

# Corporate Governance

List of Directors & Officers (current as of November 2021)

## SEIKO HOLDINGS CORPORATION

Chairman & Group CEO & Group CCO <b>Shinji Hattori</b>	Vice Chairman <b>Yoshinobu Nakamura</b>	President <b>Shuji Takahashi</b>	Executive Director Corporate Planning and Finance & Accounting <b>Shimesu Takizawa</b>
Executive Director Corporate Branding and ESG · SDGs Promoting <b>Kiyoko Niwasaki</b>	Director Human Resources and Legal & Intellectual Property <b>Kazuhiko Sakamoto</b>	Director Secretaries, General Affairs and Strategy Planning Deputy Chief of Group R&D Headquarters <b>Makoto Ichimura</b>	Director Group R&D Chief of Headquarters <b>Tetsu Kobayashi</b>
Director IT Planning and DX Business Promotion <b>Jun Sekine</b>	Outside Director <b>Tsuyoshi Nagano</b>	Outside Director <b>Yasuko Teraura</b>	Corporate Auditor <b>Haruhiko Takagi</b>
Corporate Auditor <b>Takashi Nishimoto</b>	Outside Corporate Auditor <b>Tomoyasu Asano</b>	Outside Corporate Auditor <b>Hideki Amano</b>	Outside Corporate Auditor <b>Masatoshi Yano</b>

## SEIKO WATCH CORPORATION

Director, Chairman of the Board <b>Shinji Hattori</b>	President <b>Akio Naito</b>	Representative Director, Deputy Chief Operating Officer Marketing Division I <b>Minoru Ishiguro</b>	Director, Senior Executive Vice President Business Reform Office Corporate Strategy & Planning Division <b>Taku Yoneyama</b>
Director, Senior Executive Vice President Planning & Development Division <b>Hiroshi Nakahara</b>	Director, Executive Vice President Planning Sales Dept. Marketing Division I <b>Hiromi Kanagawa</b>	Director, Executive Vice President Marketing Division II <b>Yoshikatsu Kawada</b>	Director, Senior Vice President Marketing Dept. (Americas) Marketing Division II <b>Teruyo Ishimaru</b>
Director, Senior Vice President Product Development Dept. SDGs Planning Office Planning & Development Division <b>Akira Takakura</b>	Director <b>Shuji Takahashi</b>	Director <b>Hideo Hattori</b>	Director <b>Kiyoko Niwasaki</b>
Corporate Auditor <b>Atsushi Kaneko</b>	Corporate Auditor <b>Haruhiko Takagi</b>	Senior Vice President Marketing Division I <b>Yasunori Hagiwara</b>	Senior Vice President Corporate Management Dept. Corporate Strategy & Planning Division <b>Naoaki Tanimura</b>
Senior Vice President Design Center Dept. Planning & Development Division <b>Kiyomi Tanemura</b>	Senior Vice President Movement Design & Engineering Dept. Planning & Development Division <b>Katsuyoshi Takizawa</b>	Senior Vice President Merchandise Planning Dept. I Planning & Development Division <b>Shuichiro Seki</b>	

## Seiko Instruments Inc.

President <b>Tetsu Kobayashi</b>	Director, Chief Executive Vice President General Manager, Corporate Strategy Division General Manager, Human Resources & General Administration Division General Manager, Electronic Components Business Headquarters Musical Instruments Dept. <b>Akihiro Okuma</b>	Director, Senior Executive Vice President General Manager, Precision Device Business Headquarters <b>Takahiro Naito</b>	Director, Executive Vice President <b>Shimesu Takizawa</b>	Director, Senior Vice President General Manager, Printing Device Business Headquarters <b>Kenji Otsuka</b>
Director <b>Hideo Hattori</b>	Director <b>Shuji Takahashi</b>	Director <b>Kazuhiko Sakamoto</b>	Corporate Auditor <b>Makoto Hirota</b>	Corporate Auditor <b>Shinji Nureki</b>
Outside Corporate Auditor <b>Norimasa Kuroda</b>	Corporate Auditor <b>Takashi Nishimoto</b>	Executive Vice President General Manager, Finance Division <b>Takumi Yoshitomi</b>	Senior Vice President Precision Instrument Dept. <b>Yasuto Nakamura</b>	Senior Vice President General Manager, Printing Device Business Management Office <b>Tatsuo Sagami</b>
Senior Vice President General Manager, Printek Division <b>Yoshihiro Takeda</b>	Senior Vice President General Manager, Micro-Energy Division <b>Koji Tomitsuka</b>	Senior Vice President General Manager, Quartz Crystal Division General Manager, Electronic Components Sales Head Office <b>Kazuhisa Onishi</b>		

