
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	2,480	6.0
Shinji Hattori	Shibuya-ku, Tokyo	2,279	5.5
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,800	4.4
Hideo Hattori	Shinagawa-ku, Tokyo	1,622	3.9
SHIMIZU CORPORATION	16-1, Kyobashi 2-chome, Chuo-ku, Tokyo	744	1.8
FUJI BUILDING Co., Ltd.	13-9, Nihombashi Muromachi 1-chome, Chuo-ku, Tokyo	671	1.6
Hirohisa Hattori	Setagaya-ku, Tokyo	595	1.4
Total	-	22,546	54.5

(7) Voting rights

1) Issued shares

As of March 31, 2023

Classification	Number of shares	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Others)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	Common share 112,000	-	-
Shares with full voting rights (Others)	Common share 41,227,300	412,273	-
Shares under one unit	Common share 64,961	-	Shares under one unit (100 shares)
Total shares issued	41,404,261	-	-
Total voting rights held by all shareholders	-	412,273	-

(Notes) 1. The “Shares with full voting rights (Others)” column includes 50,400 shares of the Company held in the Board Benefit Trust (BBT) (504 voting rights) and 400 shares under the name of Japan Securities Depository Center, Incorporated (4 voting rights).

2. The “Shares under one unit” column includes 84 shares of treasury shares owned by the Company, 61 shares of cross-held shares owned by OHARA INC., and 77 shares under the name of Japan Securities Depository Center, Inc.

2) Treasury shares, etc.

As of March 31, 2023

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
SEIKO GROUP CORPORATION	5-11, Ginza 4-chome, Chuo-ku, Tokyo	60,800	-	60,800	0.1
OHARA INC.	15-30, Oyama 1-chome, Chuo-ku, Sagamihara-shi, Kanagawa	51,200	-	51,200	0.1
Total	-	112,000	-	112,000	0.3

(Note) 50,400 shares of the Company’s shares held in the Board Benefit Trust (BBT) are not included in the above treasury shares.

(8) Officer / employee share ownership program

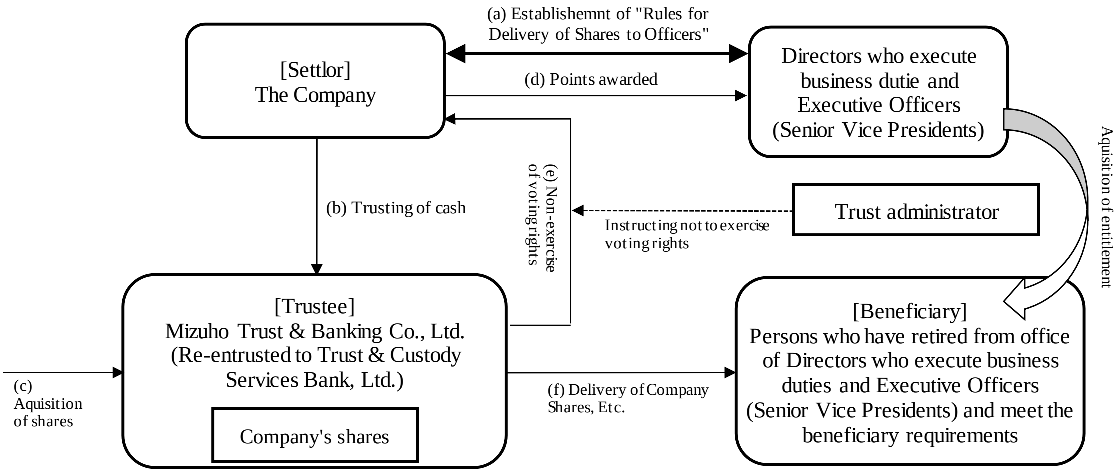
(Introduction of the stock compensation plan for the Company’s Directors who execute business duties and Executive Officers (Senior Vice Presidents))

The Company resolved at the Board of Directors meeting held on May 10, 2016, to introduce a new performance-linked stock compensation plan, “Board Benefit Trust (BBT)” (hereinafter, “the Plan”), for the Company’s Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors.) The proposal concerning the Plan was submitted to the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 (hereinafter, the “General Meeting of Shareholders”), and it was approved. In line with the introduction of the system of executive officer (senior vice president) on June 29, 2022, the Company resolved at the Board of Directors meeting held on May 10, 2022 to add Executive Officers (Senior Vice Presidents) to those who are eligible for the Company’s shares under the Plan.

1) Outline of the Plan

The Plan is a performance-based stock compensation plan where the Company’s shares are acquired through a trust with funds contributed by the Company (the trust created under the Plan hereinafter being referred to as the “Trust”), and the Company’s shares, and cash equivalent to the market value of the Company’s shares, (“Company Shares, Etc.”) are provided to the Directors who execute business duties and the Executive Officers (Senior Vice Presidents) through the Trust in accordance with the “Rules for Delivery of Shares to Officers” stipulated by the Company. The time at which a Director who executes business duties or an Executive Officer (Senior Vice President) receives Company Shares, Etc. shall, in principle, be when he or she retires from office.

<Structure of the Plan>



(a) Subject to the passing of a resolution of the compensation for officers concerning the Plan at this General Meeting of Shareholders, the Company established the “Rules for Delivery of Shares to Officers” within the scope approved by the meeting.

(b) The Company will deposit cash in trust within the scope approved by this General Meeting of Shareholders as set forth in (a).

(c) The Trust will acquire the Company’s shares through stock markets or by subscribing to treasury shares of the Company by using the cash deposited in trust as set forth in (b).

(d) The Company will award points to each Director who executes business duties and each Executive Officer (Senior Vice President) in accordance with the “Rules for Delivery of Shares to Officers.”

(e) In accordance with the instructions of the trust administrator independent from the Company, the Trust will not exercise voting rights for the Company’s shares in the Trust account.

(f) The Trust will deliver Company’s shares to a Director who executes business duties and an Executive Officer (Senior Vice President) and has retired from office and who meets the beneficiary requirements stipulated in the “Rules for Delivery of Shares to Officers” (a “Beneficiary”), in proportion to the number of points awarded to the Beneficiary. However, if an Executive Director or an Executive Officer (Senior Vice President) 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 the Company’s shares for a certain percentage of his or her points, instead of delivering such shares.

2) Total number or total amount of shares to be acquired by the Directors who execute business duties and Executive Officers (Senior Vice Presidents)

The Company contributed 240 million yen as of August 26, 2016, and Trust & Custody Services Bank, Ltd. (the present Custody Bank of Japan, Ltd.) (Trust E account) acquired 540,000 shares of the Company at 170 million yen. Whether the Trust E account will acquire shares of the Company in the future is undecided.

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 treasury shares held in the Trust E account as of March 31, 2023 was 50,400 shares.

3) Scope of persons who are entitled to beneficiary rights or other rights under the Plan

Persons who meet beneficiary requirements prescribed in the Rules for Delivery of Shares to Officers," among those who retired from the Directors who execute business duties and Executive Officers (Senior Vice Presidents) (excluding Directors who do not execute business duties and Outside Directors).

2. Acquisition of Treasury Stock

【Type of shares】: Acquisition of shares of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of the shareholders

Not applicable

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Not applicable

(3) Acquisition of treasury stock not based on a resolution approved at the annual general meeting of the shareholders or on a resolution approved by the Board of Directors

Classification	Number of shares (shares)	Total amount (Yen)
Treasury stock acquired during the current fiscal year	202	600,108
Treasury stock acquired during the period for acquisition	-	-

(Note) "Treasury stock acquired during the period for acquisition" does not include the number of stocks of less than a standard unit purchased during the period from June 1, 2023, to the filing date of this Securities Report.

(4) Current status of the disposition and holding of acquired treasury stock

Classification	Current fiscal year		Period for acquisition	
	Number of Shares (shares)	Total disposition amount (Yen)	Number of Shares (shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock that was disposed of	-	-	-	-
Acquired treasury stock for which transfer of shares was conducted in association with merger/stock exchange/share issuance/corporate separation	-	-	-	-
Other (Acquired treasury stock that was disposed of instead of issuing shares due to the exercise of share subscription rights)	-	-	-	-
Number of shares of treasury stock held	60,884	-	60,884	-

(Notes) 1. The Company's shares held in the Board Benefit Trust (BBT) (current fiscal year: 50,400 shares, period for acquisition: 31,600 shares) are not included in the above treasury shares.

2. “Treasury stock acquired during the period for acquisition” does not include the number of stocks of less than a standard unit purchased during the period from June 1, 2023, to the filing date of this Securities Report.

3. Dividend Policy

With regard to profit allocation, the basic policy is to continue to distribute stable dividends with consideration of capital efficiency and stable profit distribution to shareholders, while enhancing capital adequacy. In addition, the Company’s major profit return policy to shareholders is to return profits by dividends.

The Company’s basic policy is to distribute the surplus twice a year as an interim dividend and a year-end dividend, and the decision-making bodies for the distribution of surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

In addition, the Company stipulates in the Articles of Incorporation that an interim dividend prescribed in Article 454, Paragraph 5 of the Companies Act may be distributed on September 30 each year as the record date by a resolution of the Board of Directors.

For the fiscal year ended March 31, 2023, the Company decided to pay an interim dividend of 37.5 yen per share and a year-end dividend of 37.5 yen per share based on the above policy.

Dividends for the 162nd business term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors meeting held on November 8, 2022	1,550	37.50
Annual General Meeting of Shareholders held on June 29, 2023	1,550	37.50

4. Explanation about Corporate Governance, etc.

(1) Explanation about corporate governance

1) Basic principles of corporate governance

As a company based on the principles to being “A Company that is Trusted by Society”, the Company sees as core business challenges compliance with all laws and regulations, implementation of management transparency and fairness, and honoring social ethics—and to realize these goals by striving to apply and reinforce its corporate governance framework. The Company will work to drive sustainable growth and enhance the corporate value of the Company and the Group.

2) Overview of the corporate governance structure of the Company, reasons for adopting such structure, and other matters concerning corporate governance

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

(Board of Directors)

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

The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when necessary, as well as carries out quick and appropriate decision-making. The members of the Board of Directors are as described in (2) Information about Officers.

The Company holds a Strategic Conference and Business Strategy Council comprising full-time Directors and Executive Officers (Senior Vice Presidents) of the Company for the purpose of working to share the management policy and management information of the Group and discuss mid- to long-term business strategies.

(Board of Auditors)

The Board of Auditors is composed of two Corporate Auditors of the Company and three Outside Corporate Auditors. Its role is to make decisions on all matters related to the audit. The Corporate Auditors audit the compliance and validity of the Directors' business execution by participating in the Board of Directors meetings and other important meetings. The Outside Corporate Auditors offer necessary advice, suggestions and opinions, making use of their broad experience and insight in business management. The members of the Board of Auditors are as described in (2) Information about Officers and the chairperson is Mr. Haruhiko Takagi, the standing Corporate Auditor of the Company.

(Corporate Governance Committee)

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

The members and the chairperson of the Corporate Governance Committee as of the date of submission of the Annual Securities Report are as follows:

Chairperson	President	Shuji Takahashi
Members	Chairman, Group CEO, and Group CCO	Shinji Hattori
	Independent Outside Director	Yasuko Teraura
	Independent Outside Director	Noboru Saito
	Independent Outside Director	Hideki Kobori
	Independent Outside Corporate Auditor	Hideki Amano
	Independent Outside Corporate Auditor	Masatoshi Yano
	Independent Outside Corporate Auditor	Kenji Sakurai

The Company believes its corporate governance system is optimal in realizing the above important management issues under the management system operated by the Company as a holding company on a consolidated basis.

The Company has been developing its internal control systems according to the following basic policies.

(a) 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 “Officers and Employees”) 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:

i) 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.

ii) 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 discussion results to the Board of Directors.

iii) The Company shall develop a system where any Officers and Employees who find any action suspected of violating the laws and regulations can promptly report it to the “Corporate Ethics Committee”, and establish a “Corporate Ethics Helpline” as means for transmitting information.

iv) The Company shall continuously provide training sessions on corporate ethics for Officers and Employees to foster and enhance their awareness of compliance with corporate ethics and laws and regulations.

(b) 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 electromagnetic medium, and properly store and manage it.

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”.

(c) 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”.

(d) 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 Group. It shall also review the progress of annual forecasts consisting of the plan quarterly using the management accounting method, and discuss and implement remedial measures therefor, thereby promoting the efficiency of operations.

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 the "Management Conference" comprising standing Directors and Executive Officers (Senior Vice Presidents) of the Company and respective Presidents of operating subsidiaries, to share the management policy and management information of the Group and discuss mid- to long-term business strategies.

iii) The Company shall clarify the assignment of duties among the Directors and Executive Officers (Senior Vice Presidents), and the responsibility and authority of each division/department, thereby securing the efficient execution of duties.

(e) 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 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 and Employees as Directors or Corporate Auditors of the subsidiary to properly supervise and audit the 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 Company's Board of Directors.

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, and the Articles of Incorporation, and risk management.

(f) Matters related to employees to assist the duties of Corporate Auditors

i) There shall be a system where the Internal Audit Department will assist the duties of Corporate Auditors.

ii) Employees posted to the Internal Audit Department shall not concurrently hold duties related to the execution of operations.

iii) Regarding any replacement of the General Manager of the Internal Audit Department, the President shall discuss with the Board of Auditors in advance, and respect the Board of Auditors' opinions.

(g) System for reporting to Corporate Auditors

i) Each Officer and Employee of the Company shall regularly report the status of finance, compliance with corporate ethics, risk management, and internal audits to Corporate Auditors; if any Director/employee finds any fact likely to significantly damage the Company or its subsidiaries or any violation of laws and regulations or internal rules, he/she shall immediately report it to Corporate Auditors.

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 likely to significantly damage the Company, he/she or the person who was reported by him/her shall report it to the Company's Corporate Auditors.

iii) The Company shall develop necessary systems so that the person who made the report in the preceding two paragraphs might not be treated disadvantageously because 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 shall report the results of internal audits to standing Corporate Auditors without delay, and regularly report them to the Board of Auditors.

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

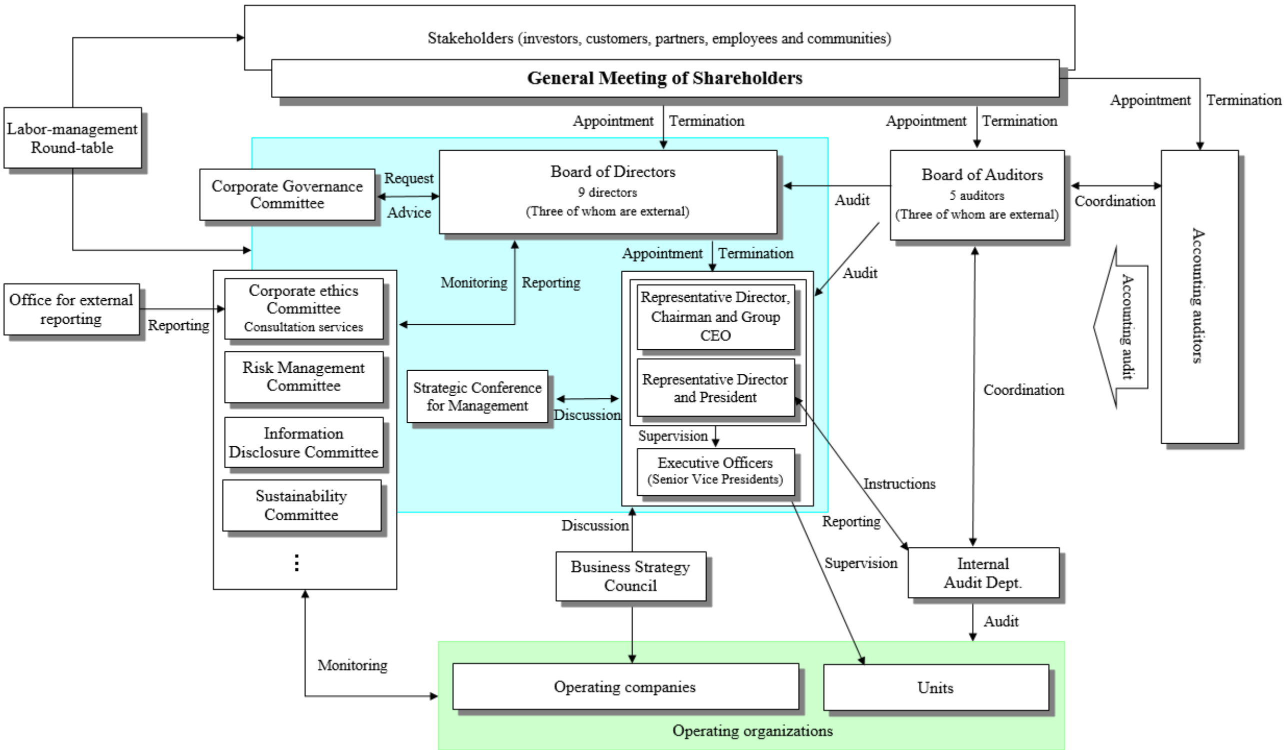
i) The Company shall ensure a system where, besides the Internal Audit Department, the departments in charge of General Affairs and Accounting will assist audits by Corporate Auditors from time to time based on respective instructions of Corporate Auditors.

ii) The Company shall ensure that Corporate Auditors will attend important meetings and committees established to ensure proper operations, and to be held in a timely manner, by the Board of Directors.

iii) The President shall meet with the Board of Auditors, as necessary, and exchange opinions regarding important management issues.

iv) If a Corporate Auditor requests that the Company pay expenses incurred in executing his/her duties, the Company shall promptly pay them unless the Company proves that they are not necessary for the Corporate Auditor to execute his/her duties.

The structure of the Company's corporate governance is as follows:



3) Overview of agreements limiting liability

The Company entered into an agreement with each of Outside Directors and 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.

4) Overview of directors and officers liability insurance

The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act, with Directors, Corporate Auditors, Senior Vice Presidents, Management Employees, and Outside Temporary Directors of the Company and its subsidiary, Seiko Instruments Inc. as the insured. 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 acts committed by the insured in the course of his or her duties as a director or an officer of a company. 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.

5) The quorum of Directors or qualifications required and the resolution requirements for appointment and dismissal

Quorum of Directors : 13 (Article 20 of the Articles of Incorporation)

Qualifications required: None

Resolution requirements for appointment and dismissal:

The Articles of Incorporation stipulates that the resolution requirements for the appointment of Directors shall require approval by a majority of voting rights of shareholders present at a meeting where shareholders holding one-third (1/3) of voting rights owned by shareholders eligible for exercising voting rights. (Article 21, Paragraph 2 of the Articles of Incorporation)

6) Matters to be resolved at General Meetings of Shareholders that can also be resolved by the Board of Directors

(a) Acquiring treasury shares (Article 7 of the Articles of Incorporation)

The Company has determined in its Articles of Incorporation that the Company may acquire its own shares through market transactions by a resolution of the Board of Directors, so that the Company can conduct flexible and agile capital policies.

