



Consolidated Financial Results for the Three Months Ended JUNE 30, 2023 (Under Japanese GAAP)

August 8, 2023

Listing: Tokyo

Company name: SEIKO GROUP CORPORATION
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 Scheduled date to file quarterly securities report: August 10, 2023 (in Japanese)
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Available
 Holding of quarterly financial results briefing: Scheduled (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	62,949	1.4	2,823	(9.1)	3,732	(8.0)	2,411	41.2
June 30, 2022	62,078	13.7	3,105	105.3	4,056	126.4	1,707	-

Note: Comprehensive income For the three months ended June 30, 2023: ¥ 9,130 million [33.5%]
 For the three months ended June 30, 2022: ¥ 6,837 million [263.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	58.43	-
June 30, 2022	41.40	41.40

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	367,533	139,361	37.3
March 31, 2023	355,915	131,748	36.5

Reference: Equity As of June 30, 2023: ¥ 137,134 million
 As of March 31, 2023: ¥ 129,792 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2023	Yen -	Yen 37.50	Yen -	Yen 37.50	Yen 75.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		37.50	-	37.50	75.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial forecast for the fiscal year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	268,000	2.9	12,000	6.8	12,000	7.5	8,000	59.1	193.75

Note: Revision to the financial forecast most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Not applicable

Newly included: Not applicable Excluded: Not applicable

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting policies, changes in accounting estimates, and restatement

i) Changes in accounting policies due to revisions to accounting standards and other regulations	: Not applicable
ii) Changes in accounting policies due to other reasons	: Not applicable
iii) Changes in accounting estimates	: Not applicable
iv) Restatement	: Not applicable

(4) Number of issued shares (common shares)

i) Total number of issued shares at the end of the period (including treasury shares)			
As of June 30, 2023	41,404,261 shares /	As of March 31, 2023	41,404,261 shares
ii) Number of treasury shares at the end of period			
As of June 30, 2023	108,122 shares /	As of March 31, 2023	132,337 shares
iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)			
Three months ended June 30, 2023		41,275,959 shares	
Three months ended June 30, 2022		41,245,268 shares	

(Note) For the purpose of calculating the number of treasury shares at the end of period and the average numbers of shares outstanding during the period, treasury shares held in the Board Benefit Trust (BBT) are included in the treasury shares deducted in the calculation.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Cautionary statements with respect to financial forecast)

The financial forecasts which appear in this report have been prepared based solely on the information which was available to the Company as of the date on which the report was released and the Company does not in any way guarantee the achievement of the forecasts. Actual results may differ significantly from the forecasted figures due to a number of factors. For assumptions used in the financial forecasts and instructions to use the financial forecasts, refer to (3) Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2024 (FY2023), 1. Business Results, for detail.

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1. Business Results

(1) Overview

During the three-month period ended June 30, 2023, the world economic growth has slowed after a post-coronavirus recovery period, due to continuation of monetary tightening caused by continuous high inflation, especially in Europe and the U.S. In China, while the economy recovered from the slowdown at the end of last year, which was due to severe activity restrictions under the government's "zero-COVID" policy and the spread of infection, the outlook remains uncertain with a continued decline in real estate investment.

The Japanese economy is on a recovery trend, mainly in metropolitan area, due to the downgrading of the legal status of the novel coronavirus to Class V and a drastic recovery in consumption by Japan-bound tourists.

(Millions of yen)

	3M FY2021 (a)	3M FY2022 (b)	3M FY2023 ①	Variance ① - (a)	Variance ① - (b)
Net sales	54,609	62,078	62,949	8,340	870
Operating profit	1,512	3,105	2,823	1,311	(281)
%	2.8%	5.0%	4.5%	1.7pt	(0.5pt)
Ordinary profit	1,791	4,056	3,732	1,940	(324)
%	3.3%	6.5%	5.9%	2.6pt	(0.6pt)
Profit attributable to owners of parent	53	1,707	2,411	2,358	703
%	0.1%	2.8%	3.8%	3.7pt	1.0pt
Exchange rate (v. JPY)					
USD	109.5	129.7	137.5	28.0	7.8
EUR	131.9	138.3	149.6	17.7	11.3