## SEIKO NPC CORPORATION

President <b>Yoichi Endo</b>	Director, Senior Vice President Production Department and Administration Division <b>Kimio Yomogida</b>	Director <b>Akihiro Okuma</b>	Director <b>Shimesu Takizawa</b>	Director <b>Kunio Nakajima</b>
Corporate Auditor <b>Haruhiko Takagi</b>	Senior Vice President Administration Department <b>Hideaki Tadokoro</b>	Senior Vice President Sales & Design Solution Division <b>Toshimitsu Ogasawara</b>	Senior Vice President Production Department <b>Norio Suzuki</b>	

## SEIKO Solutions Inc.

President <b>Jun Sekine</b>	Director, Chief Executive Vice President, CTO <b>Tatsumi Hasegawa</b>	Director, Senior Executive Vice President Senior Executive Manager, Retail Services Digital, Unit <b>Yoshio Kobayashi</b>	Director, Executive Vice President CFO <b>Yoshiyuki Hashimoto</b>	Director, Executive Vice President <b>Makoto Ichimura</b>
Director <b>Shuji Takahashi</b>	Director <b>Akihiro Okuma</b>	Corporate Auditor <b>Seiichi Mikami</b>	Corporate Auditor <b>Haruhiko Takagi</b>	Corporate Auditor <b>Tsutomu Konomura</b>
Executive Vice President Senior Executive Manager, Data Service Business Unit <b>Hiroyuki Watanabe</b>	Executive Vice President Quality Assurance Dept. <b>Hiroaki Onishi</b>	Executive Vice President Senior Executive Manager, Mobile Solutions Business Unit <b>Toshimasa Ike</b>	Executive Vice President Senior Executive Manager, Innovation Unit V <b>Junichi Fujii</b>	Executive Vice President Senior Executive Manager, Strategic Business Unit I <b>Takeshi Ichikawa</b>
Senior Vice President Senior Executive Manager, Digital Transformation Business Unit, System Solution Business Unit <b>Nobuchika Matsuoka</b>	Senior Vice President Senior Executive Manager, Strategic Business Unit II, Strategic Network Unit <b>Hirohumi Sakamoto</b>	Senior Vice President <b>Tomoyuki Nakayama</b>		

## SEIKO Time Creation Inc.

President <b>Kenji Hagiwara</b>	Director, Executive Vice President Time System & FA Business Headquarters <b>Ryoza Suenaga</b>	Director, Executive Vice President Clock Business Headquarters and Domestic Marketing Division <b>Akira Banno</b>	Director, Senior Vice President General Administration Division and DX Planning Office and General Affairs/Personnel Dept. <b>Satoshi Morita</b>	Director, Senior Vice President Clock Business Headquarters and Planning and Product Division and International Marketing Dept. <b>Susumu Kawanishi</b>
Director, Senior Vice President Clock Business Headquarters and Research & Technology Division <b>Osamu Sugita</b>	Director, Senior Vice President Time System & FA Business Headquarters and Production Engineering Management Division <b>Mitsunaga Yata</b>	Director <b>Shuji Takahashi</b>	Director <b>Kiyoko Niwasaki</b>	Director <b>Kazuhiko Sakamoto</b>
Director <b>Satoshi Yoshino</b>	Director <b>Naoki Tajima</b>	Corporate Auditor <b>Kazuo Yamamura</b>	Corporate Auditor <b>Takashi Nishimoto</b>	Corporate Auditor <b>Hideo Hattori</b>
Senior Vice President Clock Business Headquarters <b>Hironori Yamada</b>	Senior Vice President Sports Timing & PR Office and SDGs Promoting <b>Kenichi Muroya</b>	Senior Vice President Time System & FA Business Headquarters and Marketing Division <b>Hisaya Mito</b>		