(b) Exemption from liabilities of the Directors and Corporate Auditors (Articles 32 and 42, Articles of Incorporation)

The Company has determined in its Articles of Incorporation as stipulated in Article 426, Paragraph 1 of the Companies Act, that the Company may, by a resolution of the Board of Directors, release Directors (including ex-Directors) and Corporate Auditors (including ex-Corporate Auditors) from liabilities as stipulated in Article 423, Paragraph 1 of the Companies Act, to the extent permitted by laws and regulations, so that they can fully demonstrate their roles expected in executing their duties and for the Company to secure talented individuals.

(c) Payment of interim dividends (Article 45 of the Articles of Incorporation)

The Company has determined in its Articles of Incorporation that the Company may pay an interim dividend as provided by Article 454, paragraph 5 of the Companies Act to shareholders as of the end of September every year by a resolution of the Board of Directors, so that the Company can return profits flexibly to shareholders.

7) Requirements for the adoption of special resolutions of General Meetings of Shareholders

The Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds or more the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders as provided by Article 309, Paragraph 2 of the Companies Act. (Article 17, paragraph 2 of the Articles of Incorporation)

8) Status of activities of the Board of Directors and the Corporate Governance Committee

The Company held a total of 13 Board of Directors meetings and a total of three Corporate Governance Committee meetings in the current fiscal year. The attendance of each Director and Corporate Auditor is as follows.

Position	Name	Attendance (rate %)	
		Board of Directors	Corporate Governance Committee
Chairman	Shinji Hattori	13 / 13 (100.0%)	3 / 3 (100.0%)
President	Shuji Takahashi	13 / 13 (100.0%)	3 / 3 (100.0%)
Director, Senior Executive Vice President	Akio Naito	10 / 10 (100.0%)	-
Director, Senior Executive Vice President	Takahiro Naito	10 / 10 (100.0%)	-
Director, Senior Executive Vice President	Jun Sekine	13 / 13 (100.0%)	-
Director, Executive Vice President	Shimesu Takizawa	13 / 13 (100.0%)	-
Outside Director	Tsuyoshi Nagano	13 / 13 (100.0%)	3 / 3 (100.0%)
Outside Director	Yasuko Teraura	13 / 13 (100.0%)	3 / 3 (100.0%)
Outside Director	Noboru Saito	10 / 10 (100.0%)	2 / 2 (100.0%)
Standing Corporate Auditor	Haruhiko Takagi	13 / 13 (100.0%)	-
Standing Corporate Auditor	Takashi Nishimoto	13 / 13 (100.0%)	-
Outside Corporate Auditor	Hideki Amano	13 / 13 (100.0%)	3 / 3 (100.0%)
Outside Corporate Auditor	Masatoshi Yano	13 / 13 (100.0%)	3 / 3 (100.0%)
Outside Corporate Auditor	Kenji Sakurai	10 / 10 (100.0%)	2 / 2 (100.0%)

(Notes) 1. For Mr. Akio Naito, Mr. Takahiro Naito, Mr. Noboru Saito, and Mr. Kenji Sakurai, the above table represents their attendance after being appointed at the 161st Ordinary General Meeting of Shareholders held on June 29, 2022.

2. The following Directors and Corporate Auditors attended three out of the three Board of Directors meetings held prior to their retirement: Mr. Yoshinobu Nakamura, who retired from the position of Vice Chairman, and Ms. Kiyoko Niwasaki, Mr. Kazuhiko Sakamoto, Mr. Makoto Ichimura, and Mr. Tetsu Kobayashi, who retired from the position of Director, due to the expiration of their terms of office, as well as Mr. Tomoyasu Asano, who retired from the position of Outside Corporate Auditor due to resignation, at the close of the 161st Ordinary General Meeting of Shareholders held on June 29, 2022. In addition, Mr. Tomoyasu Asano attended one out of the one Corporate Governance Committee meeting held prior to his retirement.

(Specific deliberations at the Board of Directors)

For the current fiscal year, the Board of Directors focused on discussing initiatives for each strategic domain, core strategies centered on non-financial factors such as human capital and sustainability, new business strategies for future business expansion, and changes in institutional design aimed at further strengthening governance based on the Eighth Mid-Term Management Plan (SMILE145) announced in May 2022.

(Specific deliberations at the Corporate Governance Committee)

For the current fiscal year, the Corporate Governance Committee focused on discussing the selection of candidates for positions including Directors, and the details of revisions to the compensation system for officers.

(2) Information about Officers

1) Officers: Male: 13; Female: 1 (Percentage of female: 7.1%)

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Chairman & Group CEO Group CCO (Group Chief Culture Officer)	Shinji Hattori	January 1, 1953	April 1975 July 1984 January 1996 June 2001 June 2003 June 2007 June 2009 April 2010 October 2012 June 2015 April 2017 June 2020 April 2021	Joined Mitsubishi Corporation Joined Seikosha Co., Ltd. Director of Seiko Precision Inc. President of Seiko Precision Inc. President & CEO of SEIKO WATCH CORPORATION Director of the Company Executive Vice President of the Company President of the Company Chairman of the Company (to present) President & CEO of SEIKO WATCH CORPORATION Chairman & CEO of SEIKO WATCH CORPORATION Chairman of WAKO Co., Ltd. (to present) Chairman of SEIKO WATCH CORPORATION (to present)	(Note 4)	2,279,289
President	Shuji Takahashi	August 29, 1957	April 1980 February 2011 June 2012 June 2013 April 2014 June 2015 June 2016 April 2017 April 2017 June 2021	Joined the Company Senior Vice President of SEIKO WATCH CORPORATION Director, Senior Vice President of SEIKO WATCH CORPORATION Director of the Company Director, Executive Vice President of SEIKO WATCH CORPORATION Director, Senior Executive Vice President of SEIKO WATCH CORPORATION Executive Director of the Company Director of the Company President & COO & CMO of SEIKO WATCH CORPORATION President of the Company (to present)	(Note 4)	11,800
Director, Senior Executive Vice President in charge of Emotional Value Solutions Domain, Legal, and Intellectual Property	Akio Naito	November 9, 1960	April 1984 January 2002 April 2006 June 2011 June 2013 June 2016 June 2016 October 2018 December 2019 April 2021 June 2022	Joined the Company Managing Director of SEIKO Australia Pty. Ltd. General Manager, Legal & Intellectual Property Department of the Company Director of the Company Executive Director of the Company Director of the Company Director, Senior Executive Vice President of SEIKO WATCH CORPORATION Chairman & CEO of Grand Seiko Corporation of America Director, Deputy Chief Operating Officer of SEIKO WATCH CORPORATION President of SEIKO WATCH CORPORATION (to present) Director, Senior Executive Vice President of the Company (to present)	(Note 4)	9,800

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Director, Senior Executive Vice President in charge of Devices Solutions Domain	Takahiro Naito	September 5, 1955	April 1979 December 2001 October 2006 October 2010 September 2015 June 2016 April 2019 April 2019 June 2019 April 2020 June 2020 April 2021 April 2022 June 2022	Joined Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation) Manager of Hong Kong Branch of Seiko Epson Corporation. General Manager of Audit Office of Seiko Epson Corporation. General Manager of Watch Business of Seiko Epson Corporation. Director of SEIKO WATCH CORPORATION Senior Vice President, Director of SEIKO WATCH CORPORATION Senior Vice President of Seiko Instruments Inc. General Manager, Motion Device Business of Seiko Instruments Inc. Director of Seiko Instruments Inc. General Manager, Precision Device Business of Seiko Instruments Inc. Director, Executive Vice President of Seiko Instruments Inc. Director, Senior Executive Vice President of Seiko Instruments Inc. President of Seiko Instruments Inc. (to present) Director, Senior Executive Vice President of the Company (to present)	(Note 4)	2,100
Director, Senior Executive Vice President in charge of Systems Solutions Domain, IT Planning, and DX Business Promotion	Jun Sekine	October 1, 1959	April 1984 April 1998 June 2002 January 2006 July 2012 January 2013 July 2015 December 2015 April 2017 June 2021 June 2022	Joined IBM Japan, Ltd. Sales Manager, Insurance of IBM Japan, Ltd. General Manager, Insurance of IBM Japan, Ltd. Managing Director of IBM Japan, Ltd. President and Director of ESCCO JAPAN K.K. Vice President and General Manager, Strategic Business Division of SAP Japan Co., Ltd. Vice President and Chief Customer Officer of SAP Japan Co., Ltd. Director and Executive Vice President of SEIKO Solutions Inc. President of SEIKO Solutions Inc. (to present) Director of the Company Director, Senior Executive Vice President of the Company (to present)	(Note 4)	2,000
Director, Executive Vice President, General Manager of Corporate Management Division in charge of Accounting	Taku Yoneyama	November 15, 1962	April 1986 May 2011 February 2015 June 2015 April 2017 April 2020 April 2023 April 2023 June 2023	Joined the Company General Manager, Corporate Strategy Planning Department of the Company Senior Vice President of SEIKO WATCH CORPORATION Director, Senior Vice President of SEIKO WATCH CORPORATION Director, Executive Vice President of SEIKO WATCH CORPORATION Director, Senior Executive Vice President of SEIKO WATCH CORPORATION Executive Vice President of the Company General Manager of Corporate Management Division of the Company (to present) Director, Executive Vice President of the Company (to present)	(Note 4)	8,400

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Outside Director	Yasuko Teraura	October 16, 1970	April 2000 October 2006 March 2010 June 2019 June 2022	Registered as an attorney Certified as a New York State attorney Established Endeavour Law Office, Partner Attorney of Endeavour Law Office (to present) Outside Director of the Company (to present) Outside Director (Audit and Supervisory committee member) of Ryosan Company, Limited (to present)	(Note 4)	1,000
Outside Director	Noboru Saito	August 8, 1961	April 1986 April 2004 April 2009 April 2010 April 2012 April 2013 April 2016 June 2016 April 2020 June 2022	Joined Burroughs Corporation (currently BIPROGY Inc.) General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.) General Manager, Industry & Commerce of Nihon Unisys, Ltd. (currently BIPROGY Inc.) General Manager, Industry & Commerce 2 of Nihon Unisys, Ltd. (currently BIPROGY Inc.) General Manager, Business Services of Nihon Unisys, Ltd. (currently BIPROGY Inc.) Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) Director, Senior Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) Representative Director, Executive Corporate Officer of Nihon Unisys, Ltd. (currently BIPROGY Inc.) (to present) Outside Director of the Company (to present)	(Note 4)	-
Outside Director	Hideki Kobori	February 2, 1955	April 1978 July 2004 April 2007 April 2008 April 2009 April 2010 June 2012 April 2014 April 2016 April 2022 June 2022 April 2023 June 2023 June 2023	Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corp.) General Manager, Corporate Strategy and Planning Department of Asahi Kasei EMD Corp. General Manager, Electronics Devices Marketing & Sales Center of Asahi Kasei EMD Corp. Director and Senior Executive Officer of Asahi Kasei EMD Corp. Director and Primary Executive Officer of Asahi Kasei Microdevices Corp. President & Representative Director, Presidential Executive Officer of Asahi Kasei Microdevices Corp. Director and Senior Executive Officer of Asahi Kasei Corp. Representative Director, Primary Executive Officer of Asahi Kasei Corp. President & Representative Director, Presidential Executive Officer of Asahi Kasei Corp. Chairman & Representative Director of Asahi Kasei Corp. Vice Chair of KEIDANREN (Japan Business Federation) (to present) Chairman & Director of Asahi Kasei Corp. (to present) Outside Director of Nomura Research Institute, Ltd. (to present) Outside Director of the Company (to present)	(Note 4)	-

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Corporate Auditor	Haruhiko Takagi	January 10, 1959	April 1982	Joined the Company	(Note 4)	8,300
			June 2004	General Manager, Finance & Accounting Department of the Company		
			June 2007	Director of the Company		
			November 2009	General Manager, Corporate Planning & Financial Control Division, Seiko Optical Products Co., Ltd.		
			May 2010	Director of Seiko Optical Products Co., Ltd.		
			April 2014	Corporate Auditor of Seiko Solutions Inc.		
			June 2016	Corporate Auditor of the Company (to present)		
			January 2020	Outside Corporate Auditor of OHARA INC. (to present)		
Corporate Auditor	Takashi Nishimoto	September 9, 1962	April 1985	Joined the Company	(Note 4)	2,600
			June 2009	General Manager, General Affairs Department of the Company		
			October 2012	General Manager, Legal & Intellectual Property Department of the Company		
			January 2015	Senior Vice President of SEIKO Solutions Inc.		
			June 2015	Director and Senior Vice President of SEIKO Solutions Inc.		
			April 2019	Director and Executive Vice President of SEIKO Solutions Inc.		
			June 2020	Corporate Auditor of the Company (to present)		
Outside Corporate Auditor	Hideki Amano	November 26, 1953	April 1976	Joined Arthur Andersen (currently KPMG AZSA LLC)	(Note 5)	-
			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 Corporate Auditor of Mizuho Leasing Company, Limited (to present)		

Position	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Outside Corporate Auditor	Masatoshi Yano	August 3, 1956	April 1980	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)	(Note 5)	-
			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)		
			June 2023	Outside Audit & Supervisory Board Member of FURUKAWA CO., LTD. (to present)		
Outside Corporate Auditor	Kenji Sakurai	August 17, 1959	April 1982	Joined The Dai-ichi Mutual Life Insurance Company	(Note 4)	-
			April 2008	Executive Officer of The Dai-ichi Mutual Life Insurance Company		
			April 2011	Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			June 2014	Director, Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			April 2015	Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			October 2016	Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc.		
			October 2016	Representative Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited		
			April 2017	Vice President of Dai-ichi Life Holdings, Inc.		
			April 2017	Representative Director, Vice President of The Dai-ichi Life Insurance Company, Limited (retired in March 2020)		
			April 2021	Director of Dai-ichi Life Holdings, Inc. (retired in June 2021)		
			June 2021	Representative Director, President of THE DAI-ICHI BUILDING CO., LTD. (to present)		
			June 2022	Outside Corporate Auditor of the Company (to present)		
Total	14 persons					2,325,289

(Notes) 1. Directors Yasuko Teraura, Noboru Saito, and Hideki Kobori are outside directors of the Company.
2. Corporate Auditors Hideki Amano, Masatoshi Yano, and Kenji Sakurai are outside corporate auditors of the Company.
3. The Company has reported Directors Yasuko Teraura, Noboru Saito, and Hideki Kobori, and Corporate Auditors Hideki Amano, Masatoshi Yano, and Kenji Sakurai to the Tokyo Stock Exchange as independent officers.
4. The term of office of the Directors and Corporate Auditors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024.
5. The term of office of the Corporate Auditors expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2027.
6. The Company has introduced the system of executive officer (senior vice president) for the purpose of strengthening supervisory functions of the Board of Directors and accelerating the execution of business, by separating management decision-making and supervision from the execution of business.
Executive Officers (Senior Vice Presidents) who are not concurrently serving as Directors as of the filing date of this Securities Report are as follows:

Executive Vice President	Kiyoko Niwasaki
Executive Vice President	Makoto Ichimura
Senior Vice President	Naoki Tajima
Senior Vice President	Hiromi Nakagawa

2) Outside officers

The Company has three Outside Directors and three Outside Corporate Auditors. There are no special relations of interest between each Outside Director, Outside Corporate Auditor and the Company.

(a) Function and qualification for the Outside Directors and Outside Corporate Auditors

The Company nominated Ms. Yasuko Teraura as 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. As described in 1) Officers, she holds shares in the Company. The size of her holding is insignificant and is thus believed unlikely to have conflicts of interest with general shareholders.

The Company nominated Mr. Noboru Saito as 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. Mr. 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.

The Company nominated Mr. Hideki Kobori as 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.

The Company nominated Mr. Hideki Amano as Outside Corporate Auditor, expecting him to perform appropriate audit functions based on his many years of experience and insight as a certified public accountant. Mr. Amano previously worked at KPMG AZSA LLC, the accounting auditor of the Company. However, Mr. 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 from the said audit firm in June 2016.

The Company nominated Mr. Masatoshi Yano as 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 for many years. Mr. Yano currently serves as President of Seiwa Sogo Tatemono Co., Ltd. Seiwa Sogo Tatemono Co., Ltd. and the 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. 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 from the said bank in March 2013.

The Company nominated Mr. Kenji Sakurai as 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. Mr. Sakurai is currently serving as Representative Director, President of THE DAIICHI BUILDING CO., LTD. THE DAI-ICHI BUILDING CO., LTD. and the Company Group have transactions related to real estate leases. However, these transactions constitute less than one percent of the net sales of THE DAI-ICHI BUILDING CO., LTD. and the Company's consolidated net sales, and is thus insignificant. Mr. Sakurai previously worked at Dai-ichi Life Holdings, Inc. However, Mr. Sakurai has not been involved in execution of operations at Dai-ichi Life Holdings, Inc. since he retired from office of Director of the said company in June 2021. The Dai-ichi Life Group and the Company Group have transactions related to insurance contracts. However, these transactions constitute less than one percent of consolidated ordinary revenues (equivalent to consolidated net sales) of Dai-ichi Life Holdings, Inc. and the Company's consolidated net sales, and is thus insignificant. In addition, the Company Group has borrowed funds from the Dai-ichi Life Group. However, the amount of such borrowings constitutes less than two percent of consolidated total assets of Dai-ichi Life Holdings, Inc. and the Company, and is thus insignificant.

For the appointment of Outside Directors and Outside Corporate Auditors, the Company appoints several outside officers who have extensive experiences and considerable insight into corporate management and their specialized fields, while paying attention to secure outside officers who are independent, meet the standards for independent officers provided by the Tokyo Stock Exchange and unlikely to have a conflict of interests with general shareholders. The Company strives for realizing the appropriate decision-making and management oversight functions of the Board of Directors. The Company has registered all the Outside Officers as independent officers.

(b) Oversight and audit system by Outside Directors and Outside Corporate Auditors

Outside Corporate Auditors attend the Board of Auditors meetings held on a regular basis and receive reports from other Corporate Auditors on the implementation status and results of audits. In addition, they receive reports from the Accounting Auditor on the status of the execution of duties and reports from the Internal Audit Department on internal audits, as well as exchange opinions with each other to enhance the effectiveness of audits.

The Company strives to enhance the oversight and audit system by providing Outside Directors opportunities to attend the Board of Auditors meetings and securing cooperation with Corporate Auditors.

