

Seiko Holdings Corporation

FY2017 2nd Quarter Consolidated Results Presentation
Summary of Q&A

- ◆ Date : Wednesday, November 15, 2017, from 3:00-3:50 p.m.
- ◆ Place : Seiko Holdings Corporation, Head Office
- ◆ Summary of Q&A :

Q1. What kind of market conditions exist for watches?

A1. The Japanese domestic market improved in the 2nd quarter compared to the 1st quarter. Stock prices have risen as well, and market conditions have gotten better. The U.S. market has been unstable, with conditions varying from month to month, but we expect growth during the Christmas shopping season. In addition, Internet distribution in China has performed strongly.

Q2. How is the watch market in terms of price range?

A2. In the watch market both in Japan and overseas, high-end Swiss products are said to be performing steadily, and our high-end products have seen firm sales as well. Mid-priced products had a slow start in the 1st quarter but have recovered since the 2nd quarter.

Q3. The Grand Seiko was independently branded in this fiscal year. What were the trends in the 2nd quarter for this brand, and what are your initiatives for the 2nd half?

A3. We are expanding the price range for Grand Seiko after the independent branding by raising prices further for its high-end products. We are actively developing the brand by expanding the range of models, including luxury and sports models, in addition to the existing standard model for practical use.

We have focused on sales in Japan so far but are gradually increasing sales overseas in the U.S. and in Asia as well.

Q4. How much investment are you planning for the 2nd half and for the next fiscal year in the Watches Business?

A4. We intend to maintain the current level of investment for increasing the Seiko brand value.

We will strengthen advertising investment for products depending on net sales growth.

Q5. What are the current market conditions in the watch movements business, and what developments are planned for the 2nd half?

A5. Sales increased year on year up to the 1st half, but sales to the U.S. have been sluggish when looked at by region. However, we anticipate growth in sales to China, where the watch market has been active mainly through e-commerce. While demand varies by product, we do not believe growth will be as strong in the 2nd half.

Q6. How are conditions in the Electronic Devices Business, apart from the semiconductor business?

A6. Sales have been solid, maintaining their level from the 4th quarter of the previous fiscal year. Geopolitical risks had been factored into our plan, but the foreign exchange fluctuations we feared did not occur in the 1st half, which contributed to better results than expected.

Q7. What businesses will be the focus of growth in the Electronic Devices Business after the semiconductor business becomes an entity accounted for using equity method?

A7. We intend to focus on the printer-related business. We are implementing improvements in unprofitable businesses and overall cost cuts. We believe that businesses other than the semiconductor business are seeing steady improvement in profitability and firm growth during this fiscal year.

Q8. Are you going to allocate the results of structural reforms carried out in this fiscal year in the form of investment?

A8. A portion will be allocated for investment, but we will basically use the resources resulting from structural reforms to improve profitability.

Q9. The net balance of interest bearing debt was 93.0 billion yen as of September 30. How do you plan to achieve your target of 75.0 billion yen or less by the end of the next fiscal year?

A9. As of September 30, we are still a long way from our target. However, in addition to improvements expected to be achieved by our business in the 2nd half, we have factored in a decrease in net interest bearing debt owing to the semiconductor business, which is expected to become an entity accounted for using equity method from the 4th quarter.

We will make further cuts during operations in the next fiscal year as well.

End