## WAKO Co., Ltd.

Chairman <b>Shinji Hattori</b>	President <b>Shuntaro Ishii</b>	Director, Senior Executive Vice President <b>Kazuhiko Sakamoto</b>	Director, Executive Vice President <b>Kiyoko Niwasaki</b>	Director, Senior Vice President <b>Takeshi Endo</b>
Director, Senior Vice President <b>Toru Tsuchiya</b>	Director <b>Shuji Takahashi</b>	Director <b>Takashi Aizawa</b>	Director <b>Makoto Ichimura</b>	Corporate Auditor <b>Haruhiko Takagi</b>
Senior Vice President <b>Toshihiro Machida</b>	Senior Vice President <b>Mitsuo Shibuya</b>	Senior Vice President <b>Akiko Seno</b>	Senior Vice President <b>Takayuki Arai</b>	

### Basic Principle of Corporate Governance

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

### Basic Policy

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

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

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

The Company recognize that its social responsibility is to contribute to the realization of a sustainable society through implementation of the Group's basic principle "being a company that is trusted by society". Under such recognition, the Company strives to cooperate appropriately with its various stakeholders, including its shareholders, customers, business partners, members of local communities and employees.

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

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

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

The Board of Directors will engage in free and constructive discussions and exchanges of opinions, and will appropriately fulfill its roles and responsibilities for the sustainable growth

of company and the enhancement of corporate value over the medium to long-term, including making decisions on important management matters such as business strategies, establishing an environment that supports swift and decisive decision-making by the senior management, and enhancing management supervision.

#### (5) Dialogue with Shareholders

The Company will promote constructive dialogue with its shareholders to contribute sustainable growth and enhancement of corporate value over the medium to long-term based on "Basic Policy on Constructive Dialogue with Shareholders".

There are two (2) Outside Directors who have broad experience and considerable insight in business management and in respective fields of specialization. With their independent positions, they contribute to improvement of monitoring functions of the management.

### Evaluation of the Effectiveness of the Board of Directors

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

#### Analysis and evaluation methods

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

<Evaluation Items>

- 1) The status of deliberations and operation of the Board of Directors
- 2) The composition and roles of the Board of Directors
- 3) The support system for Outside Directors
- 4) The Corporate Governance Committee
- 5) Relationships with investors and shareholders

The results of the analysis by external consultants based on the above process and content were reported to the Board of Directors, which, in turn, performed an analysis of board effectiveness and evaluation of it by referring to these results.