(3) Status of audit

1) Status of audit by Corporate Auditors

The Board of Auditors is composed of two Corporate Auditors of the Company and three Outside Corporate Auditors.
Mr. Haruhiko Takagi and Mr. Takashi Nishimoto, Standing Corporate Auditors, have experience in finance and accounting and have reasonable-degrees of knowledge about finance and accounting. Mr. Hideaki Amano, Outside Corporate Auditor, is a certified public accountant, and has reasonable-degree of knowledge about finance and accounting.

- Frequency of holding the meetings and attendance of each Corporate Auditor

The Company held 10 Board of Auditors meetings and 13 Board of Directors meetings in the current fiscal year. Attendance of each Auditor is as follows.

Position	Name	Attendance at the Board of Auditors meetings (rate %)	Attendance at the Board of Directors meetings (rate %)
Standing Corporate Auditor	Haruhiko Takagi	10 / 10 (100%)	13 / 13 (100%)
Standing Corporate Auditor	Takashi Nishimoto	10 / 10 (100%)	13 / 13 (100%)
Outside Corporate Auditor	Hideki Amano	10 / 10 (100%)	13 / 13 (100%)
Outside Corporate Auditor	Masatoshi Yano	10 / 10 (100%)	13 / 13 (100%)
Outside Corporate Auditor	Kenji Sakurai	6 / 7 (86%)	10 / 10 (100%)

(Notes) 1. For Mr. Kenji Sakurai, the above table represents his attendance after being appointed at the 161st Ordinary General Meeting of Shareholders held on June 29, 2022.

2. Mr. Tomoyasu Asano, who retired from the position of Outside Corporate Auditor due to resignation at the close of the 161st Ordinary General Meeting of Shareholders held on June 29, 2022, attended three out of the three Board of Auditors meetings and three out of the three Board of Directors meetings held prior to his retirement.

- Status of activities by the Board of Auditors

At the beginning of the fiscal year, the Board of Auditors establishes audit policies and the assignment of duties of each Corporate Auditor and reports mutually on the implementation status and results of audits.
The average time required for the Board of Auditors meetings held during the current fiscal year was 1 to 1.5 hours.
The Board of Auditors received direct reports on the following matters at the Board of Auditors meetings held during the current fiscal year.

Accounting auditor: Audit plans, progress and results of audits, status of deliberations on KAM – Four times during the year
Accounting Department: Reports on the status of quarterly financial results, etc. – Four times during the year
Internal Audit Department: Reports on the status of internal control audits in accordance with J-SOX and the Companies Act, etc. – Two times during the year
Corporate Ethics Committee Secretariat: Reports on the status of corporate ethics activities – Two times during the year

In addition to the above, the Board of Auditors shared information and exchanged opinions through discussions with Representative Directors and Board of Auditors meetings attended by Outside Directors.
The Board of Auditors also held meetings with Standing Corporate Auditors of major subsidiaries to share information and exchange opinions.

- Matters deliberated by the Board of Auditors

In the current fiscal year, the Board of Auditors deliberated and examined matters including: the formulation of audit policies and audit plans, audits of the development and operational status of internal control systems, consent for the accounting auditor's compensation, evaluations of the accounting auditor, audits of business reports, financial statements, etc., the preparation of audit reports, discussions on Key Audit Matters (KAM), and preliminary agreements related to the non-assurance services provided by the auditing firm.

- Activities of the Standing Corporate Auditors

In accordance with audit policies and the assignment of duties established by the Board of Auditors, standing Corporate Auditors made efforts to collect information and establish an adequate audit environment by communicating with Directors, Executive Officers (Senior Vice Presidents), the Internal Audit Department, and other departments. In addition, standing Corporate Auditors attended important meetings including of the Board of Directors, Strategic Conference for Management, Risk Management Committee, Sustainability Committee, and various other committees to receive reports regarding the execution of duties from Directors, Executive Officers (Senior Vice Presidents), and departments in charge, and requested explanations as necessary. Standing Corporate Auditors also inspected important decision-making documents and examined the status of operations and the condition of the Company's assets. With regard to subsidiaries, standing Corporate Auditors concurrently served as Corporate Auditors of major subsidiaries and strived to communicate and exchange information with Directors, Corporate Auditors, etc. of subsidiaries and received business reports from subsidiaries as necessary. As for internal control systems, the standing Corporate Auditors periodically received reports from Directors and Executive Officers (Senior Vice Presidents) regarding the development and operation thereof. Standing Corporate Auditors also held monthly regular report meetings with the Internal Audit Department, requested explanations on the current status, and expressed opinions. Standing 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. Standing Corporate Auditors also discussed Key Audit Matters (KAM) with the accounting auditor and requested explanations as necessary. In addition, Standing Corporate Auditors held quarterly joint meetings with the accounting auditor and the Internal Audit Department to share information and exchange opinions.

2) Status of internal audit

The Internal Audit Department, consisting of 12 members and reporting directly to the president, cooperates with Corporate Auditors to support their duties, pursuant to the internal rules. However, employees assigned at the Internal Audit Department shall not concurrently engage in duties related to business execution, the relocation of the General Manager of the Internal Audit Department shall be consulted between the President and the Board of Auditors in advance, and opinions of the Corporate Auditors shall be respected, and a system shall be established for the General Manager of the Internal Audit Department to directly report to not only the President, but also the Board of Directors, Corporate Auditors, or the Board of Auditors as necessary, thereby their independence and effectiveness are enhanced.

3) Status of financial audit

(a) Name of auditing firm

KPMG AZSA LLC

(b) The length of years the Accounting Auditor has served

45 years

The foregoing refers to the period subsequent to the incorporation of Tatsuo Inoue Audit Corporation as an audit corporation, which is one of the predecessors of KPMG AZSA LLC, the Company's incumbent accounting auditor.

(c) Certified public accountants having executed accounting audit works

Akihiro Otani
Toshiyuki Nishida
Kenji Ueda

(d) Working with to assist the above accountants in conducting audit of the Company

8 certified public accountants, 10 successful applicants who have passed the Certified Public Accountants examination and 11 other people.

(e) Policy and reasons for appointment of accounting auditor

Based on the evaluation and appointment criteria as well as policy for determining dismissal or non-reappointment of the accounting auditor specified by the Board of Auditors of the Company, the Company confirmed that KPMG AZSA LLC has the expertise, independence, and quality management system required for the accounting auditor of the Company as well as the system to perform audits of the Company's global activities in an integrated manner. After comprehensive examination based on its audit track record, the Company decided that KPMG AZSA LLC is adequate and appointed the firm as our accounting auditor.

Pursuant to laws and regulations, if any reasonable event occurs to the accounting auditor, the Board of Auditors shall dismiss the accounting auditor with the unanimous consent of the Corporate Auditors. In addition, 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.

(f) Valuation of accounting auditor by the Board of Auditors

The Board of Auditors of the Company has established the criteria for evaluation and appointment of the accounting auditor, and carries out evaluation of the accounting auditor based on those criteria in each fiscal year. The Board of Auditors conducted evaluation for the current fiscal year upon deliberation, based on reports on the quality management system, etc., from the accounting auditor and opinions of the Accounting Department and Internal Audit Department.

4) Details of audit compensation

(a) Details of compensation to independent auditors

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	71	-	80	-
Consolidated subsidiaries	142	0	138	1
Total	214	0	219	1

(Previous fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures, etc., other than services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(Current fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to certified public accountants consist of Agreed Upon Procedures, etc., other than services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(b) Details of compensation to organizations which belong to same network with the certified public accountants, KPMG Member Firm, other than described in (a)

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for no-audit services
The Company	-	-	-	-
Consolidated subsidiaries	129	45	164	49
Total	129	45	164	49

(Previous fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to organizations which belong to the same network with the certified public accountants of the Company consist of tax-related advisory services, etc.

(Current fiscal year)

The details of non-audit services for which the subsidiaries of the Company paid compensation to organizations which belong to the same network with the certified public accountants of the Company consist of tax-related advisory services, etc.

(c) Other material compensation to independent auditors

(Previous fiscal year)

Not applicable.

(Current fiscal year)
Not applicable.

(d) Policy on determining audit fee
In determining the amount of audit fees, the Company considers matters that include the number of days of audit taking into consideration of the size of the Company, the scope and characteristics of the audit, etc.

(e) Reasons why the Board of Auditors has consented to compensation for the independent auditor
The Board of Auditors gave consent pursuant to Article 399, Paragraph 1 and Paragraph 2 of the Companies Act to the amount of compensation of the accounting auditor, following the verification and examination of factors including evaluation of audit results for the previous fiscal year, as well as the content of the audit plan, the status of duties performed by the accounting auditor, and adequacy of the estimated compensation of the accounting auditor for the current fiscal year.

(4) Compensation of Directors and Corporate Auditors

1. Overview of the officer compensation system and its results for the fiscal year under review

1) Amounts disbursed to the Directors and the Corporate Auditors

Category	Total amount of compensation (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonuses (Monetary compensation)	Stock compensation (Non-monetary compensation)	
Directors (excluding Outside Directors)	407	225	71	110	11
Outside Directors	31	31	-	-	3
Total	439	257	71	110	14
Corporate Auditors (excluding Outside Corporate Auditors)	37	37	-	-	2
Outside Corporate Auditors	34	34	-	-	4
Total	71	71	-	-	6

(Notes) 1. The foregoing includes five Directors and one Corporate Auditor who retired from their office at the close of the 161st Ordinary General Meeting of Shareholders held on June 29, 2022.

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.

3. The target values and actual results of indicators for the performance-linked 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%
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) assessment
Target values	10.0 billion yen	42.8%	4.1%	(8.4)%
Results	11.2 billion yen	42.9%	3.6%	(11.6)%
Performance achievement ratios	112.00%	100.23%	87.80%	138.10%

2) Compensation from the Company and its subsidiaries

Name	Total compensation (Millions of yen)	Classification	Category	Total amount of each type (Millions of yen)		
				Fixed compensation	Performance-linked compensation	
				Basic compensation	Bonuses (Monetary compensation)	Stock compensation (Non-monetary compensation)
Shinji Hattori	209	Director	The Company	72	28	28
		Director	Consolidated subsidiary: SEIKO WATCH CORPORATION	51	15	13
Shuji Takahashi	106	Director	The Company	59	23	23

(Notes) 1. The above table shows the officer whose total consolidated compensation exceeds 100 million yen.

2. Amount of performance-based compensation shown in the above table is the amount of expense recognized and the amount paid for the current fiscal year.

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

The total amount of basic compensation and bonuses for Directors has been set at 420 million yen or less per year by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. At the close of this Ordinary General Meeting of Shareholders, thirteen Directors (including two Outside Directors) are subject to the basic compensation, and six Directors who execute business duties are subject to the bonuses.

The stock compensation was resolved at the 155th Ordinary General Meeting of Shareholders held on June 29, 2016 to be set the upper limit of cash contributed by the Company for each of the three fiscal years covered by the mid-term management plan at 240 million yen and the maximum number of points to be granted to Directors who execute business duties and are eligible for the system at 540,000 points (180,000 points per fiscal year) or less. Six Directors who execute business duties are subject to the stock-type compensation at the close of this Ordinary General Meeting of Shareholders. The Company implemented a share consolidation at a ratio of five common shares to one on October 1, 2017. The upper limit to the number of points after the share consolidation shall be 108,000 points (36,000 points per fiscal year). At the 162nd Ordinary General Meeting of Shareholders held on June 29, 2023, the upper limit of cash to be contributed by the Company was revised to 540 million yen (including 390 million yen for the Company’s Directors who execute business duties), and the maximum number of points to be granted to Directors who execute business duties and Executive Officers (Senior Vice Presidents), who are eligible for the system, was revised to 186,000 points (including 135,000 points for the Company’s Directors who execute business duties). Six Directors who execute business duties are subject to the stock-type compensation at the close of this Ordinary General Meeting of Shareholders.

The amount of basic compensation for Corporate Auditors has been set at 8 million yen or less per month by resolution of the 155th Ordinary General Meeting of Shareholders held on June 29, 2016. Five Corporate Auditors are subject to the basic compensation at the close of this Ordinary General Meeting of Shareholders.

4) Policy for determining the contents of compensation, etc. for Officers

[Determination policy of compensation for Directors and Executive Officers (Senior Vice Presidents)]

At its Board of Directors meeting, the Company resolved the determination policy for the details of compensation, etc. for each individual Director and Executive Officer (Senior Vice President) as described in a) through f) below. The policy was determined by the Board of Directors after being deliberated on by the Corporate Governance Committee where independent outside officers account for the majority of members, as an advisory body for the Board of Directors.

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

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

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

enhance corporate value in the medium to long term.

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

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

Compensation for Directors who execute business duties and Executive Officers (Senior Vice Presidents) consists of "basic compensation," which is a fixed compensation, and "bonuses" (short-term incentive compensation) and "stock compensation" (medium- to long-term compensation), which are performance-linked compensation. Compensation for Directors who do not execute business duties, including Outside Directors, consists of "basic compensation only."

c) Policy for determining amounts of basic compensation (monetary compensation) to individuals (including policy for determining the timing or conditions for granting compensation, etc.)

Basic compensation for Directors and Executive Officers (Senior Vice Presidents) of the Company shall be fixed monthly compensation and shall be determined in accordance with their roles and responsibilities, taking into consideration the level of similar companies, their years of service, and other factors in a comprehensive manner.

d) Policy for determining performance-linked compensation, etc., as well as the content, amounts, and the calculation method of the number of non-monetary compensation, etc. (including policy for determining the timing and conditions for granting compensation, etc.)

Performance-linked compensation, etc. shall consist of "bonuses" as monetary compensation and "stock compensation" as non-monetary compensation, etc.

(Bonuses)

The standard payment amount of bonuses is the amount determined by multiplying the basic compensation by the coefficient set by position. The individual payment amount for Representative Directors is determined by multiplying the standard payment amount by the payment rates according to the performance achievement ratio. The individual payment amount for Directors who execute business duties and Executive Officers (Senior Vice Presidents) other than Representative Directors is a total of the amount calculated by multiplying the standard payment amount by the payment rates according to the performance achievement ratio and the amount calculated by multiplying the standard payment amount by the payment rates based on qualitative evaluation. Bonuses vary from 0% to 200% according to the target achievement level.

(Stock compensation)

For stock compensation, points that the individual payment amount converted into the number of shares are granted in each fiscal year. The individual payment amount is a total of the standard payment amount (fixed portion), calculated by multiplying the basic compensation by the coefficient set by position, and the amount (performance-linked portion), obtained by multiplying the standard payment amount by the payment rate based on financial and non-financial (ESG) assessments. The performance-linked portion of stock compensation varies from 0% to 200% according to the target achievement level. The ratios of the fixed portion and performance-linked portion are 50% each (when the performance achievement ratio is 100%).

The above performance indicators related to performance-linked 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	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Evaluation of individuals	1) Consolidated operating profit 2) Consolidated gross profit margin 3) Consolidated ROIC 4) Evaluation of ESG: CO_2 emissions reduction rate (SCOPE 1 and 2), etc.
Target values	1), 2) Forecast figures published at the beginning of each fiscal year	1) to 3) - For the first year and the final year in the Eighth Mid-Term Management Plan: Published figures - For the second to fourth years in the plan: "Actual results of the previous year" + "Difference of the planned figures between the current year and the previous year (percentage)" 4) CO_2 emissions reduction rate (SCOPE 1 and 2) Annual reduction of 4.2% (compared to FY2020)
	(Exceptional rules) If an unpredictable event (an event that may have a significant impact on consolidated performance or corporate value) occurs during the evaluation period, the target values may be revised within a reasonable range by resolution of the Board of Directors after being consulted by 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 is converted into one share and the Company's shares are delivered.
Clauses for return of compensation	If a Director who executes business duties or an Executive Officer (Senior Vice President) is dismissed from his/her position, or if a Director who executes business duties or an Executive Officer (Senior Vice President) commits an act that may cause serious damages to the Company or any other act of misconduct comparable to such an act during the period up to the time of his/her retirement, all or part of the bonuses to be paid may be reduced by resolution of the Board of Directors.	If a person who is scheduled to receive compensation is dismissed from his/her position, or if a person who is scheduled to receive compensation commits an act that may cause serious damages to the Company and the group companies or any other act of misconduct comparable to such an act during the period up to the time of his/her retirement, all or part of the shares and monetary compensation to be paid may be reduced by resolution of the Board of Directors of the Company and the group companies.

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-linked compensation	
	Basic compensation	Bonuses	Stock compensation
Representative Directors	1.0 (60%)	0.33 (20%)	0.33 (20%)
Directors who execute business duties and Executive Officers (Senior Vice Presidents) other than Representative Directors	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)

For part of the individual payment amount, details are determined by the Representative Director and Chairman and the

Representative Director and President as entrusted by the Board of Directors based on its resolution. The details of such authority shall be the qualitative evaluation of the amount of basic compensation for each Director and Executive Officer (Senior Vice President) and bonuses for each Director who executes business duties and Executive Officer (Senior Vice President).

To ensure that such authority is properly exercised by the Representative Director and Chairman and the Representative Director and President, the Corporate Governance Committee deliberates on the compensation level by position of Directors and Executive Officers (Senior Vice Presidents) each year. The Representative Director and Chairman and the Representative Director and President as entrusted as above shall make decisions based on the content of such deliberations.

In addition, the individual performance-linked compensation, etc. for Directors who execute business duties and Executive Officers (Senior Vice Presidents) (except for the aforementioned entrusted matters) is determined based on the rules as determined by a resolution of the Board of Directors (stipulating the calculation method of performance-linked compensation and non-monetary compensation, etc., in accordance with the policy as described in d) above).

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.

[Determination policy of Corporate Auditors' compensation]

The basic compensation for Corporate Auditors is determined by deliberations of Corporate Auditors within the total amount of compensation for Corporate Auditors approved by the General Meeting of Shareholders.

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

For part of the individual payment amount of the compensation for Directors and Executive Officers (Senior Vice Presidents), the Board of Directors entrusts the Representative Director and Chairman and the Representative Director and President to determine the specific details. The names, positions and responsibilities of the Representative Director and Chairman and the Representative Director and President as of the date of determination of part of such compensation for the current fiscal year are as follows:

Name	Position and responsibility at the Company
Shinji Hattori	Chairman Group CEO, Group CCO (Group Chief Culture Officer)
Shuji Takahashi	President

The authority to be entrusted and the measures to be taken to ensure that such authority is properly exercised are as described in above 4) f).

The reason for entrusting these authorities to the Representative Director and Chairman and the Representative Director and President is because the Company has judged that Representative Directors are the most suitable to evaluate the duties of each Director and Executive Officer (Senior Vice President) while having a bird's-eye view of the Company's overall performance, etc.