Amid these circumstances, in the "Emotional Value Solutions Business (EVS Business)," the Watches Business and WAKO Business for the Japanese market recorded significant net sales growth against the backdrop of demand from inbound tourists. In the Watches Business for overseas markets, mainly in Europe and Asia, net sales were also higher year on year. In the "Devices Solutions Business (DS Business)," net sales were significantly lower year on year amid an uncertain recovery of the business environment, which had deteriorated since the third quarter of the previous fiscal year due to factors such as the sluggish Chinese economy, HDD inventory adjustments, and weak semiconductor market conditions. In the "Systems Solutions Business (SS Business)," net sales were higher year on year, thanks to ongoing successful efforts to diversify business and expand the stock business. As a result, for the three-month period ended June 30, 2023, the Group reported consolidated net sales of 62.9 billion yen, a year-on-year increase of 1.4%.

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On an overall consolidated basis, domestic net sales came to 32.8 billion yen (a year-on-year increase of 6.3%), and overseas net sales were 30.1 billion yen (a year-on-year decrease of 3.4%). Net sales in overseas comprised 47.9% of net sales overall.

Advertising and promotion expenses for the three-month period ended June 30, 2023 increased by approximately 9% from the same period of previous fiscal year, resulting in selling, general and administrative expenses were a year-on-year increase of 1.5 billion yen. Operating profit was 2.8 billion yen (a year-on-year decrease of 9.1%), a deterioration of 0.2 billion yen year on year, due to deceleration of the DS Business. Non-operating income and expenses deteriorated year on year due to factors including a decrease in foreign exchange gains, and ordinary profit decreased by 0.3 billion yen year on year to 3.7 billion yen (a year-on-year decrease of 8.0%). Profit attributable to owners of parent increased by 0.7 billion yen to 2.4 billion yen (a year-on-year increase of 41.2%), due to a decrease in loss on the spread of infectious disease and income taxes - deferred, which were posted in the previous fiscal year.

The average exchange rates for the three-month period ended June 30, 2023 were 137.5 yen to 1 US dollar and 149.6 yen to 1 euro.

Results by Segment

Results for each segment are as follows:

a. Emotional Value Solutions Business (EVS Business)

Net sales under the EVS Business came to 42.3 billion yen, a year-on-year increase of 3.2 billion yen, or 8.4%.

Net sales of completed watches in Japan grew year on year due to favorable performance of new products of Global Brands such as Grand Seiko and Seiko Prospex against the background of demand from inbound tourists, which showed a clear recovery trend. Overseas, net sales increased year on year as Global Brands grew in the U.S., Europe, and Asia, especially for Seiko Prospex and Seiko 5 Sports, despite a delayed recovery in China. In the watch movements business, net sales decreased year on year due to the sluggish Chinese economy.

Net sales in the WAKO Business grew significantly year on year with the recovery of demand from inbound tourists. However, net sales of the clocks business for overseas markets declined year on year due to the sluggish Chinese economy.

Operating profit increased by 1.0 billion yen year on year, resulting in operating profit of 3.4 billion yen (a year-on-year increase of 45.0%).

b. Devices Solutions Business (DS Business)

Net sales under the DS Business came to 13.9 billion yen, a year-on-year decrease of 15.8%. Operating profit was 0.1 billion yen, a year-on-year decrease of 90.3%.

Net sales and operating profit decreased significantly year on year due to the sluggish Chinese

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economy, HDD inventory adjustments in its markets, and stagnant semiconductor market conditions, resulting in weak performance for thermal printers, quartz crystals, high-performance metals for semiconductor production equipment, and precision components.

c. Systems Solutions Business (SS Business)

Net sales under the SS Business came to 9.3 billion yen, a year-on-year increase of 0.1 billion yen, or 2.0%. Operating profit was 1.0 billion yen, a year-on-year increase of 99 million yen, or 10.1%.

There was growth in businesses related to digital contracts that captured digitalization and legal reforms. In addition, businesses supporting digital infrastructure, such as performance management and businesses including those related to security, also expanded, resulting in continued year-on-year growth both in net sales and operating profit for 29 consecutive quarters.

(2) Financial Condition

-Assets-

Total assets at the close of the three-month period ended June 30, 2023 amounted to 367.5 billion yen, an increase of 11.6 billion yen from the close of the previous fiscal year, including the effect of exchange rates. Total current assets came to 176.2 billion yen, an increase of 2.8 billion yen from the close of the previous fiscal year. This was due to decreases of 2.2 billion yen in cash and deposits, while increases of 5.5 billion yen in inventories. Total non-current assets came to 191.3 billion yen, an increase of 8.8 billion yen from the close of the previous fiscal year. This was due to increases of 3.8 billion yen in total property, plant and equipment, 0.1 billion yen in total intangible assets, and 4.7 billion yen in total investments and other assets.