### Board of Auditors

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

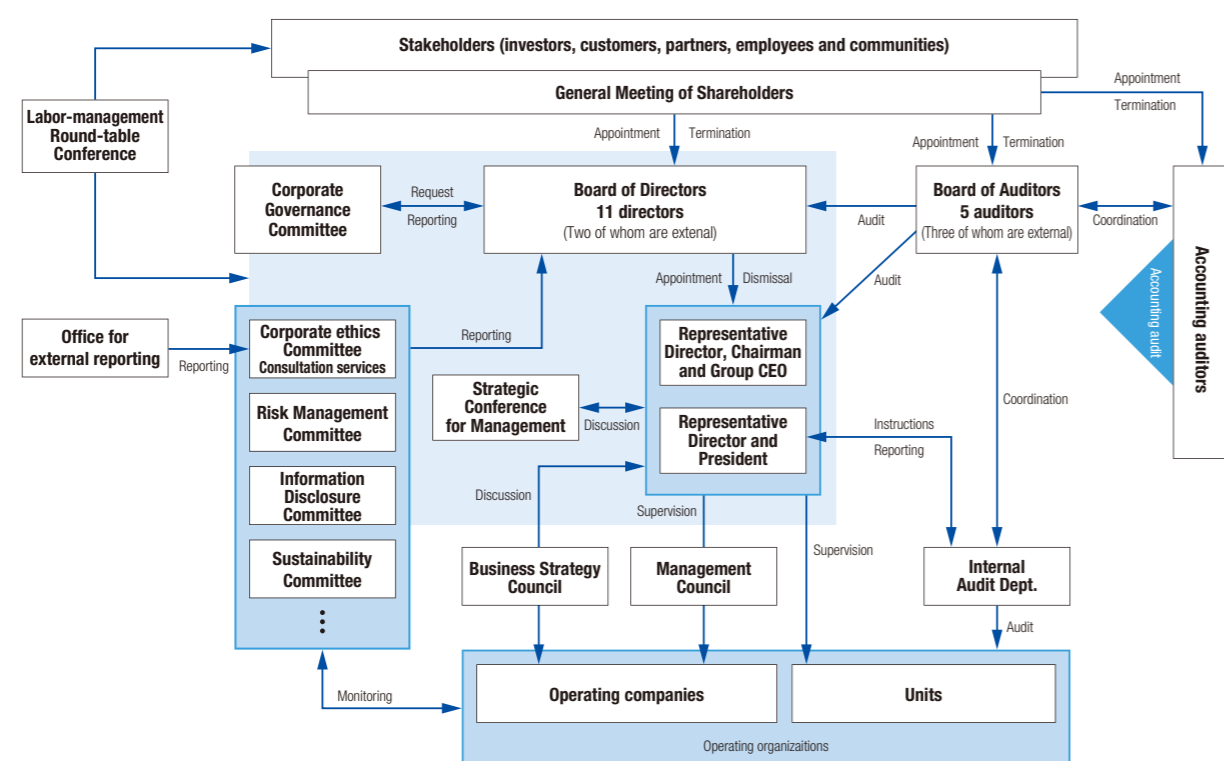
### Corporate Governance Structure

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

The Board of Directors continually ascertains the circumstances of the operating companies and receives explanations when necessary, as well as carries out quick and appropriate decision-making. The Company holds a Management Council and a Business Strategy Council, comprising full-time officers of the Company and the respective Presidents of operating companies, for the purpose of working to share the management policy and management information of the Group and discussing medium-to long-term business strategies. The Company also holds a Strategic Conference for Management comprising full-time officers of the Company for the purpose of deliberating basic matters of business execution and promoting management activities appropriately and promptly. Furthermore, the Company has established the Corporate Governance Committee as an advisory committee for the Board of Directors.

### Board of Directors

The Board of Directors is composed of eleven (11) Directors (including two (2) female directors), of whom two 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. Decisions regarding business execution other than the above have been delegated to the management pursuant to the Regulations of Administrative Authority.



## Corporate Governance Committee

In order to enhance the objectivity and transparency of management, the Company establishes the Corporate Governance Committee where outside officers account for the majority of members, as an advisory committee for the Board of Directors. The Committee deliberates on matters relating to compensation for officers, nomination of officer candidates, appointment and dismissal of Representative Directors, Directors with special titles, and Directors who execute business duties, and other matters regarding corporate governance from an objective and fair perspective, and reports to the Board of Directors. The members and the chairperson of the Corporate Governance Committee are as follows:

Chairperson		
	President	Shuji Takahashi
Members	Chairman & Group CEO	Shinji Hattori
	Outside Director	Tsuyoshi Nagano
	Outside Director	Yasuko Teraura
	Outside Corporate Auditor	Tomoyasu Asano
	Outside Corporate Auditor	Hideki Amano
	Outside Corporate Auditor	Masatoshi Yano

## Compensation of Officers

### 1. Basic policy of the compensation of officers

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

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

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

### 2. Compensation system for officers

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

and Corporate Auditors consists of "basic compensation only." The ratio of payment of the fixed compensation to the performance-linked compensation is determined at an appropriate level to serve as an incentive to contribute to improving the corporate value of the Company, taking into account the levels of the above peer companies. The ratio of payment of each type of compensation is as follows: (When the payment rate based on the performance achievement ratio and qualitative evaluation is 100%)

	Fixed compensation	Performance-linked compensation	
	Basic compensation	Bonus	Stock-type compensation
Representative Directors	1.0	0.2	0.2
Directors who execute business duties other than Representative Directors	1.0	0.15	0.15

### 3. Calculation method for performance-linked compensation (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 is determined by multiplying the standard payment amount by the payment rates according to the performance achievement ratio. 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 according to the performance achievement ratio. 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.

Indicators for performance-linked compensation are consolidated net sales and consolidated operating profit, which are set as important management indicators for the company's performance evaluation to serve as an incentive for achieving the Group's management targets.

The above remuneration for directors is determined by the Board of Directors after being deliberated on by the Corporate Governance Committee, a majority of the members of which are outside officers.

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

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

In the nomination of candidates for Outside Directors, comprehensive consideration is given from the standpoint of whether the candidate possesses abundant experience and high degree of knowledge of corporate management and specific fields. In the nomination of candidates for Outside Corporate Auditors, comprehensive consideration is given from the standpoint of whether the candidate possesses insight regarding finance, accounting and legal affairs, as well as abundant experience and high degree of knowledge of specific fields.