6) Reasons for the Board of Directors' determination that the details of individual compensation, etc. of Directors and Executive Officers (Senior Vice Presidents) for the current fiscal year are in line with the relevant policy

In determining the details of individual compensation, etc. of Directors and Executive Officers (Senior Vice Presidents) for the current fiscal year, the Corporate Governance Committee has conducted a multifaceted review, including consistency with the determination policy of the compensation level by position. Accordingly, the Board of Directors basically respects the report of the Corporate Governance Committee and has judged that the compensation is in line with the determination policy.

7) The details of activities of the Board of Directors and the Corporate Governance Committee during the determination process of the amount of compensation, etc., for officers for the current fiscal year

The Corporate Governance Committee deliberated on the appropriateness of the compensation level of Directors and Executive Officers (Senior Vice Presidents) set by position and the amount of performance-based compensation paid for the current fiscal year, and reported them to the Board of Directors.

(5) Status of shares held

Among the Company and its consolidated subsidiaries, the Company has the largest amount of investment shares on its balance sheet. The status of shares held by the Company is as follows:

1) Standards of classification of investment shares

The Company classifies investment shares held solely for the purpose of gaining benefits through changes in the value of shares or dividends on shares as "investment shares held for pure investment purpose," and investment shares that do not fall under such classification as "investment shares held for purposes other than pure investment purpose."

2) Investment shares held for purposes other than pure investment purpose

(a) Policy for holding and method for verifying the rationality of holding as well as the details of verification by the Board of Directors, etc., regarding the adequacy of individual stock holdings

From the perspective of improving the corporate value of the Group in the mid- to long-term, the Company has a policy to reduce shares that are deemed not to have a significance of holding them, taking comprehensively into consideration the Company's management strategy, business relationships with clients, and the benefits and risks, etc., associated with holding in view of its capital cost.

At the Board of Directors meeting every year, the Company verifies the rationality of holding shares other than unlisted shares held by the Company for purposes other than pure investment purpose by closely examining the significance as clients and the benefits and risks, etc., associated with holding the shares.

Most recently, the Company verified shares that fall under the above classification at the Board of Directors meeting held in August 2022. As a result, it was confirmed that the Company should continue to hold relevant shares to reinforce the business relationship, as the issuers of such shares are clients that are essential for maintaining and expanding the Group's businesses going forward.

(b) Number of shares and total of the amounts recorded in the balance sheet

	Number of shares	Total amount recorded in the balance sheet (Millions of yen)
Unlisted shares	8	396
Shares other than unlisted stocks	1	22,572

(Shares of which the number increased during the current fiscal year)

Not applicable.

(Shares of which the number decreased during the current fiscal year)

Not applicable.

(c) Share name, number of shares, amount recorded in the balance sheet of the specified investment securities

Specified investment securities

<table>
<tr><th rowspan="3">Share name</th><th>Current fiscal year</th><th>Previous fiscal year</th><th rowspan="3">Purpose of holding, an overview of business collaborations, etc., quantitative holding effects and reason for the increased number of shares</th><th rowspan="3">Holding of the Company’s shares</th></tr>
<tr><th>Number of shares held by the Company</th><th>Number of shares held by the Company</th></tr>
<tr><th>Amount recorded in the balance sheet (Millions of yen)</th><th>Amount recorded in the balance sheet (Millions of yen)</th></tr>
<tr><td rowspan="2">Seiko Epson Corporation</td><td>12,000,000</td><td>12,000,000</td><td rowspan="2">Purpose of holding and an overview of business collaborations, etc.: Seiko Epson Corporation is a key supplier of wristwatches, the mainstay product of the Group’s Watches Business. It boasts unique and advanced technological capabilities in wristwatch manufacturing that other companies do not possess. As transactions with Seiko Epson Corporation are indispensable for maintaining and expanding our Watches Business, the Company holds their shares to maintain and strengthen a smooth business relationships.
Quantitative holding effects: The Company considers that such holding is reasonable by the verifying method mentioned in above (a).</td><td rowspan="2">Applicable</td></tr>
<tr><td>22,572</td><td>22,092</td></tr>
</table>

3) Shares for investment held solely for investment purpose

Not applicable.

V. Financial Information

1. Basis of preparation of the consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Order of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements" (Order of the Ministry of Finance No. 59 of 1963) (hereinafter the "Regulation on Financial Statements, etc."). As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulation on Financial Statements, etc.

2. Independent audit

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023) were audited by KPMG AZSA LLC, in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.

The Company is making particular efforts to ensure the appropriateness of the consolidated financial statements. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (hereinafter the "Foundation") and participates in seminars and other programs sponsored by the Foundation in order to have an appropriate understanding about the contents of the accounting standards, etc., and establish a system so that the Company might be able to properly respond to the changes in the accounting standards, etc.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(a) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	*2 30,740	*2 36,324
Notes receivable - trade	2,730	3,062
Accounts receivable - trade	35,694	35,187
Contract assets	343	397
Merchandise and finished goods	42,847	49,750
Work in process	16,376	18,117
Raw materials and supplies	13,823	15,908
Accounts receivable - other	4,437	6,577
Other	9,102	9,381
Allowance for doubtful accounts	(1,310)	(1,297)
Total current assets	154,786	173,410
Non-current assets		
Property, plant and equipment		
Buildings and structures	77,046	79,280
Machinery, equipment and vehicles	82,590	86,117
Tools, furniture and fixtures	35,782	39,233
Other	9,909	12,699
Accumulated depreciation	(156,227)	(163,232)
Land	*5 54,056	*5 54,182
Construction in progress	1,942	2,867
Total property, plant and equipment	105,100	111,149
Intangible assets		
Goodwill	6,453	6,901
Other	8,391	8,620
Total intangible assets	14,844	15,522
Investments and other assets		
Investment securities	*1,*6 43,536	*1,*6 45,490
Retirement benefit asset	773	1,820
Deferred tax assets	2,200	1,923
Other	*2 6,397	*2 6,752
Allowance for doubtful accounts	(106)	(153)
Total investments and other assets	52,802	55,833
Total non-current assets	172,747	182,505
Total assets	327,533	355,915

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,027	18,790
Electronically recorded obligations - operating	7,138	6,212
Short-term borrowings	63,709	72,598
Current portion of bonds payable	150	300
Current portion of long-term borrowings	23,719	22,117
Accounts payable – other	11,359	*2 11,344
Income taxes payable	1,546	1,793
Contract liabilities	*2 6,574	*2 7,916
Provision for bonuses	4,174	4,879
Provision for goods warranties	409	488
Provision for loss on lease contracts	348	348
Provision for business restructuring	136	247
Other provisions	245	367
Asset retirement obligations	-	9
Other	13,873	14,743
Total current liabilities	154,413	162,157
Non-current liabilities		
Bonds payable	300	-
Long-term borrowings	28,752	37,525
Lease liabilities	4,096	5,667
Deferred tax liabilities	3,069	4,285
Deferred tax liabilities for land revaluation	*5 3,614	*5 3,614
Provision for stock benefits	232	538
Provision for long-term goods warranties	90	88
Provision for loss on lease contracts	436	87
Provision for retirement benefits for directors (and other officers)	19	4
Other provisions	29	23
Retirement benefit liability	7,617	6,894
Asset retirement obligations	1,070	1,079
Other	2,166	2,199
Total non-current liabilities	51,494	62,009
Total liabilities	205,908	224,166
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	79,075	81,520
Treasury shares	(292)	(248)
Total shareholders' equity	96,028	98,517
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,942	11,464
Deferred gains or losses on hedges	(331)	(9)
Revaluation reserve for land	*5 8,190	*5 8,190
Foreign currency translation adjustment	5,116	10,638
Remeasurements of defined benefit plans	120	992
Total accumulated other comprehensive income	24,038	31,275
Non-controlling interests	1,557	1,956
Total net assets	121,624	131,748
Total liabilities and net assets	327,533	355,915

(b) Consolidated statement of income and consolidated statements of comprehensive income

Consolidated statement of income

(Millions of yen)

	FY2021	FY2022
Net sales	*1 237,382	*1 260,504
Cost of sales	*3 138,203	*3 148,706
Gross profit	99,178	111,798
Selling, general and administrative expenses	*2,*3 90,408	*2,*3 100,564
Operating profit	8,770	11,233
Non-operating income		
Interest income	67	199
Dividend income	774	771
Share of profit of entities accounted for using equity method	898	1,224
Other	1,817	858
Total non-operating income	3,557	3,053
Non-operating expenses		
Interest expenses	896	1,139
Other	1,492	1,980
Total non-operating expenses	2,388	3,119
Ordinary profit	9,939	11,167
Extraordinary income		
Gain on sale of non-current assets	-	*4 228
Subsidy income	133	-
Total extraordinary income	133	228
Extraordinary losses		
Business restructuring expenses	*5 221	*5 968
Loss on sale of investment securities	-	548
Loss on cancellation of agency agreement	-	147
Loss on the spread of infectious disease	*6 974	*6 90
Total extraordinary losses	1,196	1,753
Profit before income taxes	8,876	9,642
Income taxes - current	2,138	2,995
Income taxes - deferred	125	1,350
Total income taxes	2,264	4,346
Profit	6,611	5,295
Profit attributable to non-controlling interests	196	267
Profit attributable to owners of parent	6,415	5,028

Consolidated statement of comprehensive income

(Millions of yen)

	FY2021	FY2022
Profit	6,611	5,295
Other comprehensive income		
Valuation difference on available-for-sale securities	296	403
Deferred gains or losses on hedges	(198)	321
Foreign currency translation adjustment	3,308	4,048
Remeasurements of defined benefit plans, net of tax	680	1,020
Share of other comprehensive income of entities accounted for using equity method	1,171	1,487
Total other comprehensive income	*1 5,258	*1 7,280
Comprehensive income	11,870	12,576
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,597	12,264
Comprehensive income attributable to non-controlling interests	272	311

(c) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(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	75,909	(315)	92,839
Cumulative effects of changes in accounting policies			(1,182)		(1,182)
Restated balance	10,000	7,245	74,727	(315)	91,657
Changes during period					
Dividends of surplus			(2,067)		(2,067)
Profit attributable to owners of parent			6,415		6,415
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Disposal of treasury stock by ownership plan trust				24	24
Other				*3 0	0
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	4,348	23	4,371
Balance at end of period	10,000	7,245	79,075	(292)	96,028

	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	10,431	(133)	8,190	1,055	(687)	18,856	1,387	113,082
Cumulative effects of changes in accounting policies								(1,182)
Restated balance	10,431	(133)	8,190	1,055	(687)	18,856	1,387	111,900
Changes during period								
Dividends of surplus								(2,067)
Profit attributable to owners of parent								6,415
Purchase of treasury shares								(1)
Disposal of treasury shares								0
Disposal of treasury stock by ownership plan trust								24
Other								0
Net changes in items other than shareholders' equity	511	(198)	-	4,061	807	5,182	170	5,352
Total changes during period	511	(198)	-	4,061	807	5,182	170	9,723
Balance at end of period	10,942	(331)	8,190	5,116	120	24,038	1,557	121,624

Fiscal year ended 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				*3 (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

	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

(d) Consolidated statement of cash flows

(Millions of yen)

	FY2021	FY2022
Cash flows from operating activities		
Profit before income taxes	8,876	9,642
Depreciation	10,879	12,359
Increase (decrease) in allowance for doubtful accounts	(167)	(14)
Increase (decrease) in retirement benefit liability	(1,796)	(865)
Interest and dividend income	(842)	(970)
Interest expenses	896	1,139
Foreign exchange losses (gains)	(485)	18
Share of loss (profit) of entities accounted for using equity method	(898)	(1,224)
Loss (gain) on sale of investment securities	-	548
Loss (gain) on sale of non-current assets	-	(228)
Loss on retirement of non-current assets	304	270
Decrease (increase) in trade receivables	1,496	688
Decrease (increase) in inventories	(2,048)	(8,235)
Increase (decrease) in trade payables	176	(3,399)
Other, net	6,060	2,296
Subtotal	22,452	12,025
Interest and dividends received	842	971
Dividends received from entities accounted for using equity method	176	232
Interest paid	(897)	(1,133)
Income taxes paid	(2,215)	(2,834)
Net cash provided by (used in) operating activities	20,358	9,261
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,797)	(12,182)
Proceeds from sale of property, plant and equipment	642	269
Purchase of investment securities	(34)	(0)
Proceeds from sale of investment securities	301	513
Loan advances	(487)	(1,013)
Proceeds from collection of loans receivable	693	733
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (1,428)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 218	-
Other, net	(1,854)	(2,427)
Net cash provided by (used in) investing activities	(9,318)	(15,535)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,267,894	1,408,747
Repayments of short-term borrowings	(1,277,121)	(1,400,675)
Proceeds from long-term borrowings	18,600	32,800
Repayments of long-term borrowings	(19,045)	(25,629)
Repayments of lease liabilities	(1,716)	(1,895)
Dividends paid	(2,067)	(2,583)
Other, net	(453)	(198)
Net cash provided by (used in) financing activities	(13,909)	10,564
Effect of exchange rate change on cash and cash equivalents	1,267	1,180
Net increase (decrease) in cash and cash equivalents	(1,601)	5,470
Cash and cash equivalents at beginning of period	32,340	30,738
Cash and cash equivalents at end of period	*1 30,738	*1 36,209

Notes to consolidated Financial Statements

(Notes - important matters that are the basis for preparation of consolidated financial statements)

1. Matters relating to scope of consolidation

(1) Number of consolidated subsidiaries: 61

The names of consolidated subsidiaries are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

Instruction Co., Ltd., BackStore Co., Ltd., and Prestige Co., Ltd. were included in the scope of consolidation from the first quarter of the fiscal year ended March 31, 2023 due to the acquisition of their shares. Grand Seiko Asia-Pacific Pte. Ltd. was included in the scope of consolidation from the second quarter of the fiscal year ended March 31, 2023 due to the new establishment.

The liquidation proceedings of SEIKO Precision Inc. and Chino Watch Co., Ltd. were completed in the second quarter of the fiscal year ended March 31, 2023, and the liquidation proceedings of City Service Co., Ltd. were completed in the third quarter of the fiscal year ended March 31, 2023.

(2) Names of major unconsolidated subsidiaries and reasons for exclusion from scope of consolidation

(Major unconsolidated subsidiaries)

AOBA WATCH SERVICE Co. Ltd.

(Reasons for exclusion from scope of consolidation)

The company is 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.

2. Matters relating to the application of the equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: －

(2) Number of affiliated companies accounted for by the equity method: 5

The names of major companies are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

(3) 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.

(4) Entities accounted for by the equity method, which have different fiscal year-end dates from the consolidated fiscal year-end date, use financial statements for their respective fiscal years or tentative financial statements prepared based on the latest quarterly financial results.

3. Matters relating to the fiscal years, etc. of consolidated subsidiaries

Among consolidated subsidiaries, the fiscal year-end date of SEIKO Precision (Thailand) Co., Ltd. is the end of February, the fiscal year-end date of Seiko Instruments (Thailand) Ltd. is the end of January, and the fiscal year-end date of SEIKO EG&G CO., LTD. is the end of December. For preparing consolidated financial statements, their financial statements as of these dates were used, and necessary adjustments for consolidation were made for important transactions during the period until the consolidated fiscal year-end date. In addition, the fiscal year-end date of SEIKO Watch (Shanghai) Co., Ltd. and five other subsidiaries is the end of December. For preparing consolidated financial statements, tentatively settled financial statements complying with the regular settlement were used as of the consolidated fiscal year-end date.

4. Matters relating to accounting policies

(1) Accounting policy for measuring significant assets

1) Securities

Available-for-sale securities

Securities other than shares that do not have market prices

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 that do not have market prices

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

2) Derivatives

Market value method

3) 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.)

(2) Depreciation methods for significant depreciable assets

1) Property, plant and equipment (excluding leased 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 overseas, basically the straight-line method is used.
Domestic consolidated companies use economically estimated useful lives, which reflect the estimated useful lives and actual use of each asset.

2) 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.

3) 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.

4) 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.

(3) Accounting standards for significant allowances and provisions

1) 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.

2) 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.

3) 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.

4) Provision for goods warranties

To provide for warranties of the goods sold at some of the consolidated subsidiaries overseas, respective estimated amount based on the past experience is posted.

5) 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.

6) 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.

7) Provision for stock benefits

This is provided for based on the estimated amount of share delivery obligations at the end of the current fiscal year in preparation for the future delivery of the Company's shares to Directors who execute business duties, etc. at the parent company and its domestic consolidated subsidiaries pursuant to the Rules for Delivery of Shares to Officers.

8) 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.

(4) Accounting for employees' retirement benefits

1) Method to attribute the estimated retirement benefits to the periods

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.

2) Method of amortization of actuarial gains and losses and prior service costs

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.

(5) Accounting standards for significant income and expenses

1) Emotional Value Solutions Business

The Group manufactures, sells, and provides repair services for its own products as the wholesale of watches, and provides retail services, etc., 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 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 Group acts as an agent, revenue is recognized at a net amount. For transactions in which the Group acts as the principal, revenue is recognized at a gross amount.

The 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.

2) Devices Solutions Business

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

The 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 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.

3) Systems Solutions Business

The Group develops and sells products for businesses related to system, IoT, and payment, 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 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 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.

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

Foreign currency receivables/payables are translated into Japanese 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 overseas are translated into Japanese 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."

(7) Significant hedge accounting methods

1) Hedge accounting method

Deferred hedge accounting is adopted. However, regarding domestic consolidated companies, basically deferral hedge accounting is adopted 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, exceptional accounting is adopted.

2) 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.

3) 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.

4) 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.

(8) Method and period of amortization of goodwill

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

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

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

Group tax sharing system is applied.

(Significant accounting estimates)

1. Valuation of inventories

(1) Amount recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Emotional Value Solutions Business	52,272	57,585
Devices Solutions Business	16,254	20,208
Systems Solutions Business	4,860	6,474
Adjustments	(339)	(492)
Consolidated Total	73,048	83,776

The Company has changed the classification of its reported segments from the current fiscal year. Accordingly, the amounts recorded in the consolidated financial statements for the previous fiscal year have been prepared based on the classification after the change.

(2) Information on the details of significant accounting estimates for identified items

At the Group, inventories are evaluated by writing down the book values in response to decreased profitability.

At each operating subsidiary, decreased profitability is reflected for products, etc. that have been removed from the operating cycle process beyond a certain holding period and holding volume, by using a regular write-down method of book values determined mainly based on past sales and disposal performance.