-Liabilities-

For liabilities, total borrowings came to 131.5 billion yen, due to an increase of 2.3 billion yen in short-term borrowings and a decrease of 3.0 billion yen in long-term borrowings. In addition, accounts payable - other decreased by 2.4 billion yen, while notes and accounts payable - trade increased 2.1 billion yen and deferred tax liabilities increased 1.3 billion yen. As a result, total liabilities amounted to 228.1 billion yen, an increase of 4.0 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 7.6 billion yen over the close of the previous fiscal year to become 139.3 billion yen, mainly owing to increases of 0.8 billion yen in shareholders' equity and 3.8 billion yen in foreign currency translation adjustment.

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(3) Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2024 (FY2023)

During the three-month period ended June 30, 2023, both net sales and operating profit increased year on year in the EVS Business, while both net sales and operating profit declined year on year in the DS Business. From the second quarter onward, we expect the EVS Business to continue to perform steadily. However, we forecast a recovery in the business environment for the DS Business will be delayed. Accordingly, the Company has not changed its consolidated financial forecast but has revised its forecasted results by segment as described below.

■ Forecast for the consolidated business results for the year ending March 31, 2024 (FY2023)

(Billions of yen)	Current forecast (Billions of yen)	Year-on-year change (%)
Net sales	268.0	2.9
Operating profit	12.0	6.8
Ordinary profit	12.0	7.5
Profit attributable to owners of parent	8.0	59.1
Earnings per share	193.75 yen	

■ Forecasted results by segment for the year ending March 31, 2024 (FY2023)

(Billions of yen)	Net Sales		Operating Profit	
	Current	Previous	Current	Previous
Emotional Value Solutions Business	177.0	175.0	14.0	13.0
Devices Solutions Business	63.0	65.0	3.6	4.8
Systems Solutions Business	39.0	39.0	5.0	4.8
Total for reported segments	279.0	279.0	22.6	22.6
Others	1.0	1.0	0.1	0.1
Consolidated total	268.0	268.0	12.0	12.0

Note: Consolidated total represents figures after consolidation adjustment such as the elimination of inter-segment sales.

The forecasted results which appear in this report have been prepared based solely on the information which was available to us as of the date on which the report was released. As a result, actual results may differ from the forecasted figures due to a number of factors, such as changes in the business environment in the future.

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2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	36,324	34,114
Notes and accounts receivable - trade, and contract assets	38,647	37,725
Inventories	83,776	89,373
Accounts receivable - other	6,577	6,787
Other	9,381	9,606
Allowance for doubtful accounts	(1,297)	(1,392)
Total current assets	173,410	176,215
Non-current assets		
Property, plant and equipment		
Buildings and structures	79,280	81,044
Machinery, equipment and vehicles	86,117	88,859
Tools, furniture and fixtures	39,233	40,719
Other	12,699	15,411
Accumulated depreciation	(163,232)	(167,591)
Land	54,182	54,364
Construction in progress	2,867	2,238
Total property, plant and equipment	111,149	115,046
Intangible assets		
Goodwill	6,901	6,602
Other	8,620	9,092
Total intangible assets	15,522	15,694
Investments and other assets		
Investment securities	45,490	49,636
Deferred tax assets	1,923	1,930
Other	8,572	9,172
Allowance for doubtful accounts	(153)	(162)
Total investments and other assets	55,833	60,576
Total non-current assets	182,505	191,318
Total assets	355,915	367,533

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(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,790	20,947
Electronically recorded obligations - operating	6,212	7,090
Short-term borrowings	72,598	75,359
Current portion of bonds payable	300	300
Current portion of long-term borrowings	22,117	21,692
Accounts payable - other	11,344	8,925
Income taxes payable	1,793	1,652
Provision for bonuses	4,879	2,835
Other provisions	1,452	1,450
Asset retirement obligations	9	-
Other	22,659	25,350
Total current liabilities	162,157	165,605
Non-current liabilities		
Long-term borrowings	37,525	34,524
Deferred tax liabilities	4,285	5,664
Deferred tax liabilities for land revaluation	3,614	3,614
Other provisions	742	658
Retirement benefit liability	6,894	6,929
Asset retirement obligations	1,079	1,094
Other	7,867	10,080
Total non-current liabilities	62,009	62,566
Total liabilities	224,166	228,171

