

Seiko Holdings Corporation

FY2018 3<sup>rd</sup> Quarter Consolidated Results Presentation  
Summary of Q&A

- ◆ Date : Friday, February 15, 2019, from 3:00-3:35 p.m.
- ◆ Place : Seiko Holdings Corporation, Head Office
- ◆ Summary of Q&A :

Q1. Profit increased in the Watches Business overall. Could you tell us about the situation by region?

A1. The situation in Japan was better than in the previous year. Looking at sales volume and unit price separately, improvement was better for unit price. The Grand Seiko performed particularly well, with growth in sales volume as well.

Looking overseas, the situation in Asia was tough. But other regions remained generally steady.

In addition, earnings of watch movements improved, mainly due to cost-reduction efforts implemented since the previous year, despite a decline in sales year on year.

Q2. Why did the operating profit ratio in the Watches Business improve year on year in the 3rd quarter?

A2. Although sales of watch movements declined, profit did not decrease due to cost-reduction, and the product mix of watches improved as well. As a result, the profit ratio improved.

Q3. Operating profit in the Watches Business was up year on year until the 3rd quarter, but down in the 4th quarter. Why is that?

A3. We expect operating profit in the 4th quarter to be around the same level as in the previous year.

While the 1st quarter got off to a good start, there were signs of a slight retreat in the 2nd quarter, weighing on the results. In addition, performance was mixed from country to country, and so we forecast 4th quarter results to be at the same level as in the previous year.

Q4. In the Electronic Devices Business, for what products was the forecast revised downward due to the market effect, and when did that situation start getting worse?

A4. Precision components were one of the reasons for the downward revision. Items such as automobile-related components and products for data centers have slowed since the late 3rd quarter. Reports say the number of new-vehicle registrations in China has been sluggish, and there is a sense that end-product manufacturers are holding back on orders for components. As for data centers, there is also a sense that purchasing adjustments are being made in line with investment reviews by major manufacturers. We think the timing of recovery will differ from product to product.

Q5. If a hike in the consumption tax is implemented in October, what kind of impact would there be?

A5. We think there would be a last-minute surge in demand, as there usually is, followed by a slight drop off.

One of the effects of the last consumption tax hike was a boost in demand, including in the high-end market, where people who would not normally buy a watch purchased one ahead of the hike. When we compared the results of the demand surge with the downturn, including the sales measures following the tax hike, the end result was higher demand.

Q6. What is the target for net interest bearing debt under the next Mid-Term Management Plan?

A6. We intent to strive for further improvement, even if we achieve the targets in the current plan.

End