However, products, etc., which exceed a certain holding period and holding volume but are judged to be in the operating cycle process in light of recent sales performance and future sales forecasts, are excluded from the regular write-down of book values, in whole or in part.

The Emotional Value Solutions Business deals with products directly related to personal consumption. Therefore, its business results and profitability of products are strongly affected by domestic and overseas economic trends, especially personal consumption. In addition, business results and profitability of products of the Devices Solutions Business are affected by demand trends of electronic devices, etc., in Japan and overseas. Economic trends and personal consumption may fluctuate significantly due to factors beyond the Group's control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining a regular write-down method of book values, in order to reflect the fact that profitability has decreased. In addition, significant judgments are made as to whether or not products, etc. excluded from the regular write-down of book values are in the operating cycle process.

Estimates involving such judgments and assumptions may be affected by future trends in personal consumption, etc., and may have a significant impact on amounts of inventories in the consolidated financial statements for the following fiscal year.

2. Valuation of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Deferred tax assets	2,200	1,923

(2) Information on the details of significant accounting estimates for identified items

Deferred tax assets are recognized by reasonably estimating the timing and amounts of future taxable income based on business plans, etc., and by judging collectability. Such estimates may be affected by changes in uncertain economic conditions in the future. If the timing and amounts of taxable income actually generated differ from the estimates, it may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

(Changes in significant accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan (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 for the fiscal year under review.

(Notes - New accounting standards not yet applied)

For the Company and the domestic consolidated subsidiaries

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, the Accounting Standards Board of Japan)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, the Accounting Standards Board of Japan)

"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, the Accounting Standards Board of Japan)

1. Overview

The guidance provides the treatment regarding the classification of income taxes, etc. when taxes are imposed on other comprehensive income, as well as treatment regarding tax effects related to the sale of shares of subsidiaries and affiliates when the corporate group tax system is applied.

2. Scheduled effective date

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2025.

3. Impact from applying new accounting standard, etc.

The impact of the application of the "Accounting Standard for Current Income Taxes" on the consolidated financial statements is currently being assessed.

(Changes in presentation)

(Consolidated statement of income)

"Foreign exchange gains" presented separately under "Non-operating income" in the previous fiscal year have been included in "Others" under "Non-operating income" in the current fiscal year, due to the decreased materiality. To reflect this change in the presentation method, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 699 million yen presented in "Foreign exchange gains" under "Non-operating expenses" in the consolidated statement of income for the previous fiscal year has been reclassified into "Others."

(Supplementary information)

(Board Benefit Trust (BBT) for executive directors and senior vice presidents)

The Company has introduced a performance-linked stock compensation plan, "Board Benefit Trust (BBT)" (hereinafter, "the Plan"), for the Company's Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors), Senior Vice Presidents, and Directors who execute business duties of certain subsidiaries and who meet certain requirements (hereinafter, the "Directors, etc."), for the purpose of raising awareness of the need to contribute to improvement of the Company's mid- to long-term performance and enhancement of corporate value.

1. Outline of transactions

The Plan is a structure to deliver the Company's shares to the Directors, etc., who meet certain requirements pursuant to the "Rules for Delivery of Shares to Officers" prescribed by the Company and certain subsidiaries.

The Company and certain subsidiaries grant points to the Directors, etc., according to their position and the degree of achievement of the mid- to long-term performance index, etc. in the relevant fiscal year, and deliver the Company's shares to them according to the determined points at the time of retirement of the Directors who execute business duties and Senior Vice Presidents. 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 the Company's shares for a certain percentage of his or her points, instead of delivering such shares. The shares to be delivered to the Directors, etc. shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

2. Shares of the Company remaining in trust

The Company's shares remaining in trust are posted as treasury shares in the "Net assets" section based on the book value in the trust (excluding the amount of incidental costs). The book value and number of shares of such treasury shares as of March 31, 2022 and 2023 are 124 million yen and 78,800 shares and 79 million yen and 50,400 shares, respectively.

(Notes - Consolidated balance sheet)

*1. Investments in unconsolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Investment securities (stocks)	20,176	21,613

*2. Pledged assets and secured liabilities

Pledged assets (Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Cash and deposits	31	34
Deposits (Investments and other assets)	383	380
Total	414	414

Secured liabilities (Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Accounts payable - other	-	1
Gift certificates (Contract liabilities)	320	303
Total	320	305

3. Guarantee obligations

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Employees (housing fund)	1	1

4. Discounted trade notes receivable (Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Amount of discount on trade notes receivable	944	1,050

*5. 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”.

(1) Method of revaluation

Land for business use was evaluated based on the roadside 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 roadside land price was evaluated based on the assessed value of fixed assets as set forth in item 3 thereof, with reasonable adjustment.

(2) Date of revaluation: March 31, 2001.

*6. Investment securities provided for lending shares are as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Investment securities	406	456

7. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital. The status of the commitments as of the end of the current fiscal year is as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Total availability of loan commitment	33,500	28,500
Outstanding balance	12,900	13,800
Unused balance	20,600	14,700

(Notes - Consolidated statement of income)

*1. Revenue arising from contracts with customers

With respect to net sales, the Company does not disaggregate revenue arising from contracts with customers and other revenues. The amount of revenue arising from contracts with customers is presented in “Notes to consolidated Financial Statements (Revenue recognition), 1. Information regarding disaggregated revenue arising from contracts with customers.”

*2. Major components of selling, general and administrative expenses

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Advertising and promotion expenses	15,985	18,348
Provision of allowance for doubtful accounts	50	(3)
Salaries and wages	32,970	36,890
Provision for bonuses	2,365	2,820
Retirement benefit expenses	1,294	1,149

*3. Research and development expenses included in general and administrative expenses and manufacturing cost

(Millions of yen)

Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
4,106	3,980

*4. Gain on sales of non-current assets

Gain on sales of non-current assets in the current fiscal year is posted from the gain on sale of machinery associated with the withdrawal of some of the production processes in the Devices Solutions Business.

*5. Business restructuring expenses

Detail of business restructuring expenses posted in the previous fiscal year is as follows.

Expenses related to the transfer of headquarters functions of overseas subsidiaries	163 million yen
Valuation loss on the withdrawal of some of the production process of the Devices Solutions Business	58 million yen

Detail of business restructuring expenses posted in the current fiscal year is as follows.

Valuation loss on the withdrawal of some of the production process of the Devices Solutions Business	213 million yen
Special retirement benefits on the withdrawal of some of the production process of the Devices Solutions Business	62 million yen
Expenses on the withdrawal of some of the production process of the Devices Solutions Business	474 million yen
Retirement benefits, etc. in line with business restructuring expenses for overseas subsidiaries	210 million yen
Loss on retirement of non-current assets in line with business restructuring expenses for overseas subsidiaries	7 million yen

*6. Loss on the spread of infectious disease

The loss on the spread of infectious disease posted in the previous and current fiscal year mainly consist of fixed costs while suspension of operations and business activities.

(Notes - Consolidated statement of comprehensive income)

*1. Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Amount arising during the period	520	686
Reclassification adjustments	(152)	(94)
Before tax-effect adjustment	368	591
Amount of tax effects	(72)	(188)
Valuation difference on available-for-sale securities	296	403
Deferred gains or losses on hedges		
Amount arising during the period	61	1,171
Reclassification adjustments	(314)	(727)
Before tax-effect adjustment	(253)	444
Amount of tax effects	54	(122)
Deferred gains or losses on hedges	(198)	321
Foreign currency translation adjustment		
Amount arising during the period	3,308	4,048
Reclassification adjustments	—	—
Before tax-effect adjustment	3,308	4,048
Amount of tax effects	—	—
Foreign currency translation adjustment	3,308	4,048
Remeasurements of defined benefit plans		
Amount arising during the period	628	984
Reclassification adjustments	222	(42)
Before tax-effect adjustment	850	942
Amount of tax effects	(170)	77
Remeasurements of defined benefit plans	680	1,020
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	1,171	1,487
Reclassification adjustments	—	—
Before tax-effect adjustment	1,171	1,487
Amount of tax effects	—	—
Share of other comprehensive income of entities accounted for using equity method	1,171	1,487
Total other comprehensive income	5,258	7,280

(Notes - Consolidated statement of changes in equity)

Previous fiscal year (from April 1, 2021 to March 31, 2022)

1. Issued shares and treasury shares (Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares				
Common share (Note)	175	0	15	160
Total	175	0	15	160

(Note) The number of common shares held as treasury shares at the end of the consolidated fiscal year under review includes 94 thousand shares at the beginning of the current fiscal year and 78 thousand shares at the end of the current fiscal year of the Company held in the Board Benefit Trust (BBT).

The increase in common shares held as treasury shares is from purchase of shares less than one unit.

The decrease of 15 thousand shares of common stock held as treasury shares was due to a decrease from a sale of the Company’s shares held in the Board Benefit Trust (BBT), as well as a decrease requests for sale of shares less than one unit.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common share	1,033	25.00	March 31, 2021	June 30, 2021
Board of Directors meeting on November 9, 2021	Common share	1,033	25.00	September 30, 2021	December 6, 2021

(Note 1) The total amount of dividend approved by a resolution of the Ordinary General Meeting of Shareholders on June 29, 2021 includes a dividend of 2 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 9, 2021 includes a dividend of 1 million yen payable for the Company shares held in the Board Benefit Trust (BBT).

(2) 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 (Millions of yen)	Source for dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2022	Common share	1,033	Retained earnings	25.00	March 31, 2022	June 30, 2022

(Note) 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).

*3. “Other” of 0 million yen under treasury shares was the amount of changes due to a change in the ownership ratio of entities accounted for by the equity method.

Current fiscal year (from April 1, 2022 to March 31, 2023)

1. Issued shares and treasury shares

(Thousands of shares)

	At the beginning of period	Increase	Decrease	At the end of period
Issued shares:				
Common share	41,404	-	-	41,404
Total	41,404	-	-	41,404
Treasury shares:				
Common share (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 78 thousand shares at the beginning of the current fiscal year and 50 thousand shares at the end of the current fiscal year of the Company held in the Board Benefit Trust (BBT).

The increase in common shares held as treasury shares is from purchase of shares less than one unit and due to a change in the ownership ratio of entities accounted for by the equity method.

The decrease of 28 thousand shares of common stock held as treasury shares was due to a decrease from a sale of the Company's shares held in the Board Benefit Trust (BBT).

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Millions of 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).

(2) 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 (Millions of 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 approved 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).

*3. "Other" of -0 million yen under treasury shares was the amount of changes due to a change in the ownership ratio of entities accounted for by the equity method.

(Notes - Consolidated statement of cash flows)

*1. Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Cash and deposits	30,740	36,324
Time deposits with maturities of more than three months	(1)	(115)
Cash and cash equivalents at the end of period	30,738	36,209

*2. Major components of assets and liabilities of consolidated subsidiary acquired by purchase.

Previous fiscal year (from April 1, 2021 to March 31, 2022)

The relation between major components of assets, liabilities and acquisition price of consolidated subsidiary acquired by purchase of shares and "Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation" is as follows:

	(Millions of yen)
Current assets	984
Non-current assets	20
Goodwill	79
Current liabilities	(143)
Non-current liabilities	(340)
Acquisition price of shares	600
Cash and cash equivalents of the new consolidated subsidiary	(818)
Balance: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	218

Current fiscal year (from April 1, 2022 to March 31, 2023)

The relation between major components of assets, liabilities and acquisition price of consolidated subsidiary acquired by purchase of shares and "Purchase of shares of subsidiaries resulting in change in scope of consolidation" is as follows:

	(Millions of yen)
Current assets	967
Non-current assets	147
Goodwill	1,646
Current liabilities	(618)
Non-current liabilities	(63)
Acquisition price of shares	2,080
Cash and cash equivalents of the new consolidated subsidiary	(651)
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	1,428

*3. Significant non-monetary transactions for the current fiscal year were 3,124 million yen related to the acquisition of right-of-use assets in the form of leases.

(Leases)

1. Finance lease transactions

Finance lease transactions without ownership transfer

1) Details of leased assets

Property, plant and equipment

Mainly production facilities ("machinery, equipment and vehicles") and others ("tools, furniture and fixtures.")

Intangible assets

Mainly software.

2) Depreciation method of leased assets

The straight-line method is used with a useful life of the lease period and with a residual value of zero.

2. Right-of-use assets

1) Details of right-of-use assets

Fixed assets

Mainly retail stores, offices and production facilities ("buildings and structures"), vehicles ("machinery, equipment and vehicles") and others ("tools, furniture and fixtures.")

2) Depreciation method of right-of-use assets

The straight-line method is used with a useful life of the lease period and with a residual value of zero.

3. Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Due within one year	3,024	2,981
Due after one year	4,432	2,782
Total	7,457	5,763

(Financial instruments)

1. Overview of financial instruments

(1) Policy to manage financial instruments

The Group raises funds (mainly borrowings from banks) necessary in light of respective business plans of operating companies. Temporary surplus funds are invested in more safe financial assets. The Group uses derivative instruments to hedge following risks, and does not enter into any speculative transactions.

(2) Description of financial instruments and related risks

Notes and accounts receivables - trade (which are operating receivables) are exposed to customers' credit risks. 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 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.

Refer to (7) Significant hedge accounting methods of 4. Matters relating to accounting policies for more information.

(3) Risk management structure regarding financial instruments

1) Management of credit risk

The relevant accounting department or each business division of the Company and its consolidated subsidiaries manage due dates and balances of operating receivables, etc., by business partner and grasp the credit status of major business partners in accordance with internal rules of each company.

Derivative transactions are only conducted with high credit rating financial institutions.

The maximum value of credit risks as of the consolidated fiscal year-end date for the current fiscal year is shown as balance sheet values of financial assets subject to credit risks.

2) Management of market risk (fluctuation risk of exchange and interest rates)

Certain consolidated subsidiaries hedge some of the fluctuation risks of foreign exchange rates for operating receivables and debt denominated in foreign currencies, which are identified by currency and month, through the use of forward exchange contracts.

In addition, the Company uses interest rate swaps to control fluctuation risks of interest rates on borrowings.

With regard to investment securities, the market price and financial position of each issuing entity are regularly identified, and the holding status is continuously reviewed.

The relevant accounting section of each company manages derivative transactions in accordance with its internal rules.

3) Management of liquidity risk related to financing

Accounting sections of the Company and its consolidated subsidiaries prepare and update funding plans in a timely manner based on reports submitted by each section to manage liquidity risks.

(4) Supplemental explanation on the market value of financial instruments

The market value of financial instruments includes the value based on their market prices or the value reasonably calculated if market prices are not available. Since the calculation of such value reflects variable factors, it is subject to change depending on different assumptions used.

2. Market value of financial instruments

Amounts posted on the consolidated balance sheet, market values, and the corresponding differences between the two are as follows.

Previous fiscal year (as of March 31, 2022) (Millions of yen)

	Balance sheet amount	Market value	Difference
(1) Investment securities			
1) Shares of subsidiaries and associates	16,884	13,369	(3,514)
2) Available-for-sale securities	22,826	22,826	—
Total assets	39,710	36,195	(3,514)
(2) Current portion of bonds payable	150	149	(0)
(3) Current portion of long-term borrowings	23,719	23,732	12
(4) Bonds payable	300	299	(0)
(5) Long-term borrowings	28,752	28,754	2
Total liabilities	52,922	52,935	13
Derivative transactions (*3)	(631)	(631)	—

(*1) Notes to cash are not provided. In addition, due to having market values that approximate their book values, as a result of settlement within a short time frame, the following items are also not provided: 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.

(*2) Shares that do not have market prices are not included in (1) Investment securities. The amount of said financial instruments recorded in the consolidated balance sheet is as follows:

Classification	Previous fiscal year (as of March 31, 2022)
Unlisted shares of subsidiaries and affiliates	3,292
Unlisted shares	142
Investment Limited Partnership	391

(*3) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts. In case total liabilities exceed total assets, the amount is presented in parentheses.

Current fiscal year (as of March 31, 2023) (Millions of yen)

	Balance sheet amount	Market value	Difference
(1) Investment securities			
1) Shares of subsidiaries and associates	18,966	12,434	(6,531)
2) Available-for-sale securities	23,396	23,396	—
Total assets	42,362	35,831	(6,531)
(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)
Total liabilities	59,942	59,939	(2)
Derivative transactions (*3)	(83)	(83)	—

(*1) Notes to cash are not provided. In addition, due to having market values that approximate their book values, as a result of settlement within a short time frame, the following items are also not provided: 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.

(*2) Shares that do not have market prices are not included in (1) Investment securities. The amount of said financial instruments recorded in the consolidated balance sheet is as follows:

Classification	Previous fiscal year (as of March 31, 2023)
Unlisted shares of subsidiaries and affiliates	2,646
Unlisted shares	142
Investment Limited Partnership	338

(*3) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts. In case total liabilities exceed total assets, the amount is presented in parentheses.

(Note 1) Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

Previous fiscal year (as of March 31, 2022) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	30,740	-	-	-
Notes receivable - trade	2,730	-	-	-
Accounts receivable - trade	35,685	8	-	-
Accounts receivable - other	4,437	-	-	-
Total	73,593	8	-	-

Current fiscal year (as of March 31, 2023) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	36,324	-	-	-
Notes receivable - trade	3,062	-	-	-
Accounts receivable - trade	35,187	-	-	-
Accounts receivable - other	6,577	-	-	-
Total	81,152	-	-	-

(Note 2) Redemption schedule after the balance sheet date for borrowings and other interest-bearing debts

Previous fiscal year (as of March 31, 2022) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	63,709	-	-	-	-	-
Current portion of bonds payable and Bonds payable	150	300	-	-	-	-
Current portion of long-term borrowings and Long-term borrowings	23,719	12,898	6,941	1,512	7,400	-
Total	87,579	13,198	6,941	1,512	7,400	-

Current fiscal year (as of March 31, 2023) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	72,598	-	-	-	-	-
Current portion of bonds payable and Bonds payable	300	-	-	-	-	-
Current portion of long-term borrowings and Long-term borrowings	22,117	16,359	9,660	9,765	1,740	-
Total	95,015	16,359	9,660	9,765	1,740	-

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 observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the market value measurement

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

Level 3 market value: Market value calculated using unobservable inputs

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

(1) Financial instruments recorded in the consolidated balance sheet at market value

Previous fiscal year (as of March 31, 2022) (Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	22,826	-	-	22,826
Derivative transactions				
Currency-related	-	27	-	27
Total assets	22,826	27	-	22,853
Derivative transactions				
Currency-related	-	(572)	-	(572)
Interest-related	-	(86)	-	(86)
Total liabilities	-	(658)	-	(658)

Current fiscal year (as of March 31, 2023) (Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	23,396	-	-	23,396
Derivative transactions				
Currency-related	-	109	-	109
Total assets	23,396	109	-	23,505
Derivative transactions				
Currency-related	-	(182)	-	(182)
Interest-related	-	(9)	-	(9)
Total liabilities	-	(192)	-	(192)

(2) Financial instruments other than those recorded in the consolidated balance sheet at market value

Previous fiscal year (as of March 31, 2022) (Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities Shares of subsidiaries and affiliates Stocks	13,369	-	-	13,369
Total assets	13,369	-	-	13,369
Current portion of bonds payable	-	149	-	149
Current portion of long-term borrowings	-	23,732	-	23,732
Bonds payable	-	299	-	299
Long-term borrowings	-	28,754	-	28,754
Total liabilities	-	52,935	-	52,935

Current fiscal year (as of March 31, 2023) (Millions of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities Shares of subsidiaries and affiliates Stocks	12,434	-	-	12,434
Total assets	12,434	-	-	12,434
Current portion of bonds payable	-	300	-	300
Current portion of long-term borrowings	-	22,115	-	22,115
Long-term borrowings	-	37,523	-	37,523
Total liabilities	-	59,939	-	59,939

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

Assets

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.