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(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	81,520	82,376
Treasury shares	(248)	(210)
Total shareholders' equity	98,517	99,411
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,464	14,408
Deferred gains or losses on hedges	(9)	(245)
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	10,638	14,439
Remeasurements of defined benefit plans	992	930
Total accumulated other comprehensive income	31,275	37,723
Non-controlling interests	1,956	2,226
Total net assets	131,748	139,361
Total liabilities and net assets	355,915	367,533

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

a. Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	3M FY2022	3M FY2023
Net sales	62,078	62,949
Cost of sales	35,880	35,442
Gross profit	26,197	27,506
Selling, general and administrative expenses	23,092	24,682
Operating profit	3,105	2,823
Non-operating income		
Interest income	27	93
Dividend income	390	507
Share of profit of entities accounted for using equity method	370	339
Foreign exchange gains	553	458
Other	211	214
Total non-operating income	1,554	1,613
Non-operating expenses		
Interest expenses	233	320
Other	369	384
Total non-operating expenses	603	705
Ordinary profit	4,056	3,732
Extraordinary losses		
Loss on the spread of infectious disease	109	-
Total extraordinary losses	109	-
Profit before income taxes	3,947	3,732
Income taxes	2,102	1,130
Profit	1,844	2,601
Profit attributable to non-controlling interests	136	190
Profit attributable to owners of parent	1,707	2,411

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b. Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	3M FY2022	3M FY2023
Profit	1,844	2,601
Other comprehensive income		
Valuation difference on available-for-sale securities	679	3,010
Deferred gains or losses on hedges	(374)	(235)
Foreign currency translation adjustment	4,475	4,323
Remeasurements of defined benefit plans, net of tax	(6)	(95)
Share of other comprehensive income of entities accounted for using equity method	218	(474)
Total other comprehensive income	4,992	6,528
Comprehensive income	6,837	9,130
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,630	8,859
Comprehensive income attributable to non- controlling interests	207	270

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(3) Notes to Quarterly Consolidated Financial Statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholder's equity)

Not applicable.

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(Segment Information)

I. For the three months ended June 30, 2022

Disclosure of sales and profit (loss) for each reported segment

(Millions of yen)

	Reported segments				Others (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business	Total				
Sales								
Revenues from external customers	38,332	15,215	8,327	61,875	98	61,974	104	62,078
Transactions with other segments	697	1,317	812	2,826	158	2,985	(2,985)	-
Net sales	39,030	16,532	9,139	64,702	257	64,959	(2,881)	62,078
Segment profit	2,405	1,782	978	5,166	47	5,213	(2,108)	3,105

- Notes:
- The "Others" category denotes operating segments not included among reported segments, such as the Shared Services Business.
 - Adjustments are as follows:
 - Adjustment to revenues from external customers in the amount of 104 million yen is royalty income at headquarters, unallocated to operating segments.
 - Adjustments to segment profit in the amount of -2,108 million yen include -141 million yen in the amortization of goodwill, -26 million yen that mainly consists of the elimination of transactions with other segments, and -1,940 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.
 - Segment profit has been adjusted for alongside operating profit on the quarterly consolidated statements of income.

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II. For the three months ended June 30, 2023

Disclosure of sales and profit (loss) for each reported segment

(Millions of yen)

	Reported segments				Others (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Emotional Value Solutions Business	Devices Solutions Business	Systems Solutions Business	Total				
Sales								
Revenues from external customers	41,655	12,683	8,407	62,746	97	62,843	105	62,949
Transactions with other segments	665	1,240	912	2,818	171	2,990	(2,990)	-
Net sales	42,320	13,923	9,320	65,564	269	65,834	(2,884)	62,949
Segment profit	3,487	172	1,077	4,737	56	4,794	(1,970)	2,823

- 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 105 million yen is royalty income at headquarters, unallocated to operating segments.
 - (2) Adjustments to segment profit in the amount of -1,970 million yen include -141 million yen in the amortization of goodwill, 72 million yen that mainly consists of the elimination of transactions with other segments, and -1,900 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. Segment profit has been adjusted for alongside operating profit on the quarterly consolidated statements of income.