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

## Cross-Shareholdings

From the perspective of improving the corporate value of the Group in the mid- to long-term, the Company has a policy to reduce shares that are deemed not to have a significance of

holding them, taking comprehensively into consideration the Company's management strategy, business relationships with clients, and the benefits and risks, etc., associated with holding in view of its capital cost.

### Disclosure of the verification of the propriety of cross-shareholdings

The Company's Board of Directors verifies each year the rationale for the holding of all listed shares held in cross-shareholding by the Group through examination of the importance of the issuer as a business partner and benefits and risks of shareholding in light of capital costs and other factors.

Most recently, an individual verification was conducted at the meeting of the Board of Directors held in August 2021.

With regard to certain shares, which were determined to be lacking in significance or rationale for continued holding, the Company proceeds with discussions toward their disposal. Based on the above policy on cross-shareholdings, the Company sold one stocks among the shares held by its subsidiaries in the fiscal year ended March 31, 2021.

### Standards for exercising voting rights on cross-shareholdings

With regard to the exercise of voting rights on cross-shareholdings, the Company exercises its voting rights, upon fully respecting management policies and strategies, etc. of the issuing company, by comprehensively determining on whether the proposal contributes to the sustained growth and the mid- to long-term enhancement of corporate value of the issuing company, and whether or not it undermines shareholder value, among other factors.

In addition, in making such decisions for particularly important proposals, the Company holds dialogue with the issuing company, as necessary. The proposals deemed important by the Company are as follows.

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

## Internal Control System

The Company, in accordance with its basic policy on the internal control system, has established a Group-wide internal control system, including the Group's business management, corporate ethics, compliance with laws and regulations, risk management and internal audits.

Furthermore, the Company monitors the operation status of internal controls and periodically reports the results to the Board of Directors.



# Corporate Ethics / Compliance

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

### Basic Principles of Corporate Ethics

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

### Structure for the Promotion of Corporate Ethics and Compliance

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

### Implementing Corporate Ethics and Compliance Structure

The Company regards maintaining and implementing Corporate ethics and compliance structure as a crucial management issue and therefore implements business ethics training for all executives and employees.

In FY2020, as a Group-wide initiative we held corporate ethics training for Officers on the topic of antitrust law risks and for employees on the topics of harassment and countermeasures against risks of social media. One of the Group's major medium-term risks is brand impairment. Since noncompliance with laws and regulations is highly likely to expose the Group to the risks of impairing brand image, the entire Group is committed to education, awareness raising, and other activities aimed at strengthening compliance.

### Internal Reporting System

The Company has established a "Corporate Ethics Helpline" as a contact point to receive consultations and reporting from employees regarding corporate ethics and compliance. In addition to the internal contact point, the Company has set up an external contact point at a law firm and provides an environment that facilitates consultation and reporting for the user. Under this system, rules have been established to protect the user from any disadvantageous treatment on account of the consultation or reporting, and information that may identify the user and information relating to the consultation and reporting are strictly managed.

### Seiko Holdings Procurement Activity Policy

The Group has established the Seiko Holdings Procurement Activity Policy, which sets out our procurement policy. In our Procurement Activity Policy, we declare that together with our business partners we aim to build a relationship of mutual trust over the long term and to continue to exist and prosper together by helping each other. In addition, through the implementation of the Group's corporate philosophy of being "A Company that is Trusted by Society," we will contribute to the realization of a sustainable society and fulfill the social responsibilities of the Group. While these policies are common to ESG and SDGs, in order to solve social issues, there is a limit to the actions that can be taken by only the Company itself, so it is essential to work with the entire supply chain, including business partners. To this end, we have prepared a booklet, "Seiko Holdings Procurement Activity Policy and Sustainable Development". We explain the Group's Procurement Activity Policy to our business partners, and after gaining their understanding, we ask them to cooperate in the Group's procurement activities. While all of the policies listed in the procurement policy are important, the booklet specifically addresses the following subjects and describes their basic contents: compliance with laws and regulations (subcontract laws, foreign exchange laws, commercial codes, antitrust laws, and personal information protection laws), respect for human rights (prohibition of child labor and responsible mineral procurement, including conflict minerals issues), global environmental conservation, BCP measures, and prohibition of bribery.



