

Seiko Group Corporation

FY2025 Q2 Financial Results Briefing: Q&A Summary

Date: November 12, 2025 (Wed) 10:30–11:30 (Held online)
Respondents: Shuji Takahashi, President
Taku Yoneyama, Director and Executive Vice President

Summary of Q&A

[Consolidated Overview]

Q1. The outlook for the second half appears somewhat conservative. You mentioned that the Device Solutions (DS) business has already factored in the recent surge in silver prices for silver oxide batteries. Are there any other cost pressures or other risk factors that we should be aware of?

A1. At this time, we see no significant risk factors worth mentioning. Of course, we recognize that the second-half forecast for the Watch business is a bit conservative. However, in the current environment, Seiko Global Brands continue to perform strongly in both domestic and international markets, and we believe there is significant upside potential. For DS, the operating profit in the second half is projected to decline by approximately ¥800 million year-on-year, primarily due to the sharp increase in silver prices. In the first half, the impact was contained thanks to effective inventory management, but it will become apparent in the second half. We plan to mitigate this impact through increased sales of inkjet heads and thermal printers, although we understand that it may not be possible to fully offset rising silver costs. That said, inkjet heads are performing strongly, and continued growth could help to close the gap. We have also been negotiating price adjustments with retailers, and depending on the timing, this could help to mitigate the negative impact of the silver price increases.

Q2. You revised the dividend forecast upward from 120 yen to 130 yen, but given the policy of maintaining a payout ratio of at least 30%, wouldn't 120 yen have been sufficient? What drove the decision to increase it by ¥10? Since stable dividends are one of your basic policies, does this imply that next year's dividend will not fall below ¥130? In addition, what is your current thinking about how to balance strategic investments with shareholder returns going forward?

A2. Regarding our increased dividend, because our performance continues to be strong, we plan to maintain the dividend at ¥130 or above. The ¥10 increase reflects our confidence in the future. The main reason for the previous dividend increase in May of this year, was the upward revision of net income, which continued to be a driver this time. However, in addition to highlighting a rise in income, we also wanted to signal to the market our confidence in continued growth.

Strategic investments next year will be in line with our SMILE145 medium-term plan, but we recognize the need to increase advertising and promotional spending to further support Grand Seiko's global strategy. With improved profitability, we are considering allocating additional investment to Grand Seiko in next year's plan.

Q3. This year's full-year operating profit forecast is ¥24.5 billion, close to the consolidated OP target of ¥25 billion for the final year of SMILE145. What is your outlook for next year?

A3. As you noted, we have almost reached our target of ¥25 billion for the final year of SMILE145. We have positioned two of our domains, the Watch business and Systems Solutions (SS) business, as growth drivers, and they continue to perform strongly. The key issue is DS, which is volatile, but we are making progress through selective investments and portfolio optimization, and we anticipate greater stability next year. At this point, we fully expect next year's OP to exceed the SMILE145 final-year target.

[Watch Business]

Q4. During the three months of Q2, sales grew year-on-year, but operating profit growth was modest. Could you explain the reasons for this? Also, what is your policy on future advertising and promotional investments?

A4. There are two main factors: first, Q2 operating profit in the previous fiscal year was quite strong, making this year's growth look relatively modest; and second, we increased advertising and promotional expenses in that quarter, which cut into profits. Despite all this, overall first-half operating profit remained high.

We will continue aggressive product promotion activities and strengthen advertising and promotional investments, including initiatives to promote Japanese culture. We see the current strong performance of the Watch business as an opportunity to be even more aggressive in our promotion strategy.

Q5. Overseas sales of Grand Seiko (GS) are showing signs of recovery. How do you view the current state of the luxury watch market, particularly in North America? Also, it has been reported that U.S. tariffs on Swiss products might be reduced. What impact do you think such changes could have going forward?

A5. We do not know whether or not Swiss tariff rates will be lowered, but if that happens, there will be minimal impact on our future business. Swiss brands have already increased their prices significantly (generally, by 15%), and are unlikely to reduce them in the near term, regardless of whether or not tariffs are lowered.

In contrast, we raised GS prices by an average of about 5% in July, and some Seiko Global Brand (Seiko GB) models by about 5% in September. Obviously, these price increases were considerably lower than their Swiss counterparts.

Although the lower tariff rate and different levels of price increases give us an advantage, even without these factors our luxury segment is expanding in North America. In fact, along with a solid economy and a rising stock market, the whole luxury market in the U.S. is trending toward recovery. We are successfully riding that wave as we move back

into another strong growth phase.

Q6. Recently, we have seen growth in Seiko GB, including models like Prospex and Astron. Previously, your focus was mainly on the growth of GS, but has the trend shifted? Please explain the factors behind the recent growth of Seiko GB.

A6. As you point out, Seiko GB's models, which are in the mid-price range, are growing strongly. However, it is certainly not the case that GS sales growth has been eclipsed by GB sales growth. Rather, I would say that Seiko GB sales are now on the same steady growth path that GS established years ago and continues to follow today

Of course, it is quite challenging to try to break into the global luxury market, so when GS achieved significant growth in the early years of SMILE145, we focused on that success. Now, Seiko's mid-priced GB lines are also growing strongly, and we want to highlight that success as well.

What is driving the current growth of Seiko GB? I would say primarily a renewed appreciation for mechanical watches and reduced competition in the mid-price segment, following price increases in the luxury category.

While this segment is largely dominated by national brands, we differentiate ourselves as a global brand and are reinforcing promotional activities in all markets. In addition, manufacturing reforms for our mechanical watches have helped to boost profitability.

Q7. Is Seiko GB's growth momentum sustainable?

A7. The mid-price range segment is expected to keep growing in the medium-to-long term. Given distribution and cost structures, luxury brands are unlikely to enter lower price levels, so they will not disrupt the existing mid-price market, and demand should continue to grow for some time. In a market largely dominated by national brands, our global approach provides a clear competitive advantage, underpinning our commitment to long-term, sustainable growth.