

March 27, 2020

Notice concerning the impact of COVID-19 pandemic as of March 25, 2020

Seiko Holdings Corporation (hereinafter referred to as “Seiko”) hereby announces the status of the Group regarding the impact of the spread of the COVID-19 pandemic as of March 25, 2020.

Seiko is continuously assessing the impact of the disease on the consolidated financial results for the fiscal year ending March 31, 2020. As there are a number of uncertain factors at this time, Seiko will make an announcement promptly when reasonable estimates become possible. Seiko will continue its efforts to understand the situation and update the information as necessary.

◆ Responses at major offices in Japan

- Introduction of a system of shifting working hours and working from home
- Postponement of non-essential business trips in Japan and overseas (imposing travel bans to certain areas overseas)
- Granting of special leave (paid leave) to employees who raise elementary school children, etc., when they need to take care of children due to temporary school closures
- Observance of wearing a face mask and sanitizing hands
- Promotion of use of web meetings and teleconferences
- Cancellation of holding of and participation in large-scale events and seminars

◆ Status of business operations

Region / Major subsidiaries	Situation
P.R. China	
Manufacturing subsidiary of watches: 1 Manufacturing subsidiary of watches and electronic devices: 1 Manufacturing subsidiary of electronic devices: 1 Wholesale subsidiary of watches: 1 Wholesale subsidiary of electronic devices: 1 Wholesale subsidiary of clocks: 1	Operations: - Operating in accordance with the instructions given by the Chinese government authorities - Resumed gradually from February 10 and have returned almost to the normal level
U.S.A.	
Wholesale subsidiaries of watches: 2 Wholesale subsidiary of electronic devices: 1	Employees: - Working from home in accordance with lockdown orders unless essential to be in offices, etc. Company-operated Boutiques: - Closed
U.K.	
Wholesale subsidiary of watches: 1	Offices: - Closed since March 24 in accordance with a lockdown order Company-operated Boutiques: - Closed since March 22
France	
Wholesale subsidiary of watches: 1	Employees: - Working from home in accordance with a lockdown order Company-operated Boutiques, etc.: - Closed (Postponed the opening event of Grand Seiko Boutique)
Italy	
Wholesale subsidiary of watches: 1	Employees: - Working from home in accordance with a lockdown order

The Netherlands	
Wholesale subsidiary of watches: 1	<p>Employees:</p> <ul style="list-style-type: none"> - Working from home unless essential to be in offices, etc. <p>Company-operated Boutiques, etc.:</p> <ul style="list-style-type: none"> - Closed
Germany	
<p>Wholesale subsidiary of watches: 1</p> <p>Wholesale subsidiary of electronic devices: 1</p>	<p>Employees:</p> <ul style="list-style-type: none"> - Working from home unless essential to be in offices, etc. <p>Company-operated Boutiques, etc.:</p> <ul style="list-style-type: none"> - Closed
Russia	
Wholesale subsidiary of watches: 1	<p>Employees:</p> <ul style="list-style-type: none"> - Working from home <p>Company-operated Boutiques:</p> <ul style="list-style-type: none"> - Open
India	
Wholesale subsidiary of watches: 1	<p>Employees:</p> <ul style="list-style-type: none"> - Working from home since March 18
Thailand	
<p>Wholesale subsidiary of watches: 1</p> <p>Manufacturing subsidiaries of electronic devices: 2</p>	<p>Operations:</p> <ul style="list-style-type: none"> - Normal <p>Company-operated Boutiques, etc.:</p> <ul style="list-style-type: none"> - Closed
Malaysia	
Manufacturing subsidiary of watches: 1	<p>Operations:</p> <ul style="list-style-type: none"> - Stopped since March 18 in accordance with the Movement Control Order
Singapore	
<p>Manufacturing subsidiary of watches and electronic devices: 1</p> <p>Manufacturing subsidiary of electronic devices: 1</p>	<p>Operations:</p> <ul style="list-style-type: none"> - Reducing or changing work shifts, etc.

Hong Kong	
Wholesale subsidiary of watches: 1 Wholesale subsidiary of watches and electronic devices: 1 Wholesale subsidiary of clocks: 1	Employees: - Working from home in shifts, etc.
Taiwan	
Wholesale subsidiary of watches: 1 Wholesale subsidiary of electronic devices: 1	Normal
Australia	
Wholesale subsidiary of watches: 1	Employees: - Partially working from home since March 18
Japan	
Retail subsidiary: 1 (WAKO Co., Ltd.)	Shortening business hours until April 5, etc.

◆ Potential impacts

- With regard to logistics, costs are increasing mainly due to a rise in air freight rates.
- The prolonged impact of COVID-19 may change consumer preferences, leading to changes in market trends, including distribution, as seen after the collapse of Lehman Brothers and the Great East Japan Earthquake. It is important to carefully watch and assess the trends going forward.

<BtoB business>

- In China, most of the suppliers and other businesses have resumed their operations, causing no significant impact on production, including in-stock inventories. There are uncertainties about the supply status of some components, etc., to Seiko's customers from companies other than Seiko, and some requests for delaying shipments of electronic devices and watch movements were made. However, there was no large-scale cancellation, and customers' businesses are now back to normal.
- While Seiko is currently using alternative methods such as teleconferences, order-taking activities are not progressing as expected, because it has become difficult to travel for exhibitions and other events, as well as for business meetings. It is possible this will have an impact on net sales for the fiscal year ending March 31, 2021.

- Due to the Movement Control Order issued by the Malaysian government, Seiko has closed its local manufacturing bases since March 18. In addition, since some suppliers in Malaysia for the Electronic Devices Business have also halted their operations, difficulties for procurement have arisen.

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- In the global market including Japan, the status of sales of watches and clocks is expected to become severe due to a decline in demand mainly from Chinese tourists to Japan, as well as weak demand in countries where the disease is spreading.
- In the Japanese market, while it is possible for replacement demand for watches to fall, a certain level of demand related to celebratory occasions, such as entering a school, starting a new job, and marriage, is expected.
- While a certain scale of impact on sales of watches is expected in the Chinese market, a decline may not be extremely significant as the e-commerce sales ratio is large in the Chinese market.
- Some advertising activities planned for in the fourth quarter of the fiscal year ending March 31, 2020 have been cancelled or postponed.

However, there is no change in the policy of strengthening investments that is set out in the 7th Mid-Term Management Plan. In the Watches Business, Seiko will continue working on growing Global Brands in Japan and overseas, as well as strengthening advertising, the manufacturing system and the after-sales service system.

*Reference information

1. Seiko does not disclose information such as results of production in China.
2. Net sales to P.R. China in consolidated net sales in FY2018 (classified by the geographic location of the external customers): 33,148 million yen