Liabilities

Current portion of bonds payable

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.

Current portion of long-term borrowings and Long-term borrowings

The market value of long-term borrowings is calculated by taking into account the remaining term of the bonds liabilities 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 liabilities 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.

Derivative transactions

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 for 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.

(Securities)

1. Available-for-sale securities

Previous fiscal year (as of March 31, 2022) (Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	22,793	7,614	15,179
	Subtotal	22,793	7,614	15,179
Securities whose B/S amount do not exceed their acquisition price	Shares	32	37	(5)
	Subtotal	32	37	(5)
Total		22,826	7,652	15,174

Current fiscal year (as of March 31, 2023) (Millions of yen)

	Type	Balance sheet amount	Acquisition price	Difference
Securities whose B/S amount exceeds their acquisition price	Stocks	23,374	7,615	15,759
	Subtotal	23,374	7,615	15,759
Securities whose B/S amount do not exceed their acquisition price	Shares	21	22	(0)
	Subtotal	21	22	(0)
Total		23,396	7,637	15,758

2. Available-for-sale securities sold

Previous fiscal year (as of March 31, 2022)

This information is not provided due to its low materiality.

Current fiscal year (as of March 31, 2023)

This information is not provided due to its low materiality.

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

Previous fiscal year (as of March 31, 2022) (Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	2,541	-	(150)	(150)
	EUR	661	-	(32)	(32)
	Buy:				
	USD	170	-	2	2
	EUR	52	-	(0)	(0)
Total		3,425	-	(179)	(179)

Current fiscal year (as of March 31, 2023) (Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Market value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	1,465	-	(50)	(50)
	EUR	1,001	-	(20)	(20)
	Buy:				
	USD	442	-	6	6
	EUR	154	-	(2)	(2)
Total		3,064	-	(66)	(66)

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

Previous fiscal year (as of March 31, 2022) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		7,764	-	(291)
	EUR		1,838	-	(64)
	GBP		155	-	(4)
	AUD		426	-	(28)
	Buy:	Accounts payable - trade			
	USD		131	-	23
Deferral hedge accounting of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		340		(20)
	EUR		86	-	(2)
	GBP		13	-	(0)
	AUD		46	-	(3)
	Buy:	Accounts payable - trade			
	USD		270	-	20
Total			11,073	-	(370)

Current fiscal year (as of March 31, 2023) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		6,334	-	155
	EUR		3,481	-	(61)
	GBP		404	-	(5)
	AUD		350	-	18
	Buy:	Accounts payable - trade			
	USD		1,400	-	(95)
Deferral hedge accounting of forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable - trade			
	USD		752	-	(0)
	EUR		361	-	(9)
	GBP		34	-	(0)
	AUD		30	-	1
	Buy:	Accounts payable - trade			
	USD		1,558	-	(16)
Total			14,707	-	(14)

(2) Interest-related transactions

Previous fiscal year (as of March 31, 2022) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Swaps: Pay fixed/receive floating	Short-term borrowings	13,000	5,000	(86)
Special treatment	Swaps: Pay fixed/receive floating	Long-term borrowings	1,170	530	Note

Note: Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings that represent hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

Current fiscal year (as of March 31, 2023) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Market value
Principle method	Swaps: Pay fixed/receive floating	Short-term borrowings	5,000	-	(9)
Special treatment	Swaps: Pay fixed/receive floating	Long-term borrowings	530	150	Note

Note: Interest-rate swaps for which exceptional accounting is adopted are treated together with long-term borrowings that represent hedged items. Therefore, their market values are included in the market value of the long-term borrowings.

(Retirement benefits)

1. Outline of adopted retirement benefit plans

Certain domestic consolidated subsidiaries have a retirement lump-sum plan (non-installment type) and a defined benefit pension plan (installment type) to pay retirement benefits to employees.

Under the retirement lump-sum plan, a lump-sum payment based on salaries and service periods is paid as retirement benefits.

In addition, redundancy payments that are not subject to retirement benefit liability calculated based on an actuarial method in accordance with retirement benefit accounting may be paid in some cases when employees retire.

Certain overseas consolidated subsidiaries have a defined benefit pension plan (installment type) or a retirement lump-sum plan (non-installment type) to prepare for paying retirement benefits to employees. The parent company and certain consolidated subsidiaries have a defined contribution pension plan. Under a retirement lump-sum plan held by certain domestic consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using the simplified method.

2. Defined-benefit plan

(1) Adjustments between the beginning and ending balances of retirement benefits obligation (except for plans using a simplified method)

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Retirement benefits obligation at the beginning of the period	15,007	13,874
Service cost	73	93
Interest cost	220	270
Actuarial gains and losses generated	(445)	(3,038)
Retirement benefits paid	(1,558)	(989)
Effect of foreign currency translation	579	331
Other	(0)	6
Retirement benefits obligation at the end of the period	13,874	10,549

(2) Adjustments between the beginning and ending balances of plan assets (except for plans using a simplified method)

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Plan assets at the beginning of the period	9,607	10,178
Expected return on plan assets	184	251
Actuarial gains and losses generated	207	(2,037)
Contribution from employers	105	134
Retirement benefits paid	(503)	(336)
Effect of foreign currency translation	580	284
Other	(3)	(19)
Plan assets at the end of the period	10,178	8,454

(3) Adjustments between the beginning and ending balances of net defined benefit liability for plans using a simplified method

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Net defined benefit liability at the beginning of the period	3,611	3,147
Retirement benefit expenses	186	105
Retirement benefits paid	(600)	(279)
Contribution to plans	(50)	(51)
Increase due to newly consolidated subsidiary	1	57
Net defined benefit liability at the end of the period	3,147	2,979

(4) Adjustments between the ending balances of retirement benefits obligation and plan assets and the net defined benefit liability and net defined benefit assets reported on the consolidated balance sheet

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Retirement benefits obligation for funded plans	10,308	7,608
Plan assets	(11,081)	(9,396)
	(773)	(1,787)
Retirement benefits obligation for unfunded plans	7,617	6,861
Net defined liability and assets reported on the consolidated balance sheet	6,843	5,074
Net defined benefit liability	7,617	6,894
Net defined benefit assets	(773)	(1,820)
Net defined liability and assets reported on the consolidated balance sheet	6,843	5,074

(Note) The above items include a plan using the simplified method.

(5) The amounts of components of retirement benefit expenses

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Service cost	73	93
Interest cost	220	270
Expected return on plan assets	(184)	(251)
Amortization of actuarial gains and losses	193	(60)
Retirement benefit expenses calculated using the simplified method	186	105
Non-recurring redundancy payments	183	180
Other	2	2
Total	674	340

(6) Remeasurements of defined benefit plans reported under “Other comprehensive income”

Remeasurements of defined benefit plans (reported under “Other comprehensive income” in the statements of comprehensive income) (before tax effects) are as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Actuarial gains and losses	850	942
Total	850	942

(7) Remeasurements of defined benefit plans reported under "Accumulated other comprehensive income"

Remeasurements of defined benefit plans (reported under "Accumulated other comprehensive income" in the net assets section in the consolidated balance sheets) (before tax effects) are as follows:

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Unrecognized actuarial gains and losses	514	1,456
Total	514	1,456

(Note) The above items are related to consolidated companies and do not include unrecognized items (share of other comprehensive income) of affiliates accounted for by the equity method.

(8) Plan assets

Major components of plan assets

Ratio of each major component of plan assets is as follows:

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Bonds	37%	22%
Stocks	33%	26%
Cash and deposits	1%	1%
Alternative	29%	51%
Total	100%	100%

(Note) "Alternative" mainly represents investments in funds.

(9) Actuarial assumptions used

Principal actuarial assumptions

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Discount rate	0.4 - 7.1%	0.4 - 7.5%

3. Defined contribution plans

The required amounts of contribution to the Group's defined contribution plans were 1,460 million yen for the previous fiscal year (ended March 31, 2022) and 1,705 million yen for the current fiscal year (ended March 31, 2023).

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Deferred tax assets:		
Write-down of inventory	1,407	1,525
Allowance for doubtful accounts	369	418
Provision for bonuses	1,198	1,355
Net defined benefit liability	2,272	2,038
Loss on valuation of securities	839	169
Impairment loss	3,289	3,333
Unrealized gains on inventories	497	664
Mark-to-market gains from participation in consolidated taxation system	14	-
Net operating losses carried forward (Note 3)	7,093	7,644
Other	5,352	4,977
Subtotal deferred tax assets	22,336	22,128
Valuation allowance for net operating loss carry forwards (Note 3)	(5,211)	(6,504)
Valuation allowance for the sum of deductible temporary differences, etc.	(6,361)	(5,932)
Subtotal valuation allowance (Note 2)	(11,572)	(12,436)
Total deferred tax assets	10,763	9,691
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	4,680	4,820
Valuation difference of consolidated subsidiaries by the market value method	3,611	3,615
Retained earnings of overseas subsidiaries	1,239	1,474
Other	2,100	2,142
Total deferred tax liabilities	11,631	12,053
Net deferred tax assets (liabilities) (Note 1)	(868)	(2,362)

(Note) 1. Net deferred tax assets (liabilities) as of March 31, 2022 and 2023 are included in the following accounts in the consolidated balance sheet:

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Deferred tax assets - non-current assets	2,200	1,923
Deferred tax liabilities - non-current liabilities	3,069	4,285

Previous fiscal year (as of March 31, 2022)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

Current fiscal year (as of March 31, 2023)

In addition to the above, the Company recognizes 3,614 million yen of deferred tax liabilities in relation to revaluation reserve for land.

(Note) 2. Valuation allowance increased by 863 million yen, due mainly to an increase in valuation allowance for net operating loss carry forwards.

(Note) 3. Amounts of tax losses carried forward and deferred tax assets by carry-forward period

Previous fiscal year (Ended March 31, 2022) (Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	460	141	522	1,509	624	3,833	7,093
Valuation allowance	(442)	(129)	(505)	(697)	(458)	(2,976)	(5,211)
Deferred tax assets	18	11	16	811	166	857	(b)1,882

(a) The tax losses carried forward represents the amounts after being multiplied by the statutory tax rate.

(b) For tax losses carried forward of 7,093 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 1,882 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

Current fiscal year (Ended March 31, 2023) (Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax losses carried forward (a)	363	450	1,198	942	443	4,246	7,644
Valuation allowance	(315)	(443)	(654)	(656)	(387)	(4,047)	(6,504)
Deferred tax assets	47	7	544	285	56	198	(b)1,139

(a) The tax losses carried forward represents the amounts after being multiplied by the statutory tax rate.

(b) For tax losses carried forward of 7,644 million yen (the amount after being multiplied by the statutory tax rate), deferred tax assets of 1,139 million yen were recognized. Valuation allowance has not been recognized for the portion of the said tax losses carried forward that is deemed to be recoverable, due to factors such as taxable income expected to be generated in the future.

2. The reconciliation of significant differences between the statutory tax rate and effective income tax rate after application of tax-effect accounting

Previous fiscal year (as of March 31, 2022)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	(2.81) %
Non-deductible amount (Entertainment expenses, etc.)	0.58 %
Amortization of goodwill	3.31 %
Different tax rates applied to foreign consolidated subsidiaries	(6.41) %
Share of profit of entities accounted for using equity method	(2.81) %
Unrealized gains on inventories	0.30 %
Per capita residence tax	0.98 %
Aggregation of income of specified foreign subsidiary companies, etc.	1.22 %
Other	0.53 %
Actual effective income tax rate after application of tax-effect accounting	25.51 %

Current fiscal year (as of March 31, 2023)

Statutory tax rate	30.62 %
Reconciliations:	
Valuation allowance	6.81 %
Non-deductible amount (Entertainment expenses, etc.)	0.94 %
Amortization of goodwill	3.81 %
Different tax rates applied to foreign consolidated subsidiaries	(4.79) %
Share of profit of entities accounted for using equity method	(3.99) %
Unrealized gains on inventories	3.76 %
Per capita residence tax	0.81 %
Aggregation of income of specified foreign subsidiary companies, etc.	2.66 %
Other	4.43 %
Actual effective income tax rate after application of tax-effect accounting	45.06 %

3. Accounting treatment of income taxes and local income taxes, or tax-effect accounting thereof

From the fiscal year under review, the Company and some of its domestic consolidated subsidiaries transitioned to the group tax sharing system. Accordingly, the Company conducts accounting treatment of income taxes and local income taxes, or tax-effect accounting thereof based on the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021).

(Business combinations, etc.)

Description is omitted due to its insignificance.

(Asset retirement obligations)

Description is omitted due to its insignificance.

(Leased Property)

The Company and some of its consolidated subsidiaries have real estate for rent in Tokyo and other areas.

For the previous fiscal year, lease revenue (loss) related to the real estate for rent was 133 million yen (primarily, lease revenue was posted under non-operating income, while rental expenses were posted under non-operating expenses), and gain on sales of non-current assets was 8 million yen (posted under non-operating income).

For the current fiscal year, lease revenue (loss) related to the real estate for rent was 109 million yen (primarily, lease revenue was posted under non-operating income, while rental expenses were posted under non-operating expenses).

The amounts posted on the consolidated balance sheet, changes during the fiscal year, and the market value of the real estate for rent were as follows:

(Millions of yen)

		Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Carrying value			
	Balance at the beginning of the year	17,191	16,272
	Increase/Decrease during the year	(918)	(84)
	Balance at the end of the year	16,272	16,187
Fair value at the end of the year		18,972	18,751

Notes: 1. The carrying value is calculated by deducting the relevant accumulated depreciation and impairment loss from the property's acquisition cost.

2 Of the increase/decrease during the period, the main factors for the previous fiscal year were an increase due to the acquisition of rental real estate (532 million yen) and an increase in the rate of rent (272 million yen), and a decrease due to the reclassification of leased property from commercial real estate to rental real estate (1,391 million yen) and the sale of rental real estate (180 million yen). The main factors for the current fiscal year were a decrease due to depreciation and an increase due to the acquisition of rental real estate (76 million yen) and an increase in the rate of rent (13 million yen).

3. The fair value was mainly based on real-estate appraisal value which was calculated by external real-estate appraisers.

(Revenue recognition)

1. Information regarding disaggregated revenue arising from contracts with customers
Previous fiscal year (from April 1, 2021 to March 31, 2022)

Information by type of goods or services

(Millions of yen)

	Reported segment			Other (Note 2)	Adjustments	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Wholesale of watches (Note 1)	102,077	-	-	-	-	102,077
Retail of watches (Note 1)	23,666	-	-	-	-	23,666
Electronic devices (Crystal oscillators, micro batteries, etc.)	-	19,909	-	-	-	19,909
Precision devices (Precision components, etc.)	-	14,472	-	-	-	14,472
Printing devices	-	17,427	-	-	-	17,427
System-related (Including IT performance management)	-	-	15,254	-	-	15,254
IoT-related business	-	-	13,166	-	-	13,166
Payment-related business	-	-	5,992	-	-	5,992
Other	25,146	9,251	-	1,052	-	35,450
Transactions with other segments	(3,041)	(4,407)	(1,901)	(685)	-	(10,035)
Revenue arising from contracts with customers	147,849	56,653	32,511	367	-	237,382
Revenues from external customers	147,849	56,653	32,511	367	-	237,382

Information by region

(Millions of yen)

	Reported segment			Other (Note 2)	Adjustments	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Japan	74,213	17,648	32,174	367	-	124,403
Americas	18,572	5,498	261	-	-	24,332
Europe	17,192	7,263	29	-	-	24,485
Asia and others	37,871	26,243	45	-	-	64,160
Revenue arising from contracts with customers	147,849	56,653	32,511	367	-	237,382
Revenues from external customers	147,849	56,653	32,511	367	-	237,382

(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 their low financial significance.

(Note 3) 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” from the current fiscal year. In accordance with this change, disaggregated information regarding revenue arising from contracts with customers for the previous fiscal year has been prepared based on new segment classifications.

Current fiscal year (from April 1, 2022 to March 31, 2023)

Information by type of goods or services

(Millions of yen)

	Reported segment			Other (Note 2)	Adjustments	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 (Crystal oscillators, micro batteries, etc.)	-	22,434	-	-	-	22,434
Precision devices (Precision components, etc.)	-	14,144	-	-	-	14,144
Printing devices	-	17,277	-	-	-	17,277
System-related (Including IT performance management)	-	-	19,425	-	-	19,425
IoT-related business	-	-	10,888	-	-	10,888
Payment-related business	-	-	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 segment			Other (Note 2)	Adjustments	Total
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business			
Japan	81,259	17,768	33,155	367	57	132,606
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 their low financial significance.

2. Foundational information in understanding revenue arising from contracts with customers

Foundational information in understanding revenue arising from contracts with customers is as presented in "(Notes – important matters that are the basis for preparation of consolidated financial statements), (5) Accounting standards for significant income and expenses."

3. Relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue arising from contracts with customers that exist at the end of the fiscal year under review, which is expected to be recognized in and after the following fiscal year

1) Balance, etc. of contract assets and contract liabilities

(Millions of yen)

	Current fiscal year	
	Balance at the beginning of the year	Balance at the end of the year
Receivables arising from contracts with customers (balance at the beginning of the period)	37,185	38,424
Receivables arising from contracts with customers (balance at the end of the period)	38,424	38,250
Contract assets (balance at the beginning of the period)	82	343
Contract assets (balance at the end of the period)	343	397
Contract liabilities (balance at the beginning of the period)	4,599	6,574
Contract liabilities (balance at the end of the period)	6,574	7,916

Of the amount of revenue recognized in the previous fiscal year, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 2,540 million yen.

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.

