

Seiko Holdings Corporation

FY2017 3<sup>rd</sup> Quarter Consolidated Results Presentation  
Summary of Q&A

- ◆ Date : Thursday, February 15, 2018, from 3:00-3:50 p.m.
- ◆ Place : Seiko Holdings Corporation, Head Office
- ◆ Summary of Q&A :

Q1. I think results were steady in general, but how were conditions by area in the Watches Business?

A1. The Watches Business had a slow start in Japan in the first half of the fiscal year, but progressed steadily in the second half, and we achieved our plan. Looking overseas, performance was steady in Asia. Hong Kong, Singapore and China, in particular, performed significantly better than planned. In Europe, steady results were seen in Germany, where performance had been favorable, as well as in the Netherlands and England. Conditions continued to be challenging in the U.S., but overseas performance overall remained close to the level expected. A weak yen also had a positive effect.

Q2. What are the trends for high-end and mid-priced products in the Japanese domestic watch market? Demand for high-end products has recovered in the watch market in this fiscal year, but it seems that the trend has not spread to mid-priced products.

A2. High-end products are performing strongly, partly owing to the successful independent branding of the Grand Seiko. However, sales have been uneven for mid-priced products in the 100,000 yen range and under, depending on the brand. Performance was steady for brands with strengthened product strategies, such as Prospex and Presage. Among affordable-priced products, sales have been firm for simple and thin models. On the whole, we do not consider products in the under-100,000 yen price range to be doing badly.

Q3. What are the reasons for the continuing struggle in the U.S., and what measures will you take to break out of this situation?

A3. Overall sales in department stores, which are our main distribution channels, are seen to have been mostly flat year on year, but we feel that watch sales have been sluggish.

We will bolster our high-end products with a view to recovery, while pursuing product strategies to suit their respective distribution channels.

Q4. With regard to the 4th quarter plan for the Watches Business, a loss will occur if results progress according to the full-year forecast. Are you expecting to record any strategic expenses?

A4. We expect strategic expenses to be within the normal range.

Q5. What are your views on sales promotion strategies and expenses for improving the top line of the Watches Business from the next fiscal year onward?

A5. We will continue investment in advertising and promotion for products that are key to increasing brand value. Also, our policy on expanding Seiko Boutiques in the global market remains unchanged.

Q6. Will the level of capital investment and depreciation expenses decrease from the next fiscal year onward, as a result of excluding the semiconductor business from the scope of consolidation?

A6. Our capital investment and depreciation expenses were previously in the range of about 10 billion yen per year, but we expect the semiconductor portion to decrease.

Q7. What are you focusing on in order to seek higher profits for the company as a whole, after the semiconductor business is gone?

A7. First, we believe it is important to resolve the issue of unprofitable product groups within the Electronic Devices Business. In addition, we aim to further reinforce the earning capabilities of the Watches Business, which is our main business.

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