# Risk Management

## Group Risk Management Structure

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

## Initiatives to Improve Risk Management

The Risk Management Committee is working on various initiatives to improve risk management. In FY 2021, we conducted a questionnaire survey of Group employees in Japan and overseas to ensure the comprehensiveness of risk information. Going forward, we will continue our efforts to improve risk management to maintain sustainable business activities.

### Group Risk Management Structure



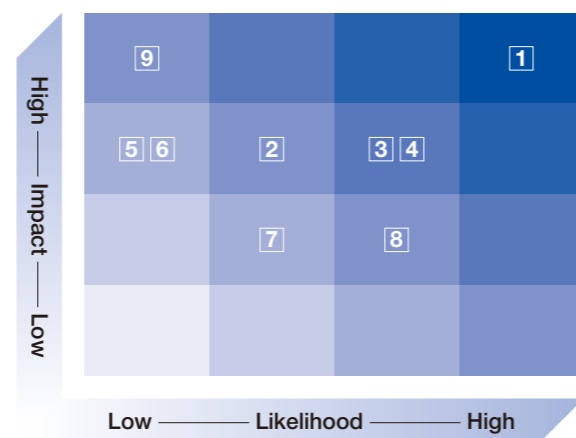
## Initiatives to Address Significant Risks

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

### <Group Significant Risks in FY2021>

- 1 Health hazards and the business impact of COVID-19
- 2 Legal violations and quality issues in the supply chain
- 3 Information leaks due to cyber-attacks, etc.
- 4 Business suspensions due to computer system failures, etc.
- 5 Compliance risks
- 6 Inappropriate approaches to decarbonization
- 7 Country risks such as trade friction between the United States and China
- 8 Difficulties in procuring parts and materials
- 9 Reliance on specific suppliers

### Risk map of Group Significant Risks



## Business Risks

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

### (1) Economic trends

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. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of FY2020. If the current situation continues going forward, it is likely to have a severe impact on economic and personal-consumption trends in Japan and overseas, affecting the Group's business operations, financial position, and business results.

### (2) High dependence on procurement from specific supplier

Due to the high dependence on procurement from specific watch supplier, business results of the Watches Business may be significantly affected by changes in terms of transactions with this supplier. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of FY2020. If the current situation continues going forward, business activities are expected to be suspended at some of the suppliers and others of the Watches Business and the Electronic Devices Business, affecting the Group's business operations, financial position, and business results.

### (3) Market environment of the Electronic Devices Business

Business results of the Electronic Devices 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 Group will be engaged in business activities "one step ahead of the times," while being focused on research and development activities under the technological philosophy of "Craftsmanship, Miniaturization and Efficiency."

### (4) Country risks on manufacturing bases overseas

The Watches business, the Electronic Devices Business and the Clocks 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 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. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of FY2020. If the current situation continues going forward, it is likely to have a severe impact on the Group's business operations, financial position, and business results.

### (5) Dependence on sales to major customers

For some of the Electronic Devices 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 Electronic Business itself as a whole.

### (6) Shortage and increase in price of resources

If resources such as crude oil and other 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 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 Watches Business and the Electronic Devices Business mainly engage in business development for overseas markets. Some of those are engaged in business development for overseas markets from domestic manufacturing bases, and fluctuations in exchange rates may affect product prices, etc. In addition, for the Systems Solutions Business and the Clocks Business that mainly engage 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, over 70% of interest rates of the existing long-term borrowings has 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 Watches Business, the Electronic Devices Business and the Clocks Business engage 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. These businesses regard 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.

### (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 situation, there is a possibility this will affect business results of the Group due to a decline of the Group's social credibility and a substantial cost burden to respond to such 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

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. In addition, the novel coronavirus has spread worldwide since its emergence in the fourth quarter of the fiscal year ended March 31, 2020. If the current situation continues going forward, it is likely to have a severe impact on the Group's business operations, financial position, and business results.

### (15) Compliance violation

While we are providing full-scale education for compliance with laws and regulations 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 legal violations of some nature. Since noncompliance with laws and regulations 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 in all the group companies, while remaining committed to disseminating the importance of brand image.

1 to 9 is the number of the Group's material risk included in each risk item (Refer to P.54).