2) 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)

	Previous fiscal year	Current fiscal year
One year or less	568	1,019
Over one year, two years or less	764	774
Over two years, three years or less	573	450
Over three years	596	545
Total	2,502	2,790

(Segment Information, etc.)

<Segment information>

1. Outline of the reported segments

The Company's reported segments are business units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about management resources to be allocated to the segments and assessing the segment's performance.

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.

The segment information for the previous fiscal year in "3. Disclosure of sales, profit (loss), asset, liability, and other items for each reporting segment" has been prepared based on the classification after the change.

The main merchandise and finished goods belonging to each reported segment are as follows:

Reported Segment:	Main merchandise and finished goods:
Emotional Value Solutions Business	Watches / Watch movements / Clocks / High-end jewelry, apparel, and fashion accessories / System clocks
Devices Solutions Business	Micro batteries and materials / Crystal oscillators / Precision components / Printers / Quartz oscillator ICs
Systems Solutions Business	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

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reporting segment

The accounting method for the reported segments is the same as basis of preparation for the consolidated financial statements. Intersegment transactions are based on market prices.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reporting segment

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total				
Net sales								
Revenues from external customers	147,849	56,653	32,511	237,014	367	237,382	-	237,382
Transactions with other segments	3,041	4,407	1,901	9,350	685	10,035	(10,035)	-
Total	150,890	61,060	34,413	246,364	1,052	247,417	(10,035)	237,382
Segment profits	8,295	5,638	3,946	17,880	216	18,097	(9,326)	8,770
Segment assets	128,009	76,374	24,799	229,184	24,140	253,324	74,208	327,533
Other items								
Depreciation and amortization expense	5,305	3,169	1,092	9,567	85	9,653	1,225	10,879
Amortization of goodwill	0	-	394	395	-	395	566	962
Investment amounts to equity method companies	41	1,435	-	1,476	5,958	7,435	11,372	18,808
Increase amounts of fixed assets and intangible assets	4,814	4,683	780	10,279	100	10,379	475	10,855

(Notes) 1. The “Others” category denotes operating segments not included among reported segments, such as the Shared Services Business.

2. Adjustments are as follows:

(1) Adjustments to segment profit in the amount of -9,326 million yen include -566 million yen in the amortization of goodwill, 32 million yen that mainly consists of the elimination of transactions with other segments, and -8,792 million yen in company-wide expenses not appropriated to each operating segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to operating segments.

(2) Adjustments to segment assets in the amount of 74,208 million yen include -71,786 million yen in the elimination of inter-segment liabilities, 212,462 million yen in company-wide assets not appropriated to each reported segment, and -66,467 million yen that mainly consists of the elimination of investments and equity. Company-wide assets consist of surplus funds and long-term investment funds (investment securities) at headquarters, etc.

(3) Adjustment to investment in entities accounted for by the equity method in the amount of 11,372 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.

3. Segment profit has been adjusted for alongside operating profit on the consolidated statements of income.

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reported segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total				
Net sales								
Revenues from external customers	167,742	58,428	33,554	259,726	367	260,093	411	260,504
Transactions with other segments	3,053	6,101	3,071	12,226	741	12,968	(12,968)	-
Total	170,795	64,530	36,626	271,952	1,109	273,061	(12,557)	260,504
Segment profits (losses)	11,575	5,059	4,367	21,002	171	21,173	(9,940)	11,233
Segment assets	143,181	82,714	29,747	255,642	23,605	279,248	76,667	355,915
Other items								
Depreciation and amortization expense	6,330	3,738	1,090	11,159	90	11,250	1,109	12,359
Amortization of goodwill	-	-	631	631	-	631	566	1,198
Investment amounts to equity method companies	17	1,416	-	1,434	5,504	6,938	14,348	21,287
Increase amounts of fixed assets and intangible assets	6,348	5,819	1,064	13,233	84	13,317	705	14,022

(Notes) 1. The "Others" category denotes operating segments not included among reported segments, such as the Shared Services Business.

2. Adjustments are as follows:

(1) Adjustment to revenues from external customers in the amount of 411 million yen is royalty income at headquarters, unallocated to operating segments.

(2) Adjustments to segment profit in the amount of -9,940 million yen include -566 million yen in the amortization of goodwill, -522 million yen that mainly consists of the elimination of transactions with other segments, and -8,851 million yen in company-wide expenses not appropriated to each operating segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to operating segments.

(3) Adjustments to segment assets in the amount of 76,667 million yen include -81,055 million yen in the elimination of inter-segment liabilities, 212,305 million yen in company-wide assets not appropriated to each reported segment, and -54,582 million yen that mainly consists of the elimination of investments and equity. Company-wide assets consist of surplus funds and long-term investment funds (investment securities) at headquarters, etc.

(4) Adjustment to investment in entities accounted for by the equity method in the amount of 14,348 million yen is the amount of investment to entities accounted for by the equity method, which do not belong to any reported segment.

3. Segment profit (losses) has been adjusted for alongside operating profit on the consolidated statements of income.

<Information associated with reported segments>

Previous fiscal year (from April 1, 2021 to March 31, 2022)

1. Information for each product or service

This information is not provided here because it is the same as the information provided under "Segment information."

2. Information for each region

(1) Net sales (Millions of yen)

Japan	P.R. China	The U.S.	Other	Total
124,403	31,998	21,336	59,642	237,382

(Note)The above is classified by the geographic location of the external customers.

(2) Property, plant and equipment (Millions of yen)

Japan	Other	Total
82,058	23,041	105,100

3. Information for each of main customers

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of income.

Current fiscal year (from April 1, 2022 to March 31, 2023)

1. Information for each product or service

This information is not provided here because it is the same as the information provided under "Segment information."

2. Information for each region

(1) Net sales (Millions of yen)

Japan	P.R. China	The U.S.	Other	Total
132,606	33,560	28,229	66,107	260,504

(Note) The above is classified by the geographic location of the external customers.

(Changes in presentation)

Net sales for the U.S. included in "Other" in the previous fiscal year have been presented separately in the current fiscal year, due to the increased materiality. To reflect this change in the presentation method, "2. Information for each region (1) Net sales" for the previous fiscal year have been reclassified.

As a result, 80,979 million yen presented in "Other" in the previous fiscal year has been reclassified into 21,336 million yen of "the U.S.," and 59,642 million yen of "Other."

(2) Property, plant and equipment (Millions of yen)

Japan	Other	Total
82,825	28,323	111,149

3. Information for each of main customers

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statement of income.

<Disclosure of impairment loss on non-current assets for each reported segment>

Previous fiscal year (from April 1, 2021 to March 31, 2022)

Not applicable.

Current fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable.

<Amortization and unamortized balance of goodwill for each reported segment>

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Goodwill)

(Millions of yen)

	Reported segment				Others	Adjustments	Total
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total			
Amortization of goodwill	0	-	394	395	-	566	962
Balance at the end of fiscal year	-	-	2,204	2,204	-	4,249	6,453

(Note) Amortization for the fiscal year and balance at the end of the fiscal year for goodwill not appropriated to reported segments are primarily related to investments in some of the Emotional Value Solution Business by the parent company (holding company).

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Goodwill)

(Millions of yen)

	Reported segment				Others	Adjustments	Total
	Emotional Value Solutions	Devices Solutions	Systems Solutions	Total			
Amortization of goodwill	-	-	631	631	-	566	1,198
Balance at the end of fiscal year	-	-	3,219	3,219	-	3,682	6,901

(Note) Amortization for the fiscal year and balance at the end of the fiscal year for goodwill not appropriated to reported segments are primarily related to investments in some of the Emotional Value Solution Business by the parent company (holding company).

<Information about gain on bargain purchase for each reported segment>

Not applicable.

<Related parties>

1. Transactions with related parties

(1) Transactions of the Company with related parties

Parent company and major shareholders, etc. of the Company

Previous fiscal year (from April 1, 2021 to March 31, 2022) (Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.2%	Property lease-in, etc.	Property lease-in	609	-	-

Current fiscal year (from April 1, 2022 to March 31, 2023) (Millions of yen)

Type	Name	Location	Capital	Business	Ratio of voting rights held	Relation	Transactions	Amount	Account item	Year-end balance
Major shareholder	Sanko Kigyo K.K.	Chuo-ku, Tokyo	40	Ownership and management of real estate and securities	(Direct) 10.8% (Closer parties or agreed parties) 6.0%	Property lease-in, etc.	Property lease-in	639	-	-

(Note) Transaction terms and policies to determine them

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 others under non-operating income.

(2) Transactions of the consolidated subsidiaries of the Company with related parties

Non-consolidated subsidiaries and affiliates of the reporting company

Previous fiscal year (from April 1, 2021 to March 31, 2022)

Not applicable.

Current fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable.

2. Notes concerning the parent company and significant affiliates

(1)Information of the parent company

Not applicable.

(2)Information of the significant affiliates

Condensed financial information of OHARA INC., which the Company defines as a significant affiliate for the current fiscal year, is as follows.

(Millions of yen)

	OHARA INC.	
	Previous fiscal year	Current fiscal year
Total current assets	-	36,635
Total non-current assets	-	24,043
Total current liabilities	-	9,494
Total non-current liabilities	-	5,921
Total net assets	-	45,262
Net sales	-	28,304
Profit before income taxes	-	3,524
Profit attributable to owners of parent	-	2,244

(Note) OHARA INC. has been classified as a significant affiliate from the current fiscal year due to its increased materiality.

(Per-share information) (Yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Net assets per share	2,911.17	3,144.81
Basic earnings per share	155.56	121.86
Diluted earnings per share	155.56	121.86

(Notes) 1. For the purpose of calculating the basic earnings per share and diluted earnings 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 (82 thousand shares for the previous fiscal year and 60 thousand shares for the current fiscal year).

For the purpose of calculating the net assets per share, the treasury shares 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 (78 thousand shares for the previous fiscal year and 50 thousand shares for the current fiscal year).

2. Calculation basis of net assets per share is as follows: (Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Total net assets	121,624	131,748
Amounts deducted from total net assets	1,557	1,956
Of which, non-controlling interests	*1,557*	*1,956*
Net assets at the end of the fiscal year related to common shares	120,067	129,792
The number of common shares at the end of the fiscal year used to calculate net assets per share (Thousands of shares)	41,243	41,271

3. Calculation basis of basic earnings per share and diluted earnings per share is as follows: (Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Basic earnings per share:		
Profit attributable to owners of parent	6,415	5,028
Profit attributable to owners of parent pertaining to common stock	6,415	5,028
Average number of shares of common stock outstanding during the period (Thousands of shares)	41,240	41,262
Diluted earnings per share:		
Adjustments to profit attributable to owners of parent	(0)	(0)
Of which, adjustments by potential shares of affiliates accounted for by the equity method	*(0)*	*(0)*
The increased number of common shares (Thousands of shares)	-	-
Overview of potential shares that are not included in the calculation of diluted earnings per share due to absence of dilutive effects	-	-

(Significant subsequent events)

Not applicable.

(e) Consolidated supplemental schedules

Detailed schedule of bonds payable

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
Mizuho Bank, Ltd.	29th unsecured bonds	February 20, 2018	150	-	0.06	None	February 20, 2023
Mizuho Bank, Ltd.	30th unsecured bonds	July 31, 2018	100	100 (100)	0.136	None	July 31, 2023
MUFG Bank, Ltd.	31st unsecured bonds	August 21, 2018	100	100 (100)	0.37	None	August 21, 2023
Kiraboshi Bank, Ltd.	32nd unsecured bonds	August 27, 2018	100	100 (100)	0.46	None	August 25, 2023
Total	-	-	450	300 (300)	-	-	-

(Notes) 1. The amounts in parentheses presented under "Balance at the end of current fiscal year" represent the amounts scheduled to be redeemed within one year.

2. The following table shows the aggregate annual maturities of bonds within five years after the consolidated balance sheet date.

(Millions of yen)

Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
300	-	-	-	-

Detailed schedule of borrowings

Classification	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Average interest rate (%)	Maturity date
Short-term borrowings	63,709	72,598	1.0	-
Current portion of long-term borrowings	23,719	22,117	0.5	-
Current portion of lease obligations	1,347	1,481	3.4	-
Long-term l borrowings (excluding current portion)	28,752	37,525	0.6	March 31, 2028
Lease obligations (excluding current portion)	3,749	4,839	3.1	July 21, 2032
Other interest-bearing debt				
(Current portion of) guarantee deposits received	120	120	0.1	-
Business security deposit	92	102	0.0	-
Total	121,490	138,783	-	-

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the year-end balance of borrowings.

2. Repayment deadlines for guarantee deposits received under other interest bearing debt are not set in particular. In addition, guarantee deposits received are included in "Other" under non-current liabilities in the consolidated balance sheets.

3. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations (excluding the current portion) within five years after the consolidated balance sheet date.

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	16,359	9,660	9,765	1,740
Lease obligations	1,306	950	760	563

Detailed schedule of asset retirement obligations

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are one percent or less of the total liabilities and net assets at the beginning and the end of the current fiscal year. Accordingly, the preparation of the schedule of asset retirement obligations has been omitted.

(2) Other

Quarterly financial information and others for the fiscal year

(Cumulative period)	First quarter (Three months ended June 30, 2022)	Second quarter (Six months ended September 30, 2022)	Third quarter (Nine months ended December 31, 2022)	Full year (Fiscal year ended March 31, 2023)
Net sales (Millions of yen)	62,078	129,921	197,459	260,504
Profit before income taxes (Millions of yen)	3,947	9,450	12,490	9,642
Profit attributable to owners of parent (Millions of yen)	1,707	5,292	8,104	5,028
Basic earnings per share (Yen)	41.40	128.29	196.43	121.86

(Accounting period)	First quarter (from April 1, 2022 to June 30, 2022)	Second quarter (from July 1, 2022 to September 30, 2022)	Third quarter (from October 1, 2022 to December 31, 2022)	Fourth quarter (from January 1, 2023 to March 31, 2023)
Basic earnings per share (Yen)	41.40	86.88	68.14	(74.53)

2. Non-Consolidated Financial Statements

(1) Non-consolidated financial statements

(a) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	8,230	12,796
Prepaid expenses	741	782
Short-term loans receivable	*1 51,423	*1 56,676
Accounts receivable - other	*1 6,106	*1 10,226
Other	*1 469	*1 637
Total current assets	66,972	81,119
Non-current assets		
Property, plant and equipment		
Buildings	6,712	6,359
Machinery and equipment	280	-
Tools, furniture and fixtures	1,593	1,443
Land	24,043	24,043
Leased assets	22	56
Construction in progress	6	-
Total property, plant and equipment	32,659	31,902
Intangible assets		
Leasehold right	1,952	1,952
Trademark right	3	1
Software	471	682
Other	20	20
Total intangible assets	2,448	2,657
Investments and other assets		
Investment securities	22,541	22,968
Shares of subsidiaries and associates	*2 61,023	*2 59,956
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	*1 5,760	*1 4,822
Claims provable in bankruptcy, claims provable in rehabilitation and other	24	26
Long-term prepaid expenses	29	35
Guarantee deposits	1,720	1,717
Other	*1 298	*1 490
Allowance for doubtful accounts	(5,833)	(4,397)
Total investments and other assets	85,564	85,619
Total non-current assets	120,672	120,179
Total assets	187,644	201,299

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Short-term borrowings	56,777	61,745
Current portion of long-term borrowings	23,719	22,117
Lease obligations	9	11
Accounts payable - other	*1 2,593	*1 2,611
Accrued expenses	*1 443	*1 319
Income taxes payable	59	36
Deposits received	*1 6,600	*1 6,979
Unearned revenue	232	252
Provision for bonuses	391	195
Other	57	9
Total current liabilities	90,885	94,278
Non-current liabilities		
Long-term borrowings	28,752	37,525
Lease obligations	12	40
Deferred tax liabilities	3,685	4,398
Deferred tax liabilities for land revaluation	3,614	3,614
Provision for stock benefits	226	548
Asset retirement obligations	123	123
Guarantee deposits	*1 3,142	*1 3,180
Other	82	55
Total non-current liabilities	39,639	49,486
Total liabilities	130,524	143,765
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus		
Legal capital surplus	2,378	2,378
Other capital surplus	4,246	4,246
Total capital surplus	6,625	6,625
Retained earnings		
Legal retained earnings	121	121
Other retained earnings		
Retained earnings brought forward	22,379	22,357
Total retained earnings	22,500	22,478
Treasury shares	(265)	(221)
Total shareholders' equity	38,860	38,882
Valuation and translation adjustments		
Valuation difference on available-for- sale securities	10,134	10,467
Deferred gains or losses on hedges	(64)	(5)
Revaluation reserve for land	8,190	8,190
Total Valuation and translation adjustments	18,260	18,652
Total net assets	57,120	57,534
Total liabilities and net assets	187,644	201,299

(b) Non-consolidated statement of income

(Millions of yen)

	FY2021	FY2022
Operating revenue		
Dividend from subsidiaries and associates	6,996	9,563
Management fee income	2,510	2,786
Royalty income	2,536	2,962
Total operating revenue	*2 12,043	*2 15,312
Operating expenses	*1,*2 12,332	*1,*2 14,117
Operating profit (loss)	(288)	1,195
Non-operating income		
Interest income	*2 478	*2 624
Dividend income	745	745
Other	*2 546	*2 373
Total non-operating income	1,770	1,743
Non-operating expenses		
Interest expenses	*2 702	*2 808
Rental expenses on real estate	*2 923	*2 330
Other	329	239
Total non-operating expenses	1,956	1,378
Ordinary profit (loss)	(473)	1,560
Extraordinary income		
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	-	155
Reversal of allowance for investment loss of subsidiaries and affiliates	*3 1,682	-
Total extraordinary income	1,682	155
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	1,067
Loss on the spread of infectious disease	*4 53	-
Total extraordinary losses	53	1,067
Profit before income taxes	1,155	648
Income taxes - current	(1,958)	(2,459)
Income taxes - deferred	(143)	546
Total income taxes	(2,101)	(1,913)
Profit	3,257	2,562

(c) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		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	21,189	21,310	(288)	37,646
Changes during period									
Dividends of surplus						(2,067)	(2,067)		(2,067)
Profit						3,257	3,257		3,257
Purchase of treasury shares								(1)	(1)
Disposal of treasury shares			(0)	(0)				0	0
Disposal of treasury shares by ownership plan trust								24	24
Net changes in items other than shareholders' equity									
Total changes during period	-	-	(0)	(0)	-	1,190	1,190	23	1,213
Balance at end of period	10,000	2,378	4,246	6,625	121	22,379	22,500	(265)	38,860

	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	9,792	(133)	8,190	17,849	55,495
Changes during period					
Dividends of surplus					(2,067)
Profit					3,257
Purchase of treasury shares					(1)
Disposal of treasury shares					0
Disposal of treasury shares by ownership plan trust					24
Net changes in items other than shareholders' equity	341	69	-	411	411
Total changes during period	341	69	-	411	1,624
Balance at end of period	10,134	(64)	8,190	18,260	57,120

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		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 shares by ownership plan trust								44	44
Net changes in 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

	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 shares by ownership plan trust					44
Net changes in 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

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Standards and methods for evaluating securities

(1) Shares in subsidiaries and affiliates:

Stated at cost using the moving-average method

(2) Available-for-sale securities:

1) Securities other than shares that do not have market prices:

Market value method

2) Shares that do not have market prices:

Mainly stated at cost using the moving-average method

3) 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

(1) Derivatives:

Market value method

3. Depreciation methods for non-current assets

(1) 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.

(2) 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.

(3) 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.

4. Accounting standards for significant allowances and provisions

(1) 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.

(2) 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.

(3) 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.

(4) 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 its Executive Directors 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

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(Significant accounting estimates)

Valuation of deferred tax assets

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

(Millions of yen)

	Previous fiscal year	Current fiscal year
Deferred tax liabilities	3,685	4,398

Deferred tax assets of 856 million yen and deferred tax liabilities of 4,541 million yen are presented after offsetting in the previous fiscal year, and deferred tax assets of 252 million yen and deferred tax liabilities of 4,651 million yen are presented after offsetting in the current fiscal year.

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.

The Company has applied the group tax sharing system. Accordingly, estimates for the income tax portion have been made for the entire Group.

(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.

(Supplementary information)

(Board Benefit Trust (BBT) for executive directors and senior vice presidents)

The Company has introduced a performance-linked stock compensation plan, “Board Benefit Trust (BBT)” (hereinafter, “the Plan”), for the Company’s Directors who execute business duties (excluding Directors who do not execute business duties and Outside Directors) and Senior Vice Presidents (hereinafter, the “Directors, etc.”), for the purpose of raising awareness of the need to contribute to improvement of the Company’s mid- to long-term performance and enhancement of corporate value.

1. Outline of transactions

The Plan is a structure to deliver the Company’s shares to the Company’s Directors, etc., who meet certain requirements pursuant to the “Rules for Delivery of Shares to Officers” prescribed by the Company.

The Company grants points to the Company’s Directors, etc. according to their position and the degree of achievement of the mid- to long-term performance index, etc. in the relevant fiscal year, and deliver the Company’s shares to them according to the determined points at the time of retirement of the Directors who execute business duties and Senior Vice Presidents. 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 the Company’s shares for a certain percentage of his or her points, instead of delivering such shares. The shares to be delivered to the Company’s Directors, etc. shall be acquired, including future portions, with money set aside in advance in a trust, and shall be segregated and managed as a trust property.

2. Shares of the Company remaining in trust

The Company’s shares remaining in trust are posted as treasury shares in the “Net assets” section based on the book value in the trust (excluding the amount of incidental costs). The book value and number of shares of such treasury shares as of March 31, 2022 and 2023 are 124 million yen and 78,800 shares and 79 million yen and 50,400 shares, respectively.

(Notes - Non-consolidated balance sheets)

*1. Receivables from and payables to subsidiaries and associates

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Short-term receivables	55,694	64,883
Short-term payables	8,147	8,836
Long-term receivables	5,882	5,146
Long-term payables	1,615	1,616

*2. Shares of subsidiaries and associates provided for lending shares are as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Shares of subsidiaries and associates	46	46

3. Loan commitment agreement

The Company has entered into loan commitment agreements with two banks to enable efficient procurement of operating capital.

The status of the commitments as of the end of the fiscal year is as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Total availability of loan commitment	33,500	28,500
Outstanding balance	12,900	13,800
Unused balance	20,600	14,700

(Notes -Non-consolidated statement of income)

*1 Major components of operating expenses are as follows:

The Company is a holding company and does not sell any products.

(Millions of yen)

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Advertising and promotion expenses	4,757	5,620
Depreciation	150	238
Provision for bonuses	391	195
Salaries and wages	2,772	2,272
Outsourcing expenses	1,540	3,273

*2. Transactions with subsidiaries and associates

(Millions of yen)

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Operating revenue	11,679	14,958
Operating expenses	5,877	6,457
Non-operating transactions	11,977	4,970

*3. The breakdown of the reversal of allowance for investment loss of subsidiaries and affiliates is as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Reversal of allowance for investment loss of subsidiaries and associates	1,380	-
Reversal of allowance for doubtful accounts for subsidiaries and associates	402	-
Provision of allowance for doubtful accounts for subsidiaries and associates (△)	(100)	-
Total	1,682	-

*4. Loss on the spread of infectious disease

Loss on the spread of infectious disease in the previous fiscal year mainly relate to Fixed cost while suspension of operations and business activities etc.

(Securities)

Investments in subsidiaries and affiliates

Previous fiscal year (As of March 31, 2022) (Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	-	-	-
2. Affiliates' shares	2,177	5,977	3,799
Total	2,177	5,977	3,799

(Note)The amounts recorded in the non-consolidated balance sheet of shares that do not have market prices not included in the table above.

(Millions of yen)

	Current fiscal year (As of March 31, 2022)
Subsidiaries' shares	57,068
Affiliates' shares	1,777

Current fiscal year (As of March 31, 2023) (Millions of yen)

	Balance sheet amount	Market value	Difference
1. Subsidiaries' shares	-	-	-
2. Affiliates' shares	2,177	5,520	3,343
Total	2,177	5,520	3,343

(Note)The amounts recorded in the non-consolidated balance sheet of shares that do not have market prices not included in the table above.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)
Subsidiaries' shares	56,001
Affiliates' shares	1,777

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Deferred tax assets		
Provision for bonuses	143	59
Allowance for doubtful accounts	1,786	1,346
Loss on valuation of shares in subsidiaries	8,202	8,529
Allowance for investment loss of subsidiaries and associates	1	1
Impaired loss on non-current assets	713	713
Assets for adjustment of profit and loss due to transfer	1,197	1,192
Long-term accounts payable - other	8	6
Loss carried forward	2,406	3,148
Other	197	153
Deferred tax assets - subtotal	14,656	15,152
Valuation-related reserves concerning loss carried forward	(1,628)	(2,967)
Valuation-related reserves concerning the sum of deductible temporary differences	(12,171)	(11,932)
Valuation-related reserves-subtotal	(13,800)	(14,900)
Deferred tax assets – total	856	252
Deferred tax liabilities		
Assets for adjustment of profit and loss due to transfer	20	20
Valuation difference on available-for-sale securities	4,472	4,619
Other	48	11
Deferred tax liabilities – total	4,541	4,651
Net deferred tax assets (liabilities)	(3,685)	(4,398)

Previous fiscal year (As of March 31, 2022)

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

Current fiscal year (As of March 31, 2023)

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

2. The reconciliation of significant differences between the statutory tax rate and effective income tax rate after application of tax-effect accounting

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Statutory tax rate	30.62 %	30.62 %
Reconciliations:		
Non-deductible amount (Entertainment expenses, etc.)	0.94 %	4.03 %
Non-taxable items (dividend income, etc.)	(189.14) %	(458.11) %
Valuation allowance	(19.88) %	136.42 %
Other	(4.48) %	(7.79) %
Actual effective income tax rate after application of tax-effect accounting	(181.94) %	(294.83) %

3. Accounting treatment of income taxes and local income taxes, or tax-effect accounting thereof

From the fiscal year under review, the Company transitioned to the group tax sharing system. Accordingly, the Company conducts accounting treatment of income taxes and local income taxes or tax-effect accounting thereof based on the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021).

(Business combinations, etc.)

Description is omitted due to its insignificance.

(Revenue recognition)

Useful information in understanding revenue arising from contracts with customers

Useful information in understanding revenue arising from contracts with customers is as presented in “Notes to Non-consolidated Financial Statements (Significant accounting policies), 5. Accounting standards for income and expenses.”

(Significant subsequent events)

Not applicable.

d. Non-consolidated supplemental schedules

Detailed schedule of fixed assets

(Millions of yen)

Category	Type of assets	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Depreciation or amortization for the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation or amortization
Property, plant and equipment	Buildings	6,712	307	87	572	6,359	7,908
	Machinery and equipment	280	2	268	14	-	-
	Tools, furniture and fixtures	1,593	333	95	388	1,443	3,159
	Land	24,043 (11,804)	-	-	-	24,043 (11,804)	-
	Leased assets	22	63	20	8	56	17
	Construction in progress	6	7	14	-	-	-
	Total	32,659 (11,804)	714	486	985	31,902 (11,804)	11,086
Intangible assets	Leasehold right	1,952	-	-	-	1,952	-
	Trademark right	3	-	-	2	1	-
	Software	471	433	23	198	682	-
	Other	20	-	-	-	20	-
	Total	2,448	433	23	200	2,657	-

(Note) The amounts in parentheses in the “Balance at beginning of the current fiscal year” and “Balance at end of the current fiscal year” columns represent the revaluation reserve for land, which the land for business use was revaluated pursuant to the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998).

Detailed schedule of allowances

(Millions of yen)

Account	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Balance at the end of the current fiscal year
Allowance for doubtful accounts	5,833	413	1,850	4,397
Allowance for investment loss of subsidiaries and associates	4	0	0	4
Provision for bonuses	391	195	391	195
Provision for stock benefits	226	376	54	548

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Information on Transfer and Repurchase of the Company's Stock

Fiscal year	From April 1 To March 31
General meeting of shareholders	June
Record date for dividend	March 31
Record dates for dividend of surplus	September 30 and March 31
Number of shares per unit of the Company's stock	100 shares
Repurchase and sale of stocks of less than a standard unit	
Address where repurchases are processed	(Special account) 3-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Head Office Mizuho Trust & Banking Co., Ltd.
Administrator of shareholders' register	(Special account) 3-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Offices available for repurchase	—
Charges for repurchase or sale	Amount specifically determined as brokerage fees for the purchase and sale of shares
Method of public notice	Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun. The electronic public notice is presented on the Company's Web site at https://www.seiko.co.jp
Special benefits to shareholders	None

(Note) Pursuant to the provisions of SEIKO GROUP CORPORATION's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following; (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to requests to SEIKO GROUP CORPORATION in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to SEIKO GROUP CORPORATION to sell shares less than one unit.

Ⅶ. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company has no parent company or equivalent as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company filed the following documents between the beginning of the fiscal year ended March 31, 2022 and the date when this Securities Report (Yukashoken-Hokokusho) was filed.

(1) Securities Report and Accompanying Documents and Confirmation Note
Fiscal Year (the 161st) From April 1, 2021 to March 31, 2022
Submitted to the director of the Kanto Local Finance Bureau on June 29, 2021.

(2) Internal Control Report
Submitted to the director of the Kanto Local Finance Bureau on June 29, 2022.

(3) Quarterly Securities Reports and Confirmation Notes
(The 1st quarter of 162nd period) From April 1, 2022 to June 30, 2022
Submitted to the director of the Kanto Local Finance Bureau on August 12, 2022.

(The 2nd quarter of 162nd period) From July 1, 2022 to September 30, 2022
Submitted to the director of the Kanto Local Finance Bureau on November 11, 2022.

(The 3rd quarter of 162nd period) From October 1, 2022 to December 31, 2022
Submitted to the director of the Kanto Local Finance Bureau on February 14, 2023.

(4) Extraordinary Reports
Submitted to the director of the Kanto Local Finance Bureau on July 1, 2022.
An extraordinary report according to the provision of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Part II [Information on Guarantors for the Company]

Not applicable

Independent Auditors' Audit Report and Internal Control Audit Report

(English Translation)

June 29, 2023

The Board of Directors
SEIKO GROUP CORPORATION

KPMG AZSA LLC

Tokyo, Japan

Designated Limited Partner Engagement Partner	Certified Public Accountant Akihiro Otani
Designated Limited Partner Engagement Partner	Certified Public Accountant Toshiyuki Nishida
Designated Limited Partner Engagement Partner	Certified Public Accountant Kenji Ueda

<Financial statements audit>

Opinion

We have audited the accompanying consolidated financial statements presented under "Financial Information" of SEIKO GROUP CORPORATION, which comprise the consolidated balance sheets as at March 31, 2023, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, in order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SEIKO GROUP CORPORATION and its consolidated subsidiaries as at March 31, 2023, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Validity of valuation of inventories of the Emotional Value Solution Business	
Description of Key Audit Matters and the Reasons for the Decision	Auditor’s Response
In the consolidated balance sheet for the current fiscal year of SEIKO GROUP CORPORATION, inventories of merchandise and finished goods, work in process, raw materials and supplies totaling 83,776 million yen are recorded. As described in notes to consolidated financial statements “(Significant accounting estimates), 1. Valuation of inventories” 57,585 million yen of the total amount is inventories of the Emotional Value Solution Business, which accounts for 16.2% of consolidated total assets. Inventories are evaluated by writing down the book values in response to decreased profitability. In the Emotional Value Solution Business, decreased profitability is reflected for products, etc. that have been removed from the operating cycle process beyond a certain holding period and holding volume, by using a regular write-down method of book values determined mainly based on past sales and disposal performance. However, products, etc., which exceed a certain holding period and holding volume but are judged to be in the operating cycle process in light of recent sales performance and future sales forecasts, are excluded from the regular write-down of book values, in whole or in part. The Emotional Value Solution Business primarily deals with products directly related to personal consumption. Therefore, its business results and profitability of products are strongly affected by domestic and overseas economic trends, especially personal consumption. Economic trends, including personal consumption, may fluctuate significantly due to factors beyond management’s control and are difficult to predict. Accordingly, significant judgments and assumptions are incorporated in determining a regular write-down method of book values, in order to reflect the fact that profitability of inventories has decreased. In addition, significant judgments regarding sales estimates are made as to whether or not products, etc., are in the operating cycle process excluded from the regular write-down of book values. Valuation of inventories of the Emotional Value Solution Business is significantly affected by these judgments and assumptions, and therefore the estimates are highly uncertain. As such, we determined that the validity of the valuation of inventories of the Emotional Value Solution Business was of particular importance to our audit of the consolidated financial statements for the current fiscal year and identified as a “Key Audit Matter.”	In order to examine the validity of the valuation of inventories of the Emotional Value Solution Business, we selected consolidated subsidiaries engaged in this business that are considered to have a particularly high degree of uncertainty in estimates, taking into consideration the materiality of the balance of inventories, functions within the consolidated Group, products handled, performance trends in previous fiscal years, business plans, etc., and primarily performed the following procedures for inventories of the consolidated subsidiaries. (1) Assessment of internal control We assessed the effectiveness of the design and operation of internal control related to the valuation of inventories, including the determination of a regular write-down method of book values and its basis provisions in the accounting rules, and the confirmation by superiors of the judgment as to whether or not products, etc. are in the operating cycle process excluded from the write-down of book values. (2) Examination of the appropriateness of the regular write-down method of book values In order to evaluate the appropriateness of the regular write-down method of book values adopted by management, we primarily performed the following procedures. ・ For the write-down rate of book values applied at the end of the current fiscal year, we compared the amounts that would have been obtained if this rate had been applied to the balance of inventories before the write-down of book values at the end of the previous fiscal year with the actual sales and disposal amounts for the current fiscal year. ・ We reviewed whether the significant judgments and assumptions made in determining the write-down rate of book values were consistent with the frequency of new product launches, distribution channels, management strategies for sales and disposal, and market forecast data published by external organizations. (3) Examination of the validity of the judgment as to whether or not products, etc. are in the operating cycle process We evaluated the accuracy of management’s sales estimates by comparing the past sales estimates of each product with actual sales in subsequent years and examining the causes of the differences between the two. After that, in order to evaluate the appropriateness of the judgments regarding the sales estimates that formed the basis for whether or not products, etc. are in the operating cycle process excluded from the regular write-down of book values at the end of the current fiscal year, we primarily performed the following procedures for products, etc. that are selected by taking into consideration their materiality, past sales performance, turnover period, and the number of months elapsed since their launches, etc. ・ We asked questions to appropriate authorities regarding sales

	estimates and reviewed relevant materials. ・ We examined whether or not the sales estimates of such products, etc. were consistent with the content of the management strategy, including the product strategy, and market forecast data published by external organizations.

Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of other statements. Corporate auditors and the board of 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 facts.

We have found no matters to report regarding other statements.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles for consolidated financial statements 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 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 the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are 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 issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

・Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

・Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide corporate auditors and the board of auditors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. Of matters discussed with corporate auditors and the board of auditors, we determine the ones we judge to be of particular importance to our audit of the consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

<Internal control audit>
Opinion
We also have audited, pursuant to the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report as of March 31, 2023 of the Company.
In our opinion, the above internal control report, in which SEIKO GROUP CORPORATION indicated that internal control over financial reporting as at March 31, 2023 was effective, fairly represents, in all material respects, evaluation results of internal control over financial reporting in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

Basis of Opinion
We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the Internal Control Report
Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Corporate auditors and the board of auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility for the Internal Control Report
Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.
As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
・Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
・Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.
We also provide corporate auditors and the board of auditors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company and its subsidiaries, which should be disclosed in compliance with the Certified Public Accountants Act.

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The English translation has no legal force and is provided for convenience only.

1. The original version of the Independent Auditors' Audit Report and Internal Control Audit Report presented above is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of audit.

<u>Independent Auditors' Audit Report</u>
(English Translation)

June 29, 2023

The Board of Directors
SEIKO GROUP CORPORATION

KPMG AZSA LLC

Tokyo, Japan

Designated Limited Partner Engagement Partner	Certified Public Accountant Akihiro Otani
Designated Limited Partner Engagement Partner	Certified Public Accountant Toshiyuki Nishida
Designated Limited Partner Engagement Partner	Certified Public Accountant Kenji Ueda

Opinion

We have audited the accompanying the non-consolidated financial statements presented under "Financial Information" of SEIKO GROUP CORPORATION, which comprise the non-consolidated balance sheets as at March 31, 2023, and the non-consolidated statements of income, the non-consolidated statements of changes in net assets and significant accounting policies and other notes, and the non-consolidated supplemental schedules, in order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of SEIKO GROUP CORPORATION as at March 31, 2023, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to report in our auditor's report.

Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of other statements. Corporate auditors and the board of 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.

Management's, Corporate Auditors' and the Board of Auditors' Responsibility for the non-Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles for non-consolidated financial statements 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.
Corporate auditors and the board of auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibility for the non-Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.
As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
・Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
・Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
・Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
・Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide corporate auditors and the board of auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
Of matters discussed with corporate auditors and the board of auditors, we determine the ones we judge to be of particular importance to our audit of the non-consolidated financial statements for the current fiscal year and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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